



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 989 761 617
Organisasjonsform: Aksjeselskap
Foretaksnavn: SKIPSAKSJESELSKAPET GEARBULK AS
Forretningsadresse: Damsgårdsveien 165
5160 LAKSEVÅG

Regnskapsår

Årsregnskapets periode: 01.01.2018 - 31.12.2018

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Anders Langeland
Dato for fastsettelse av årsregnskapet: 28.05.2019

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 02.11.2020



Resultatregnskap

Beløp i: USD	Note	2018	2017
RESULTATREGNSKAP			
Inntekter			
Operating revenue	2	0	0
Sum inntekter		0	0
Kostnader			
Other operating expenses	4	8 000	6 000
Sum kostnader		8 000	6 000
Driftsresultat		-8 000	-6 000
Finansinntekter og finanskostnader			
Sum finansinntekter		0	0
Other financial expenses	10	590 000	453 000
Sum finanskostnader		590 000	453 000
Netto finans		-590 000	-453 000
Ordinært resultat før skattekostnad		-598 000	-459 000
tax	13	0	0
Ordinært resultat etter skattekostnad		-598 000	-459 000
Årsresultat		-598 000	-459 000
Overføringer og disponeringer			
transfer to other equity	11	-598 000	-459 000
Sum overføringer og disponeringer		-598 000	-459 000



Balanse

Beløp i: USD	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		0	0
Varige driftsmidler			
Sum varige driftsmidler		0	0
Finansielle anleggsmidler			
Investering i datterselskap	6	0	0
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		0	0
Omløpsmidler			
Varer			
Sum varer		0	0
Fordringer			
Other receivables	8	1 000	0
Sum fordringer		1 000	0
Investeringer			
Sum investeringer		0	0
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	7	3 000	7 000
Sum bankinnskudd, kontanter og lignende		3 000	7 000
Sum omløpsmidler		4 000	7 000
SUM EIENDELER		4 000	7 000

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: USD	Note	2018	2017
Egenkapital			
Innskutt egenkapital			
Share capital	11,12	16 060 000	16 060 000
Sum innskutt egenkapital		16 060 000	16 060 000
Opptjent egenkapital			
Other equity	11	-32 126 000	-31 528 000
Sum opptjent egenkapital		-32 126 000	-31 528 000
Sum egenkapital		-16 066 000	-15 468 000
Gjeld			
Langsiktig gjeld			
Sum avsetninger for forpliktelser		0	0
Annen langsiktig gjeld			
Other long-term liabilities	10	10 400 000	10 400 000
Sum annen langsiktig gjeld		10 400 000	10 400 000
Sum langsiktig gjeld		10 400 000	10 400 000
Kortsiktig gjeld			
Liabilities to related parties	8	5 665 000	5 067 000
Other short-term liabilities	9	5 000	8 000
Sum kortsiktig gjeld		5 670 000	5 075 000
Sum gjeld		16 070 000	15 475 000
SUM EGENKAPITAL OG GJELD		4 000	7 000



Konsernets resultatregnskap

Beløp i: USD	Note	2018	2017
RESULTATREGNSKAP			
Inntekter			
Operating revenue	2	27 107 000	5 922 000
Sum inntekter		27 107 000	5 922 000
Kostnader			
Vessel operating	3	6 122 000	2 326 000
Other time charter rental		8 917 000	4 145 000
Depreciation	5	3 781 000	2 330 000
Loss/gain on disposal of assets	5	165 000	0
Other operating expenses	4	59 000	23 000
Sum kostnader		19 044 000	8 824 000
Driftsresultat		8 063 000	-2 902 000
Finansinntekter og finanskostnader			
Other financial income		454 000	5 000
Sum finansinntekter		454 000	5 000
Other financial expenses	10	4 490 000	1 269 000
Sum finanskostnader		4 490 000	1 269 000
Netto finans		-4 036 000	-1 264 000
Ordinært resultat før skattekostnad		4 027 000	-4 166 000
tax	13	2 000	19 000
Ordinært resultat etter skattekostnad		4 025 000	-4 185 000
Årsresultat		4 025 000	-4 185 000
Sum resultatkomponenter for IFRS-foretak		0	0
Overføringer og disponeringer			
Transferred to other equity		4 025 000	-4 185 000
Sum overføringer og disponeringer		4 025 000	-4 185 000



Konsernets balanse

Beløp i: USD	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		0	0
Varige driftsmidler			
Vessels	5	49 344 000	52 738 000
Sum varige driftsmidler		49 344 000	52 738 000
Finansielle anleggsmidler			
Investering i datterselskap	6	0	0
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		49 344 000	52 738 000
Omløpsmidler			
Varer			
Inventories		183 000	47 000
Sum varer		183 000	47 000
Fordringer			
Other receivables	8	4 027 000	558 000
Sum fordringer		4 027 000	558 000
Investeringer			
Sum investeringer		0	0
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	7	133 000	177 000
Sum bankinnskudd, kontanter og lignende		133 000	177 000
Sum omløpsmidler		4 343 000	782 000
SUM EIENDELER		53 687 000	53 520 000



Konsernets balanse

Beløp i: USD	Note	2018	2017
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	11,12	16 060 000	16 060 000
Sum innskutt egenkapital		16 060 000	16 060 000
Opptjent egenkapital			
Other equity	11	-31 609 000	-35 634 000
Sum opptjent egenkapital		-31 609 000	-35 634 000
Sum egenkapital		-15 549 000	-19 574 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	13	206 000	287 000
Sum avsetninger for forpliktelser		206 000	287 000
Annen langsiktig gjeld			
Liabilities to financial institutions	10	0	3 800 000
Capital leases	15	45 069 000	38 416 000
Other long-term liabilities	10	11 750 000	16 192 000
Sum annen langsiktig gjeld		56 819 000	58 408 000
Sum langsiktig gjeld		57 025 000	58 695 000
Kortsiktig gjeld			
Liabilities to financial institutions	10	0	1 160 000
Tax payable	13	54 000	75 000
Capital leases	15	3 847 000	2 140 000
Trade creditors		152 000	84 000
Liabilities to related parties	8	7 172 000	10 824 000
Other short-term liabilities	9	986 000	116 000
Sum kortsiktig gjeld		12 211 000	14 399 000
Sum gjeld		69 236 000	73 094 000
SUM EGENKAPITAL OG GJELD		53 687 000	53 520 000



Norwegian Directorate of Taxes

Inquiries to
Torstein Kinden Helleland

Your date
24.08.2015

Our date
16.09.2015

Telephone
22078139

Your reference
Anders Hagen

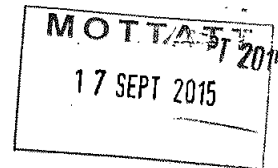
Our reference
2015/839383

GEARBULK POOL LTD
Postboks 1925 Damsgård
5828 BERGEN

Permission to prepare the annual accounts and directors' report in English language

With reference to your letter of 28 August 2015, you apply for permission to keep annual accounts and directors' report in English language. The application in question concerns the following companies;

Gearbulk Bergen AS	org. nr. 996 210 065
Gearbulk Ltd	org. nr. 929 784 308
Gearbulk Management Ltd	org. nr. 914 961 939
Gearbulk Norway AS	org. nr. 996 101 061
Gearbulk Pool Ltd	org. nr. 914 961 858
Gearbulk Shipping AS	org. nr. 961 999 960
Skipsaksjeselskapet Gearbulk AS	org. nr. 989 761 617



Conclusion

Based on a total evaluation, the view of The Directorate of Taxes is that the companies mentioned above may make the directors' report and annual accounts in English language according to the Norwegian Accounting Act § 3-4 third paragraph. The exemption requires that the information that the decision is based on, does not change significantly.

A copy of this letter must be sent to the Register of Company Accounts in Brønnøysund together with the financial statements. It is incumbent on the company to document by this letter that the permit is granted.

Background

The companies in the Gearbulk Holding Group are owned by Gearbulk Holding Ltd, Bermuda. The Gearbulk Holding Group is an international group of companies which owns and operates a modern fleet of open hatch vessels. The Group is highly international in the sense that it operates throughout the world. The Group uses English as working language. The annual report and financial statements are required to be prepared each year in the Norwegian language only in order to satisfy the requirements of the Norwegian Accounting Act.

Postal address
Postboks 9200 Grønland
0134 Oslo

Visiting address: Telephone
See www.skatteetaten.no 800 80 000
Org.nr: 996250318 Telefax
E-mail: skatteetaten.no/sendepost 22 17 08 80



Permission to make the annual accounts and the directors' report in Norway in English language

According to the Norwegian Accounting Act § 3-4, third paragraph shall *"the directors' report and annual accounts ... be in Norwegian. The Ministry can in an individual decision decide that the directors' report and/or annual accounts may be in another language"*.

Ot. prp. nr. 42 (1997-1998) About Act about annual accounts etc., says the following about the purpose of the Accounting Act, refer section 1.1:

"The aim of the Government with respect to the Accounting Act is that it shall contribute towards providing informative accounts for different users of accounts. The users of accounts include investors and creditors which provide capital for the companies. Other groups include those who have an interest in knowing how the companies are operated, for example employees and the local community. The information to the capital market is an important basis for the correct pricing of financial instruments. The correct pricing of stocks is an important factor in securing the best possible allocation of resources in the economy. High quality accounts will also make it more difficult for market participants to obtain speculative gains as a result of non-publicly available information."

Hence, one of the main aims of the Accounting Act is to contribute to "informative accounts for different users of accounts". The users of the accounts will include investors, creditors, employees and the local community.

Hence, it is the view of the Ministry that it is crucial that the question of dispensation from the general rule that the annual accounts and/or directors' report should be prepared in Norwegian, not in any significant way deviate from the consideration of users of the accounts.

As mentioned above it is particularly the consideration of the users of the account information which has to be taken into consideration when considering the application for permission. In this assessment, the Directorate of Taxes has emphasized that the companies are owned by a foreign company. The working language is English, and English is the preferred language for internal and external communication. Further, the companies operate in an international branch.

Please state "our reference" (see above) in all written communication with The Norwegian Tax Authorities.

Best regards

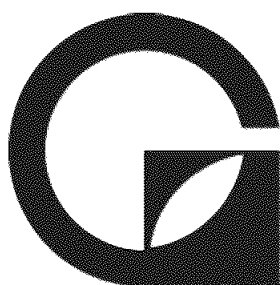
Rune Tystad
Senior Adviser
Rettsavdelingen, foretaksskatt
Norwegian Directorate of Taxes

Torstein Kinden Helleland

This document has been electronically approved and contains therefore no handwritten signatures



**SKIPSAKSJESELSKAPET
GEARBULK
AS**



**Financial Statements
Year ended December 31, 2018**



Board of directors' report 2018

Skipsaksjeselskapet Gearbulk AS

Address: Damsgårdsveien 165, 5160 LAKSEVÅG

Org.nr: 989761617 MVA

The business

Skipsaksjeselskapet Gearbulk AS ("SAGBAS") is undertaking shipping related activities and is the owner of the vessel owning company Gearbulk Shipping AS. The Company's office is located in Bergen.

Financial result and development

Skipsaksjeselskapet Gearbulk Group's revenue in 2018 was USD 27.1 mill compared to USD 5.9 mill in 2017. The 2018 result was a net profit of USD 4 mill compared to a net loss of USD 4.2 mill in 2017.

The Group's net assets are increased from USD 53.5 mill in 2017 to 53.7 mill in 2018. The liquidity position is reduced from USD 0.18 mill in 2017 to USD 0.13 mill in 2018. Current assets are USD 4.3 mill (2017: USD 0.8 mill) and short term debt is USD 12.2 mill (2017: USD 14.4 mill).

The Group's equity ratio is -29 % as of December 31, 2018.

Skipsaksjeselskapet Gearbulk AS is a Holding company for the vessel owning company Gearbulk Shipping AS. The Company's net result was a net profit of USD 4.6 mill compared to a net loss of USD 3.7 mill in 2017. The Company's total asset as of December 31, 2018 was USD 55.5 mill (2017: USD 55.3 mill) and the equity was positive by USD 0.5 mill (2017: negative USD 4.1 mill).

Going concern assumption

In accordance with the section 3-3 of the Norwegian Accounting Act, we confirm that the financial statements have been prepared under the assumption of going concern. The equity is negative, however the financing is to a large extent through long term financing which consist of debt to Gearbulk Group companies. The going concern assumption has been based on an assessment of the following factors; the instalment profile for the long term debt, and the projected cash flow from operation in combination with the letter of financial support from Gearbulk Holding AG for at least one year from the date of signing the 2018 financial statement.

The Board considers that the annual accounts give an accurate description of Skipsaksjeselskapet Gearbulk AS' assets and liabilities, financial position and result.

The Board notes that the share capital in the Company has been lost. The Company has received a letter of financial support from Gearbulk Holding AG which will continue to support the Company in the future and at least one year from the date of signing the 2018 financial statement.

Liquidity and financing

Differences between net operation result and the cash flow from operational activities is mainly resulting from depreciations of fixed assets, changes in receivable and changes in short time liabilities to related parties.



The liquidity position and the financing of the company for the next 12 months are assessed to be covered based on the cash flow and the available credit facilities.

Financial risk

The Group is exposed to risks related to the market, availability of financing, interest, credit, exchange rate, fluctuations in the bunker price and operational risk through its engagement as a vessel owner.

The risks related to the market, fluctuations in the bunker price, currency and credit are sought to be reduced through commercial agreements with Gearbulk Pool Ltd and High Heat Tankers Pte Ltd.

Operational risk is sought to be reduced through technical management agreement with Gearbulk Norway AS which operates as the technical manager for the vessels in the Gearbulk Group.

The financial risk is reduced through the Group's financial structure and the available credit facilities.

Work environment, equal opportunities and discrimination

The company has no employees and there are no female representatives in the Board of Directors. The company's ambition is to exercise full gender equality and has incorporated a policy aiming to avoid any discrimination.

The external environment

Shipping activity in general may lead to pollution or other accidents. The Group's vessel is equipped in accordance with international legislation and requirements. There have not been any material accidents or events during 2018 which has caused pollution.

Statement regarding the outlook for the company

The Company's vessels are operated within the pool of vessels run by Gearbulk Pool Ltd and High Heat Tankers Pte Ltd. The revenue in Gearbulk Pool Ltd and High Heat Tankers Pte Ltd is depending on the market conditions.

Bergen, May 28th, 2019
Board of Skipsaksjeselskapet Gearbulk AS

Kristian Jebsen
Director

Hans Petter Aas
Chairman

Ketil Andreassen
Director

Sjur Gjerde
Managing Director



SKIPSAKSJESELSKAPET GEARBULK AS
INCOME STATEMENT
As of December 31, 2017 and 2018

(US Dollars in thousands)

Parent			Group	
Year ended 31 December			Year ended 31 December	
2017	2018		2017	2018
		Revenue		
\$ -	\$ -	Operating revenue (Note 2)	\$ 5 922	\$ 27 107
		Operating expenses		
-	-	Vessel operating (Note 3)	(2 326)	(6 122)
-	-	Other time charter rental	(4 145)	(8 917)
-	-	Depreciation (Note 5)	(2 330)	(3 781)
-	-	(Loss) / gain on disposal of assets (Note 5)	-	(165)
(6)	(8)	Other operating expenses (Note 4)	(23)	(59)
(6)	(8)	Total operating expenses	(8 824)	(19 043)
(6)	(8)	Operating result	(2 902)	8 064
		Financial income and expenses		
-	-	Other financial income	5	454
(454)	590	Other financial expenses (Note 10)	(1 269)	(4 490)
(454)	(590)	Net financial items	(1 264)	(4 036)
(459)	(598)	Result before tax	(4 166)	4 027
-	-	Tax (Note 13)	(19)	(2)
\$ (459)	\$ (598)	Net profit / loss for the year	\$ (4 185)	\$ 4 025
		Allocated as follows		
(459)	(598)	Transferred to other equity (Note 11)	(4 185)	4 025



SKIPSAKSJESELSKAPET GEARBULK AS
BALANCE SHEET
As of December 31, 2017 and 2018

(US Dollars in thousands)

Parent			Group	
As at 31 December			As at 31 December	
2017	2018		2017	2018
		Assets		
		Fixed assets		
\$ -	\$ -	Vessels (Note 5)	\$ 52 738	\$ 49 344
-	-	Investment in subsidiary (Note 6)	-	-
-	-	Total fixed assets	52 738	49 344
		Current assets		
-	-	Inventories	47	183
-	1	Other receivables (Note 8)	557	4 026
7	3	Cash and cash equivalents (Note 7)	177	133
7	4	Total current assets	781	4 343
\$ 7	\$ 4	Total assets	\$ 53 520	\$ 53 687



SKIPSAKSJESELSKAPET GEARBULK AS
BALANCE SHEET (continued)
As of December 31, 2017 and 2018
(US Dollars in thousands)

Parent			Group	
As at 31 December			As at 31 December	
2017	2018		2017	2018
		Equity		
		Paid in capital		
		Share capital	(Note 11,12)	
\$ 16 060	\$ 16 060	Total paid in capital	\$ 16 060	\$ 16 060
16 060	16 060		16 060	16 060
		Retained earnings		
		Other equity	(Note 11)	
(31 528)	(32 126)	Total retained earnings	(35 634)	(31 609)
(31 528)	(32 126)		(35 634)	(31 609)
		Total equity	(19 574)	(15 549)
(15 468)	(16 066)		(19 574)	(15 549)
		Liabilities		
		Provisions		
		Deferred tax liability	(Note 13)	
-	-	Total Provisions	287	206
-	-		287	206
		Other long-term liabilities		
		Liabilities to financial institutions	(Note 10)	
-	-	Capital leases	(Note 15)	
-	-	Other long-term liabilities	(Note 10)	
10 400	10 400	Total other long-term liabilities	3 800	-
10 400	10 400		38 416	45 069
		Current liabilities	16 192	11 750
		Liabilities to financial institutions	(Note 10)	
-	-	Capital leases	(Note 15)	
-	-	Trade creditors		
-	-	Tax payable	(Note 13)	
5 067	5 665	Liabilities to related parties	(Note 8)	
8	5	Other short-term liabilities	(Note 9)	
5 075	5 670	Total current liabilities	1 160	-
		Total liabilities	2 140	3 847
15 475	16 070		84	152
		Total equity and liabilities	75	54
\$ 7	\$ 4		10 824	7 172
			116	986
			14 400	12 211
			73 094	69 236
			\$ 53 520	\$ 53 687


Kristian Jebsen
Director

Bergen, May 28th, 2019


Hans Petter Aas
Chairman


Sjur Gjerde
Managing Director


Ketil Andreassen
Director



SKIPSAKSJESELSKAPET GEARBULK AS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2018

(US Dollars in thousands)

Parent			Group	
Period ended 31 December			Period ended 31 December	
2017	2018		2017	2018
		<i>Cash flows from operating activities</i>		
\$ (459)	\$ (598)	Profit or loss before tax	\$ (4 166)	\$ 4 027
-	-	Taxes paid	(Note 13) (64)	(75)
-	-	Depreciation and write-down of vessels	(Note 5) 1 495	3 228
-	-	Depreciation and write-down of dry-docking and bunkers	(Note 5) 831	513
-	-	Depreciation and write-down of fleet performance equipment	(Note 5) 3	40
-	-	Gain / (loss) on disposal of assets	(Note 5) -	165
-	-	Changes in inventories	1	(136)
-	-	Changes in receivables	(Note 8) (518)	(3 469)
-	-	Changes in trade creditors	10	68
463	598	Change in short term liabilities to related parties	(Note 8) 3 943	(4 812)
(2)	(4)	Changes in other current balance sheet items	(Note 9) (25)	870
<u>2</u>	<u>(4)</u>	<i>Net cash provided by operating activities</i>	<u>1 511</u>	<u>418</u>
		<i>Cash flows from investing activities</i>		
-	-	Investments in vessels	(Note 5) (40 598)	(448)
-	-	Proceeds from sale of vessels	-	10 395
-	-	Dry-docking and bunkers	(1 104)	-
-	-	Fleet performance equipment	(102)	-
-	-	<i>Net cash flow from investing activities</i>	<u>(41 804)</u>	<u>9 947</u>
		<i>Cash flows from financing activities:</i>		
-	-	Repayment of long term loans	(Note 10) (368)	(8 242)
-	-	Proceeds from increase in capital lease	(Note 15) 40 556	(2 140)
-	-	<i>Net cash flow from financing activities</i>	<u>40 188</u>	<u>(10 382)</u>
2	(4)	Net change in cash and cash equivalents	(105)	(16)
5	7	Cash and cash equivalents at beginning of year	255	177
-	-	Effect of changes in exchange rates	27	(27)
<u>\$ 7</u>	<u>\$ 3</u>	<i>Cash and cash equivalents at the end of the year</i>	<u>\$ 177</u>	<u>\$ 133</u>



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 1 - Accounting principles

The annual accounts have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles.

a) Basis for consolidation

The consolidated financial statements comprise the parent company Skipsaksjeselskapet Gearbulk AS and the subsidiary Gearbulk Shipping AS. The consolidated accounts are prepared such that the group of companies is presented as a single economic entity. Intercompany transactions have been eliminated from the consolidated accounts. The consolidated accounts are prepared according to the same accounting principles for both parent and subsidiary.

b) Subsidiaries and investment in associate

Subsidiaries and investments in associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceeds withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

c) Operating revenue

Operating revenues are recognised as income at the time of delivery and the risk and control has been transferred. Revenues relating to net pool distribution and time charter income are recognized on an earned basis, once the service has been performed. All other revenues are recognized once the service has been performed.

d) Balance sheet classification

Current assets and current liabilities relates to items which is due within one year from the date of purchase. Other balance sheet items are classified as fixed assets / long-term liabilities.

Current assets are valued at the lower of historical cost and fair value. Current liabilities are carried at nominal value at the date of issue. Fixed assets are valued at historical cost, but are written down to recoverable amount in the event of impairment which is not deemed to be temporary. Long-term liabilities are recognized at nominal value.

e) Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments.

f) Inventories

Inventories of lub oil and paint are valued at the lowest of cost (on the basis of the FIFO method) and net selling price.



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

g) Currency

Functional currency for the Company and the subsidiary in the Group is US Dollar. Transactions in foreign currency are translated at the rate applicable at the time of the transaction. Monetary items in foreign currency are translated into USD using the year-end exchange rate.

h) Fixed assets

Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is recognised on a straight line basis over the remaining expected useful life of each asset, adjusted for the residual value. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period.

Improvements are capitalised and depreciated in pace with the asset involved. Docking costs are capitalised and depreciated over the period to the next scheduled dry-docking.

If carrying value of fixed assets exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted and used.

i) Income tax

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated on all differences between the book value and the tax value of assets and liabilities at the year end. Deferred tax is calculated as 22% (23% in 2017) of temporary differences and the tax effect of tax losses carried forward.

Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized.

The Company is subject to the Norwegian tonnage tax scheme pursuant to chapter 8 of the Taxation Act.

j) Use of estimates

The management has used estimates and assumptions in the preparation of the financial statements that have effect on the reported amounts in the profit and loss statement, the measurement of assets and liabilities and the disclosure of contingent assets and liabilities on the balance sheet date in accordance with the generally accepted accounting principles in Norway.

Contingent losses that are probable and quantifiable are expensed as occurred.

k) Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term highly liquid placement with original maturities of three months or less.



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 2 – Operating revenue

The operating revenue in 2017 and 2018 is net pool revenues based on the Group's vessel participation Gearbulk Group's pooling of vessels, managed by Gearbulk Pool Ltd. In addition, the operating revenue in 2018 also consists of TC hire income relating to the chartering out of two vessels to High Heat Tankers Pte Ltd.

Note 3 – Vessel Operating expenses

	Group	
	As of December 31,	
	2017	2018
	(US Dollars in thousands)	
Crew cost	\$ 1 142	\$ 3 280
Provision and consumables	343	835
Sparcs and maintenanc	443	1 081
Insurance	74	205
Other vessel operating expenses	324	722
	<u>\$ 2 326</u>	<u>\$ 6 122</u>

Skipsaksjeselskapet Gearbulk AS does not have any vessel operating expenses. The technical management for the Group's vessel is provided by Gearbulk Norway AS.

Note 4 - Payroll, auditor's remuneration, other operating expenses

The Company has no employees.

Management remuneration

There has not been any remuneration to leading employees. No loans or guarantees have been given to the Managing Director or Board of Directors.

Audit fee

	Parent	
	Year ended December 31,	
	2017	2018
	(US Dollars in thousands)	
Auditor fee has been divided as follows		
Audit fee	\$ 6	\$ 6
	<u>\$ 6</u>	<u>\$ 6</u>

	Group	
	Year ended December 31,	
	2017	2018
	(US Dollars in thousands)	
Auditor fee has been divided as follows		
Audit fee	\$ 14	\$ 19
	<u>\$ 14</u>	<u>\$ 19</u>

Auditors fees are exclusive VAT.



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 5 – Fixed assets

Group

	<u>Vessels</u>	<u>Docking</u>	<u>Bunkers</u>	<u>Fleet Performance</u>	<u>Total</u>
	(US Dollars in thousands)				
Cost					
Balances as at January 1, 2017	\$ 77 216	\$ 1 804	\$ 36	\$ 201	\$ 79 258
Additions	10 636	289	22	-	10 948
Disposals	(23 568)	(715)	-	-	(24 283)
Balances as at December 31, 2017	64 285	1 378	59	201	65 922
Depreciation					
Acc. depreciation December 31, 2017	(7 843)	(536)	(25)	(143)	(8 547)
Acc. write-downs December 31, 2017	(8 030)	-	-	-	(8 030)
Net carrying amount as at December 31, 2017	48 411	842	34	58	49 344
Depreciation for the year	3 228	502	11	40	3 781
Useful economic life	25 years	1.5 - 5 years	1.5 - 5 years	1.5 - 5 years	

Recoverable amount of vessels and docking is based on value in use.

Gain / loss on disposal of assets relates to sale of Merlin Arrow. Merlin Arrow was in a sale-leaseback transaction in 2018, hence addition in PP&E as a right-of-use asset. See note 15.

The Group do not own vessels, and all vessels in this Note are vessels held under capital leases. See note 15.

Note 6 - Subsidiaries

Parent

<u>Investments in subsidiary</u>	<u>Location</u>	<u>Share ownership</u>	<u>Voting rights</u>	<u>Equity</u>	<u>Net profit</u>	<u>Book value</u>
(US Dollars in thousands)						
Gearbulk Shipping AS	Bergen	100 %	100 %	\$ 517	\$ 4 623	\$ -

Note 7 - Bank deposit

There is no restricted cash as of December 31, 2018 (2017: USD 0 mill), neither for the Parent nor the Group.



Note 8 – Related parties

Parent Payables	As of December 31,	
	2017	2018
	(US Dollars in thousands)	
Gearbulk Shipowning Ltd	3 284	3 874
Gearbulk Shipping AS	1 782	1 791
Total	<u>\$ 5 067</u>	<u>\$ 5 665</u>

Group Receivables	As of December 31,	
	2017	2018
	(US Dollars in thousands)	
Gearbulk Pool Ltd	335	1 683
High Heat Tankers Pte Ltd	-	1 507
Total	<u>\$ 335</u>	<u>\$ 3 189</u>

Group Payables	As of December 31,	
	2017	2018
	(US Dollars in thousands)	
Gearbulk Shipowning Ltd	9 775	7 161
Gearbulk Norway AS	155	11
Gearbulk Holding AG	852	-
G2 Ocean AS	41	-
Total	<u>\$ 10 824</u>	<u>\$ 7 172</u>



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 9 - Short term liabilities

Parent	As of December 31,	
	2017	2018
	(US Dollars in thousands)	
Other short term liabilities	8	5
Total	\$ 8	\$ 5

Group	As of December 31,	
	2017	2018
	(US Dollars in thousands)	
Accrued expenses	103	971
Other short term liabilities	14	15
Total	\$ 116	\$ 986



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 10 – Liabilities and guarantees

Parent	As of December 31,	
	2017	2018
<i>Long term liabilities to related parties</i>	(US Dollars in thousands)	
Gearbulk Shipowning Ltd	\$ 10 400	\$ 10 400

Group	As of December 31,	
	2017	2018
<i>Book value of secured debts</i>	(US Dollars in thousands)	
Liabilities to financial institutions	\$ 4 960	\$ 0

	As of December 31,	
	2017	2018
<i>Book value of pledged assets</i>	(US Dollars in thousands)	
Vessels	\$ 11 773	\$ 0

	As of December 31,	
	2017	2018
<i>Long term liabilities to related parties</i>	(US Dollars in thousands)	
Gearbulk Shipowning Ltd	\$ 10 400	\$ 10 400
Gearbulk Holding AS RCF	5 000	0
Other liabilities	792	792

Other long term liabilities

On Nov. 5, 2018, the Company repaid and terminated the revolving credit facility with Gearbulk Holding AG.

Mortgage debt

The Company's mortgage debt has been settled in 2018 in relation to the sale transaction of Merlin Arrow.



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 11 – Equity

Parent

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	(US Dollars in thousands)		
Equity January 1, 2018	\$ 16 060	\$ (31 528)	\$ (15 468)
Net profit/loss	-	(598)	(598)
Equity December 31, 2018	<u>\$ 16 060</u>	<u>\$ (32 126)</u>	<u>\$ (16 066)</u>

Group

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	(US Dollars in thousands)		
Equity January 1, 2018	\$ 16 060	\$ (35 634)	\$ (19 574)
Net profit/loss	-	4 025	4 025
Equity December 31, 2018	<u>\$ 16 060</u>	<u>\$ (31 609)</u>	<u>\$ (15 549)</u>

Note 12 - Share capital and shareholder information

Share capital consists of 1,000,000 shares at NOK 6.00. The share capital is accounted for in USD at the prevailing rate at the time of the investment. All of the shares are owned by Gearbulk Holding AG.



Note 13 - Taxes

Parent

The Company is subject to the Norwegian tonnage tax rules in accordance with Chapter 8 of the Taxation Act. Payable tonnage tax for 2018 is USD 0 (2017: 0 USD)

	Year ended December 31.	
	2017	2018
<i>Tax payable cost consists of</i>		
Taxable financial income	-	-
Total tax expense	\$ -	\$ -

	As of December 31.		
	2017	2018	Change
<i>Deferred tax</i>			
Financial loss carried forward	(5 164)	(6 263)	(1 099)
Profit loss account	-	-	-
Basis for deferred tax	(5 164)	(6 263)	(1 099)
Deferred tax	(1 188)	(1 378)	(190)
Off balance sheet	(1 188)	(1 378)	(190)
Deferred tax in the accounts	\$ -	\$ -	\$ -



SKIPSAKSJESELSKAPET GEARBULK AS NOTES TO FINANCIAL STATEMENTS

Group

Gearbulk Shipping AS and Skipsaksjeselskapet Gearbulk AS are both subject to the Norwegian tonnage tax rules in accordance with Chapter 8 of the Taxation Act. Payable tonnage tax for 2018 for the Group is USD 16,258 (2017: USD 10,673).

	Year ended December 31,	
	2017	2018
	(US Dollars in thousands)	
<i>Tax payable consists of</i>		
Taxable financial income	-	-
Tax payable of profit/loss account	75	54
Total tax payable	\$ 75	\$ 54
<i>Tax expense consists of</i>		
Tax payable	75	54
Change in deferred tax	(69)	(80)
Too much allocated in previous year	(24)	24
Total tax expense	\$ (19)	\$ (2)
Profit / (loss) account January 1	1 484	1 246
Taxable income portion	(311)	(108)
Currency impact	74	(72)
Profit / (loss) account subject to income tax	\$ 1 246	\$ 1 066

	As of December 31,		
	2017	2018	Change
	(US Dollars in thousands)		
<i>Deferred tax</i>			
Financial loss carried forward	(6 205)	(7 726)	(1 521)
Profit loss account	1 246	941	(305)
Basis for deferred tax	(4 959)	(6 785)	(1 826)
Deferred tax	(1 141)	(1 493)	(352)
Off balance sheet	(1 427)	(1 700)	(273)
Deferred tax in the accounts	\$ 287	\$ 206	\$ (80)

The tax asset related to the financial loss carried forward has not been recorded, see "off balance sheet" items specified above.



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 14 – Transactions with related parties

Gearbulk Holding AG

On Nov. 5, 2018, the Company repaid and terminated the revolving credit facility with Gearbulk Holding AG.

Gearbulk Pool

The Company has received net pool revenues of USD 19.9 mill from Gearbulk Pool Ltd (2017: USD 5.9 mill) for the commercial operation of the vessels.

High Heat Tankers Pte Ltd

The Company charters out two vessels on TC contracts to High Heat Tankers Pte Ltd. Receivables are outstanding TC hire income.

Gearbulk Norway AS

Gearbulk Norway AS has been responsible for the technical management of the vessels and the administrative operation of the Company. The management fee Gearbulk Norway AS has received for the service provided is based on a cost-plus principle and is considered to be in accordance with the arm's length principle.

Note 15 – Capital leases

In October 2018, the Company entered into long-term bareboat charter arrangements for *Merlin Arrow* and, which were classified as capital leases.

In December 2017, the Company entered into long-term bareboat charter arrangements for *Sunbird Arrow* and *Kingbird Arrow*, which were classified as capital leases.



Future minimum lease payments as of December 31, 2018 are as follows:

<u>Year ended December 31,</u>	<u>Vessels</u>
	(US Dollars in thousands)
2019	8 100
2020	7 737
2021	7 629
2022	7 520
2023	10 294
Thereafter	29 217
Sum	<u>\$70 497</u>
Less: amounts representing future finance cost	21 581
Present value of minimum lease payments	<u>\$48 916</u>
Less: current portion	3 847
Long-term capital lease obligations	<u><u>\$45 069</u></u>

Note 16 - Subsequent events

There are no material events subsequent to the balance sheet date for Skipsaksjeselskapet Gearbulk AS or subsidiaries (hence; the Group) financial statements of 2018.



To the General Meeting of Skipsaksjeselskapet Gearbulk AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Skipsaksjeselskapet Gearbulk AS, which comprise:

- The financial statements of the parent company Skipsaksjeselskapet Gearbulk AS (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and statements of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Skipsaksjeselskapet Gearbulk AS and its subsidiary (the Group), which comprise the balance sheet as at 31 December 2018, the income statement and statements of cash flows for the year then ended, and notes to 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 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 consolidated financial statements give a true and fair view of 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 the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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.

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Independent Auditor's Report - Skipsaksjeselskapet Gearbulk AS

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 in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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>

(2)



Independent Auditor's Report - Skipsaksjeselskapet Gearbulk AS

Report on Other Legal and Regulatory Requirements

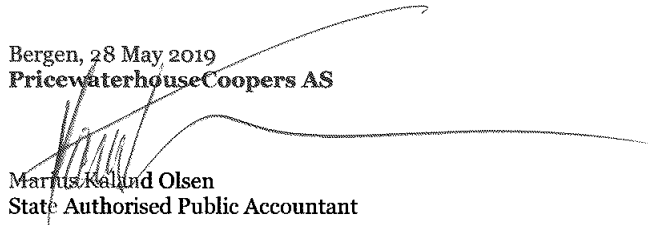
Opinion on the Board of Directors' report

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.

Bergen, 28 May 2019
PricewaterhouseCoopers AS


Marit Kjelund Olsen
State Authorised Public Accountant