



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 882 706 672
Organisasjonsform: Aksjeselskap
Foretaksnavn: GRIEG INTERNATIONAL II AS
Forretningsadresse: Bryggegata 6
0250 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Kari Teigland Tepstad
Dato for fastsettelse av årsregnskapet: 18.03.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 15.05.2022



Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Annen driftsinntekt	7	31 902 533	36 555 935
Gevinst ved salg skip		55 000	2 170 384
Sum inntekter		31 957 533	38 726 319
Kostnader			
Driftskostnader skip	9	16 542 467	18 723 604
Avskrivning på varige driftsmidler og immaterielle eiendeler	3	11 142 785	11 163 246
Nedskrivning av varige driftsmidler og immaterielle eiendeler		26 250 000	
Annen driftskostnad		817 070	975 989
Sum kostnader		54 752 322	30 862 839
Driftsresultat		-22 794 789	7 863 480
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern	7	794 307	444 196
Annen renteinntekt		33 320	138 369
Annen finansinntekt	4	98 020	151 479
Verdiøkning andre finansielle instrumenter vurdert til virkelig verdi		60 333	216 786
Sum finansinntekter		985 980	950 830
Rentekostnad til foretak i samme konsern	7	1 957 397	3 257 053
Annen rentekostnad		5 448 836	3 875 751
Annen finanskostnad		48 557	901 967
Sum finanskostnader		7 454 790	8 034 771
Netto finans		-6 468 810	-7 083 941
Ordinært resultat før skattekostnad		-29 263 599	779 539
Skattekostnad på ordinært resultat		3 612	-1 642
Ordinært resultat etter skattekostnad		-29 267 211	781 181
Årsresultat		-29 267 211	781 181



Resultatregnskap

Beløp i: USD	Note	2020	2019
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-29 267 211	781 181
Sum overføringer og disponeringer		-29 267 211	781 181



Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	3	172 904 006	211 381 830
Sum varige driftsmidler		172 904 006	211 381 830
Sum anleggsmidler		172 904 006	211 381 830
Omløpsmidler			
Varer			
Varer		518 497	781 634
Sum varer		518 497	781 634
Fordringer			
Andre fordringer		1 475 920	671 848
Konsernfordringer	7	11 853 796	17 063 715
Sum fordringer		13 329 716	17 735 563
Investeringer			
Andre markedsbaserte finansielle instrumenter	4	4 988 374	6 865 132
Sum investeringer		4 988 374	6 865 132
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		1 608	64 658
Sum bankinnskudd, kontanter og lignende		1 608	64 658
Sum omløpsmidler		18 838 195	25 446 987
SUM EIENDELER		191 742 201	236 828 817

BALANSE - EGENKAPITAL OG GJELD

Egenkapital



Balanse

Beløp i: USD	Note	2020	2019
Innskutt egenkapital			
4 805 130 aksjer a NOK 1,132456	2,8	977 580	977 580
Annen innskutt egenkapital		65 710 076	65 710 076
Sum innskutt egenkapital		66 687 656	66 687 656
Opptjent egenkapital			
Annen egenkapital	2	-1 886 831	27 380 380
Sum opptjent egenkapital		-1 886 831	27 380 380
Sum egenkapital		64 800 825	94 068 036
Gjeld			
Langsiktig gjeld			
Utsatt skatt	9	102 410	124 401
Sum avsetninger for forpliktelser		102 410	124 401
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	6	20 158 154	31 107 036
Langsiktig konserngjeld	7	47 536 647	48 127 824
Øvrig langsiktig gjeld		57 572 222	61 197 223
Sum annen langsiktig gjeld		125 267 023	140 432 083
Sum langsiktig gjeld		125 369 433	140 556 484
Kortsiktig gjeld			
Leverandørgjeld		117 440	438 164
Betalbar skatt	9	102 121	108 368
Kortsiktig konserngjeld	7	939 453	115 293
Annen kortsiktig gjeld		412 929	1 542 472
Sum kortsiktig gjeld		1 571 943	2 204 297
Sum gjeld		126 941 376	142 760 781
SUM EGENKAPITAL OG GJELD		191 742 201	236 828 817



BOARD OF DIRECTORS' REPORT 2020 GRIEG INTERNATIONAL II AS

The business

Grieg International II AS (the "Company") is a ship owning company and is part of the consolidated group of shipping activities controlled by Grieg Shipholding AS ("Grieg Shipholding" or "the Group"). Per year end 2020, Grieg International II AS controlled a fleet of 7 open hatch vessels. 5 out of these vessels are owned by the Company and 2 vessels are on long term bareboat charter.

The Company has its office in Oslo and is organized under the Norwegian tonnage tax system and has no employees. The Board of Directors consists of six members, three women and three men. The Company has in 2020 purchased a range of services from Grieg Shipholding within strategy, administration, IT and business processes, risk management, finance and accounting as well as financial asset management. Another group company, Grieg Star AS, is responsible for the ship management of the majority of the Company's fleet. Thome Ship Management manages the remaining vessels. The services are regulated under management agreements.

The vessels are marketed and operated by the Grieg Shipholding and Gearbulk jointly controlled company G2 Ocean, the world's largest open hatch shipping company, which was put into operation in May 2017. G2 Ocean combines the two's global commercial expertise, operating a fleet of more than 125 vessels, in one open hatch and one dry bulk pool. The open hatch pool's worldwide trading pattern is built around long-term cargo contracts with pulp and paper producers as well as transport of steel and project cargoes. The operation's success criteria are the ability to establish optimal sailing patterns, combining various types of cargoes coupled with efficient port operations.

Annual accounts

The rapid spread of Covid-19 cases and its devastating effects on human lives and livelihoods will forever define 2020. Although the annual result is impacted by the pandemic, being lower than foreseen at the outset of 2020, the Company's operations did better than feared when the pandemic started. With China being an important market, its lockdown was severely felt in the first quarter for open hatch activities. Vessel earnings improved, however, throughout the year as the world adjusted to the new normal and the Company's vessels continued to operate in a safe manner.

The Company's operating revenues consist primarily of freight income and was reduced to USD 32.0m in 2020 vs. USD 38.7m in 2019, partly as a result of lower income due to Covid-19 markets, but mainly as a result of less vessels in the fleet as two open hatch vessels were recycled during 2019.

Total operating costs before depreciations and write-downs were reduced from USD 19.7m in 2019 to USD 17.4m in 2020. The vessels' operating expenses was the main contributor to this, declining from USD 18.7m in 2019 to USD 16.5m in 2020, mainly as an effect of less vessel days. Included in this amount was also extra costs related to Covid-19, such as increased crew travel costs and accommodation and other safety measures such as hardship allowance for personnel staying extra time onboard. By this, Company EBITDA was reduced to USD 14.6m in 2020 vs. USD 19.0m in 2019.

Depreciation charges were unchanged with USD 11.1m in 2020 (USD 11.2m). As part of the annual close, an impairment testing of the fleet was carried out using the discounted cash flow method. The impairment testing resulted in a write-down of USD 26.3m of the vessels' book values, to achieve better harmonisation with the fleet's fair market value. Although the write-down reduces the



Company's equity ratio to 33% (40%), it has no real material impact on its financial strength, solidity, operations, or partners' interests.

With this, Grieg International II AS' operating profit decreased to minus USD 22.8m in 2020 vs. a positive operating profit of USD 7.9m in 2019.

Net financial items were minus USD 6.5m in 2020 vs. USD 7.1m in 2019. While Company financing costs were positively influenced by the lower Libor rate, the refinancing of two of vessels, as well as cost effects of finance leases, resulted in total interest rate costs and financing fees in 2020 of USD 7.4m vs. USD 7.1m in 2019. The net effect from foreign exchange gains/loss was insignificant in 2020, while there was a positive contribution from the Company's financial investment portfolio.

Altogether, the Company ended up with a pre-tax result of minus USD 29.3m in 2020 vs. a positive result of USD 0.8m in 2019.

Long-term interest-bearing debt decreased slightly from USD 140.4m in 2019 to USD 125.3m in 2020. The Company's book equity was USD 64.8m at year end (USD 94.1m), and by the end of 2020 the Company had total assets of USD 191.7m (USD 236.8m), with current assets accounting for USD 18.8m (USD 25.4m). Liquidity on the balance sheet date in the form of bank deposits and cash was USD 5.6m including the Company's share of aggregated cash balance in cash pool agreement the Company is part of¹.

Based on net cash flows from operations of USD 8.2m (USD 15.0m), cash flow from investments of minus USD 3.8m (USD 1.9m) and net cash flow of minus USD 14.3m (minus USD 2.3m) from financing activities, the Company's net change in liquid funds in 2020 was minus USD 9.9m (USD 14.6m).

External environment

Shipping, transporting about 90% of world trade, is statistically the least environmentally damaging mode of transport when taking productivity into the equation. Still, emissions of greenhouse gases (GHG) from shipping constitutes about 2.5% of global emissions. In 2018, the IMO's Marine Environment Protection Committee (MEPC) adopted a new strategy to reduce GHG emissions from ships. Their vision is to reduce total annual GHG emissions by at least 50% by 2050, compared to 2008. The IMO targets align with the Group's environmental strategy and long-term goals towards 2030, aiming to be compliant or exceed any regulations before their due dates.

The Group's participation in ongoing R&D programs is part of meeting its environmental ambitions. An example of this is the SFI Smart Maritime project, enabling the Norwegian maritime cluster to be world-leading in 2025 in environmentally friendly shipping. The project has eight years duration, with expected completion in 2023. Exploration of new technologies and digitalisation is encouraged, as it enables better insight and more efficient operations. Several applications and initiatives were launched in 2020, as the Rayven contingency reporting tool, a process for remote dockings and the "red team" project together with G2 Ocean and Gearbulk, resulting in a significant reduction of fuel oil use.

As the Company's vessels are being dry docked, ballast water treatment plants are being installed. This project will be completed for all ships by the end of 2023, while all vessels in the fleet have obtained their IHM. After implementing measures to eliminate single-use plastic on board, a 30% reduction of plastic disposal was also achieved in 2020.

¹ The Company has recorded this as a receivable in its accounts. Grieg Shipowning AS is the main holder of the cash pool.



Sustainability

In 2008, the Group committed to the ten principles of the UN Global Compact. In 2019 it became a participant of the same and joined the UNGC Action Platform for Sustainable Ocean Business. All in the recognition that no one is big enough to solve all these challenges themselves but need to work together with partners. Through the 2020 strategy process, management further reinforced that sustainability is not a separate policy with its own benchmarks but an integrated part of developing the future business. This is the only way the Group can contribute to the Grieg Group's ambitious purpose: "We shall restore our oceans".

The Group has for several years worked with the UN's Sustainable Development Goals. Particularly high on the agenda are the seven SDGs targeted as material to the Group's business activities as: "4. Quality Education", "5. Gender Equality", "9. Industry, Innovation and Infrastructure", "14. Life Below Water" and "15. Life on Land". For reporting on progress for 2020, the Group has continued to apply the Norwegian Shipowners Association guidelines on sustainability reporting, aiming to show relevant and consistent reporting over time.

Risk

Grieg International II AS is exposed to financial and market risks. This is mainly composed by risks related to the development of freight rates, ship values, currency and interest rates as well as equity prices. The fleet's earnings are to a large extent linked to long term cargo contracts as the Company's shipping activity is of an industrial character. This implies that revenues are less volatile than in the spot market and that changing market conditions generally have a delayed effect on the results. Currency risk is mainly related to the purchase of administrative services in Norway, local taxes, as well as some purchases related to the technical management of the fleet and investments in NOK denominated funds. The Company has defined strategies and policies that reduce currency risks.

Changing equity prices and interest rates affect the Company's financial investments and loans. The financial portfolio is managed under a long-term strategy reflecting Grieg Star's business principles and risk capacity to ensure that the Group can withstand market fluctuations. There are policies in place to reduce interest rate risk related to the fleet's funding arrangements. Continued focus on cost reduction by lowering financial gearing continues to pay-off as the vessels' cash-break-even level was reduced further in 2020. However, with the pandemic taking its toll on earnings, liquidity risk is still high on the Board's attention list.

The Company assumes counterparty risk in several areas of its business. Issues related to credit risk as well as sanctions regulations are part of the daily business. The Maritime Anti-Corruption Network (MACN) membership is one tool to fight and report corruption and facilitation payments actively. Identifying, understanding, and acting to reduce the Group's security risks, particularly cyber threats, has been in focus also in 2020. Going forward, strong attention will be given to climate transition risk, where assessing and defining a decarbonisation roadmap for the Company's vessels will be central.

The market and outlook

2020 was a year for the history books where Covid-19 materially affected private behaviour and consumption, and general business cycles. World seaborne trade with shipping of dry cargo remained surprisingly strong. According to BIMCO, in the full year of 2020, global container shipping volumes fell by only 1.2% compared with 2019, much less than feared. Overall, total dry bulk tonnes transported fell by 1.3% to 5.49 billion tonnes. However, with strong growth in Chinese imports, which on average has a longer sailing distance than the rest of the world, the overall tonne-mile demand grew by 0.9%. Most challenging for the shipping sector in 2020 has, however, been the



operational handling and change of crew for the vessels, which affected vessel efficiency and thus earnings.

For open hatch, the negative impact on global trade was less severe in 2020 than initially thought. Some key commodities like market pulp and paper & board fared well, whereas others like soda ash and steel suffered. Going forward, the overall outlook for world market pulp demand looks solid and is expected to continue with stable growth in seaborne volumes, primarily from the Americas to Asia. With increased project cargo volumes, the vessels' commercial manager G2 Ocean remains optimistic about current and next years' performance.

Going concern and allocation of profit

The Board of Directors confirms that the annual accounts have been prepared on the basis of the going concern assumption and that this assumption is valid. The consideration is based on the Company's financial position and expectations of future earnings.

The Board of Directors believes that the submitted annual accounts give a correct picture of Grieg International II AS' assets and liabilities as well as financial position and results, and recommends that the loss after tax of USD 29,267,211 (USD 781,181) is allocated as follows:

To other equity:	USD - 29,267,211
Total allocations:	USD - 29,267,211

Oslo, 18 March 2021

The Board of Directors of Grieg International II AS


Elisabeth Grieg
Board Member

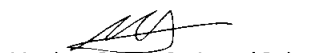

Camilla Grieg
Chair


Didrik O. Munch
Board Member


Kai Grøtterud
Board Member


Siriine Fodstad
Board Member


Rune Birkeland
Board Member


Matthew Robert Cagienard Duke
CEO

**Grieg International II AS**

INCOME STATEMENT

	Note	2020	2019
Revenues			
Operating revenue	7	31 902 533	36 555 935
Gain from sale of vessel		55 000	2 170 384
Total revenues		<u>31 957 533</u>	<u>38 726 319</u>
Driftskostnader			
Operating expenses			
Vessel operating expenses	9	16 542 467	18 723 604
Impairment loss		26 250 000	0
Other operating expenses		817 069	975 989
Depreciation	3	11 142 785	11 163 246
Total operating expenses		<u>54 752 322</u>	<u>30 862 839</u>
Operating profit		<u>-22 794 789</u>	<u>7 863 480</u>
Financial items			
Interest income		33 320	138 369
Interest income group	7	794 307	444 196
Other financial income		-12 073	-16 593
Interest expenses		-5 448 836	-3 875 752
Interest expense to group companies	7	-1 957 397	-3 257 053
Other financial expenses		-5 164	-741 828
Change in value of financial investments	4	60 333	216 786
Realized return on market-based fin.investments	4	98 020	151 479
Gain/loss on foreign exchange		-31 319	-143 546
Net financial items		<u>-6 468 810</u>	<u>-7 083 941</u>
Profit before tax		<u>-29 263 599</u>	<u>779 538</u>
Tax	9	3 611	-1 643
Profit for the year		<u>-29 267 211</u>	<u>781 181</u>
Allocations/(coverage of loss)			
Allocated to other equity		0	781 181
Transferred from other equity		29 267 211	0
Total allocations/(coverage of loss)		<u>-29 267 211</u>	<u>781 181</u>



Grieg International II AS

BALANCE SHEET AS OF 31.12

	Note	2020	2019
ASSETS			
FIXED ASSETS			
Tangible assets			
Vessels	3	172 866 509	211 161 985
Projects in progress	3	37 497	219 844
Total tangible assets		<u>172 904 006</u>	<u>211 381 830</u>
Total fixed assets		<u>172 904 006</u>	<u>211 381 830</u>
CURRENT ASSETS			
Accounts receivable			
Accounts receivables		0	85 955
Receivable from group companies	7	11 853 796	17 063 715
Inventory of lub oil, paint & provision		518 497	781 634
Other receivables		1 475 920	585 893
Total receivables		<u>13 848 213</u>	<u>18 517 196</u>
<i>Markedsbaserte investeringer</i>			
Other market-based financial instruments		4 988 374	6 865 132
Total market-based investments	4	<u>4 988 374</u>	<u>6 865 132</u>
Bank deposits, cash in hand, etc	7	1 608	64 658
Total current assets		<u>18 838 195</u>	<u>25 446 986</u>
TOTAL ASSETS		<u>191 742 201</u>	<u>236 828 816</u>


**Grieg International II AS**

BALANCE SHEET AS OF 31.12

	Note	2020	2019
EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital			
Share capital (4805130 shares of NOK 1,132456)	2, 8	977 580	977 580
Share premium reserve	2	2 762 634	2 762 634
Other paid-in capital	2	62 947 442	62 947 442
Total paid-in capital		66 687 656	66 687 656
Retained earnings			
Other equity	2	-1 886 831	27 380 380
Total retained earnings		-1 886 831	27 380 380
Total equity	2	64 800 825	94 068 036
LIABILITIES			
Provisions for liabilities			
Deferred tax	9	102 410	124 401
Total provisions		102 410	124 401
Long-term liabilities			
Liabilities to financial institutions	6	20 158 154	31 107 036
Other long term liabilities		57 572 222	61 197 223
Other long term liabilities to group companies	7	47 536 647	48 127 824
Total long term liabilities		125 267 023	140 432 083
Current debt			
Liabilities to group companies	7	939 453	115 293
Accounts payable		117 440	438 164
Taxes payable	9	102 121	108 368
Other current debt		412 929	1 542 472
Total current liabilities		1 571 943	2 204 296
Total liabilities		126 941 376	142 760 780
TOTAL EQUITY AND LIABILITIES		191 742 201	236 828 816

Bergen, 18.03.2021

The Board of Directors of Grieg International II AS


- Camilla Grieg
Chair
- Elisabeth Grieg
Board Member
- Didrik O. Munch
Board member
- Rune Birkeland
Board member
- Sirine Fodstad
Board member
- Kai Grøtterud
Board member
- Matthew R. C. Duke
CEO



Cash flow statement Grieg International II

	2020	2019
Cash flow from operations		
Profit before income taxes	-29 263 599	779 538
Unpaid tonnage tax classified as operating expenses	76 519	77 268
Taxes paid in the period	-108 368	-133 382
Gain/loss from sale of market based investments	-96 530	-149 526
Depreciation	13 133 141	13 549 617
Writedown of assets	26 250 000	0
Change in inventory	263 137	96 044
Change in trade creditors	-320 724	190 267
Effect of exchange fluctuations	-1 732	2 570
Items classified as investments or financing	-60 333	-216 786
Change in other provisions	-1 641 270	840 614
Net cash flow from operations	8 230 240	15 036 223
Cash flow from investments		
Proceeds from sale of fixed assets	0	2 354 076
Purchase of fixed assets	-1 087 664	-3 180 154
Proceeds from sale of market based investments	2 035 300	4 050 240
Purchase of market based investments	-5 133	-5 785
Loan repayments received from Group companies	-4 697 201	-1 341 779
Net cash flow from investments	-3 754 698	1 876 598
Cash flow from financing		
Repayment of long term loans	-14 573 883	2 382 760
Repayment of short-term Group loans	232 983	-4 670 983
Payment of group contribution	0	0
Payment of dividend	0	0
Net cash flow from financing	-14 340 900	-2 288 222
Net change in cash and cash equivalents	-9 865 358	14 624 599
Cash and cash equivalents at the beginning of the period	15 428 999	804 400
Cash and cash equivalents at the end of the period	5 563 641	15 428 999
Cash and cash equivalents at the end of the period consists of:		
Bank deposits	1 608	64 658
Bank deposits cash pool agreement within the Grieg Shipowning Group	5 562 032	15 364 341
Sum	5 563 641	15 428 999
In addition the company had undrawn credit facilities at 31.12.:	10 000 000	10 000 000



Grieg International II AS
Notes to Financial Statement for 2020

Note 1 Accounting principles

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

Operating revenues

Operating revenues are recognised as income at the time of delivery.

Classification and valuation of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Acquisition cost

The acquisition cost of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and costs related to the acquisition (freight, customs fee which are non-refundable and other direct purchase costs). Acquisitions in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

Asset impairments

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The company's vessels are sailing in a pool which are market and operated by G2 Ocean AS. Having the vessels sailing in a pool means that the operational use of the vessels, including optimisation of routes, is combined for the fleet. Earnings of each individual vessel is therefore affected by the earnings of other vessels in the pool. The fleet is therefore considered to be the cash-generating unit. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each date.

Receivables

Trade debtors and other debtors are carried at nominal value after deducting provisions for expected losses. Loss provisions are based on an assessment of individual receivables.

Foreign currency

Cash items, receivables and liabilities denominated in foreign currencies are valued at the year end exchange rates. Profit and loss items in foreign currency are recorded at exchange rates prevailing at the time of the transaction. Realised and unrealised gains and losses are included under financial items in the profit and loss statement.

Investments in financial instruments

Short-term investments in financial instruments are regarded as part of the financial trading portfolio and recognised at fair value at year-end. Dividends received, and both realised and unrealised gains/losses are recognised as other financial income.

Foreign exchange hedging

Derivatives purchased in order to reduce currency risk are treated as hedging transactions for accounting purposes. Gains and losses on foreign exchange contracts are therefore recognised in the same period as the hedged transactions. Unrealised gain/loss on the hedging contracts is not posted on the balance sheet.

Interest rate hedging

Interest rate hedging contracts are recognised and classified in the same way as the related mortgage loan. The interest received/paid under the contract is therefore recognised in the interest period in the question and is included in interest expenses for the period. Unrealised gain/loss on the hedging contracts is not posted on the balance sheet.

Fixed assets

Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is charged 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.

Total expenditure on the vessel is decomposed into components that have different useful lives. Expenses related to ordinary maintenance are expensed when incurred. Drydocking costs are capitalised and depreciated over the period to the next scheduled drydocking.



Grieg International II AS
Notes to Financial Statement for 2020

Inventories

The company has inventories of hub oil, paint and provision that are valued at the lower of cost and fair value.

Operating leases

The company differentiates between financial leasing and operational leasing based on an evaluation of the lease contract at the time of inception. A lease contract is classified as a financial lease when the terms of the lease transfer substantially all the risk and reward of ownership to the lessee. All other leases are classified as operational leases. When a lease contract is classified as a financial lease where the company is the lessee, the rights and obligations relating to the leasing contracts are recognised in the balance sheet as assets and liabilities. The interest element in the lease payment is included in the interest costs and the capital amount of the lease payment is recorded as repayment of debt. The lease liability is the remaining part of the principal. For operational leases, the rental amount is recorded as an ordinary operating cost.

Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carryforward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carry forward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

The company is subject to the taxation regime for shipowning companies pursuant to Chapter 8 of the Taxation Act.

Cash flow statement

Cash flow statement are prepared according to the indirect method. Accordingly, the cash flows from, investment and financing activities are reported gross, while the accounting result is reconciled against the net cash flow from operations. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments that can immediately and with minimal exchange rate risk be converted into a known amount with due date less than three months from the purchase date.

Group account cash pool agreement

The company is a part of a new Group account cash pool agreement within the Group, with Grieg Shipowning AS as the Group Account Holder. Under this agreement, all participating companies are jointly liable for the overdraft facility and other participant's overdraft. Net aggregated cash balance on the group account is recognised as cash in the balance sheet statement of Grieg Shipowning AS as Group Account Holder. Participating companies share of aggregated cash balance are recognised as intercompany balances in each participating company's balance sheet.

Estimates

When preparing the annual accounts in accordance with good accounting practice, management makes estimates and assumptions which affect the profit and loss account and the valuation of assets and liabilities, as well as information about contingent assets and liabilities at year-end.

Contingent losses which are likely and quantifiable are charged against income on an ongoing basis.

Change of presentation currency

As of 1 January 2014, the company changed its presentation currency from NOK to USD. The company's functional currency is USD as most of the company's revenues and operating costs are realised in USD.

Note 2 Equity					
Figures in USD 1 000					
Changes in equity	Share capital	Share premium	Other paid-up equity	Other equity	Total
Equity at 01.01	978	2 763	62 947	27 380	94 068
Group contribution				0	0
Profit for the year				-29 267	-29 267
Equity at 31.12	978	2 763	62 947	-1 887	64 801



Grieg International II AS
Notes to Financial Statement for 2020

Note 3 Fixed Assets

Figures in USD 1 000			
	Vessels	Docking	Total
Acquisition cost at 01.01	340 602	12 816	353 418
Additions	408	680	1 088
Disposals		1 332	1 332
Acquisition cost at 31.12	341 010	12 164	353 838
Accumulated depreciation at 31.12	146 351	7 705	154 057
Impairment loss	26 250		26 250
Book value at 31.12	168 409	4 458	172 867
Depreciation	11 163	2 386	
Depreciation plan	Straight line	Straight line	
Expected useful life	30 years	5-7.5 years	

Based on an impairment testing per year-end 2020, the open hatch fleet was written down with USD 26.25m.

Note 4 Investments in financial instruments

Figures in USD 1 000				
	2020		2019	
	Acquisition cost	Market value	Acquisition cost	Market value
Mutual funds	-	-	-	-
Bonds	1 587	1 913	1 899	2 116
Money market funds	2 936	3 075	4 561	4 749
Book value 31.12	4 523	4 988	6 460	6 865
		Realised profit/loss	2020 Unrealised profit/loss	Total profit/loss
Mutual funds				0
Bonds		23	109	132
Money market funds		75	-49	27
Profit/loss from changes in fair value of fin. instruments		98	60	158

Note 5 Debtors which fall due later than one year

Figures in USD 1 000

The company has no receivables which fall due later than one year.



Grieg International II AS
Notes to Financial Statement for 2020

Note 6 Interest bearing debt and credit facilities

Mortgage loans

At 31.12.20, the company has one mortgage loan. The loan is denominated in USD.

Covenants

The loan is secured with mortgage and guaranteed by Grieg Shipowning AS. Grieg Shipowning AS has financial covenants including minimum M 25 / 5% of interest bearing debt in liquidity and minimum 25% book equity. Grieg International II AS is together with Grieg Shipping II AS providing guarantees in the amount of USD 157.7 m for Grieg Shipowning AS. All financial covenants have been met throughout the year.

Long term liabilities which fall due later than 5 years

Figures in USD 1 000	2020	2019
Liabilities to credit institutions	0	0
	2020	2019
Liabilities secured by mortgage (1st priority)	20 158	31 107
Book value of assets pledged as security:		
Vessels	33 712	58 952
Total	33 712	58 952
Other long-term debt		
Financial leasing	57 572	61 197
Total other long-term debt	57 572	61 197

Note 7 Intercompany balances and transactions with related parties

Figures in USD 1 000

Transactions with related parties

G2 Ocean AS is operating the vessels in a pool on behalf of Grieg International II AS. The shipping pool result is distributed to the company based on a distribution key.

Company	Relation	Type of services	2020	2019
Operating revenue from group and associated companies				
G2 Ocean AS	Associated company	Time charter	31 903	36 556
Grieg International II AS is administratively and financially managed by Grieg Shipholding AS and pays annual management fee for such services. During 2020 ship management for 2 vessels was outsourced to Thome Ship Management, while the remaining fleet continued on ship management with Grieg Star AS. All ship management services are remunerated through an annual ship management fee. In addition, the company purchases services from Grieg Star AS related to following up various fleet operational and development matters.				
Grieg Shipholding AS	Group company	Management	630	395
Grieg Star AS	Group company	Management	1 162	1 943
Total			1 792	2 338

There have been loans and/or performance guarantees between Grieg International II AS and Group companies, which has led to interest elements between the companies.

			2020	2019
Net financial items				
Grieg Star Group AS	Group company	Interest expense	-343	-644
Grieg Shipowning AS	Group company	Interest expense	-1 615	-2 613
Grieg Shipping II AS	Group company	Interest income	207	
Grieg Shipowning AS	Group company	Interest income	587	444
Total			-1 163	-2 813

Balances with group companies and related parties

Other short-term receivables		2020	2019
Grieg Investor AS	Related		
Grieg Shipping III AS	Group company	806	477
Grieg Star OH Pool AS	Group company		59
Grieg Shipping II AS	Group company	5 486	730
Grieg Shipholding AS	Group company		15 427
Grieg Shipowning AS *)	Group company	5 562	0
Sum		11 854	16 692

*) USD 5.562 of the receivable from Grieg Shipowning AS is related to the Group account cash pool.



Grieg International II AS
Notes to Financial Statement for 2020

Short term receivables with associated companies		2020	2019
G2 Ocean AS	Associated company	0	371
Sum		0	371
The balance is posted as accounts receivable			
Other current liabilities		2020	2019
Grieg Star AS	Group company	109	0
Grieg Shipowning AS	Group company	215	111
Grieg Shipholding AS	Group company	366	
Grieg Star OH Pool AS	Group company	247	0
Grieg Investor AS	Related	3	4
Sum		939	115
Current liabilities with associated companies		2 020	2 019
G2 Ocean AS		0	0
Sum		0	0
Other long-term liabilities		2 020	2 019
Grieg Star Group AS	Group company	8 000	12 600
Grieg Shipowning AS	Group company	39 537	35 528
Sum		47 537	48 128

Note 8 Share capital and shareholders information

The parent company, Grieg Shipholding AS has its registered office in Bergen (C. Sundtgate 17/19), where the consolidated financial statements are available.

The share capital consists of 4 805 130 shares with nominal value of NOK 1,1325 each.

Shareholders at 31.12	Number of shares	Ownership
Grieg Shipowning AS	4 805 130	100 %
Total shares	4 805 130	100 %

Note 9 Taxes

Figures in USD 1 000

The company is taxed according to the Tonnage tax rules in the Norwegian Fiscal act §8-10.

	2020	2019
Tax expense consists of:		
Tax payable on taxable income	26	31
Change in exch.rate	0	0
Change in deferred tax	-22	-33
Tax expense	4	-2
Tonnage tax (booked as operating cost)	77	77
Deferred tax:		
Revaluation account	431	43
Temporary differences on taxable securities	-237	50
Profit/loss account	466	565
Financial losses brought forward	-19 736	-17 458
Basis for deferred tax/deferred tax asset	-19 077	-16 799
Deferred tax/deferred tax asset (22%)	-4 197	-3 696
Deferred tax asset not shown in the balance sheet	4 197	3 696
Deferred tax / deferred tax asset in the balance sheet	0	0

Deferred tax benefit is not recognised in the balance sheet due to uncertainties related to future utilisation of financial losses brought forward. The deferred tax in the balance sheet 31.12. is related to the profit and loss account.

Tax payable in the balance sheet:

Taxable financial income from profit-and loss account	116	141
Tax payable financial income	26	31
Tonnage tax	77	77
Tax payable in the balance sheet	102	108



Grieg International II AS
Notes to Financial Statement for 2020

Note 10 Payroll expenses, auditor's fee etc.

Figures in USD 1 000

Payroll expenses, number of employees, remuneration etc.

The company has no employees, no remuneration was paid to the CEO or the Board, and no loans or guarantees have been given to the CEO, Board Chair or other close associates.

Auditor's fee	2020	2019
Statutory audit (incl. technical assistance with financial statements)	16	18
Tax advisory fee (incl. technical assistance with tax return)	6	1
Other non-audit services	0	0
Total fees to auditor, excl VAT	22	19

Note 11 Financial market risk

The company uses various financial derivatives to manage its financial market risk. This includes forward contracts, options, interest rate swaps and forward freight agreements.

Interest rate risk

The company's long term debt are at floating interest terms, exposing the company to interest rate risk.

The company's strategy is to hedge its interest rate exposure by utilizing interest rate swap agreements.

Gains and losses arising from interest rate swaps are recognised in the same period as the related interest expense.

At 31.12.20 the company held interest rate swap agreements of USD 103 m. Total unrealised MTM swap value at 31.12.20, not recognised in the balance sheet, was USD -5.3m.

Foreign exchange risk

The company hedges, from time to time, expenditures in currencies other than USD through forward contracts.

At 31.12.20 the company had not entered into any forward contracts.



To the General Meeting of Grieg International II AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grieg International II AS, which comprise the balance sheet as at 31 December 2020, the income statement and 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 accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, 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 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.

*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 - Grieg International II AS



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 a true and fair view 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 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>

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, the going concern assumption and the proposed allocation of the result 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.

(2)



Independent Auditor's Report - Grieg International II AS



Bergen, 18 March 2021
PricewaterhouseCoopers AS

Jon Haugervåg
State Authorised Public Accountant
(This document is signed electronically)

(3)



 Securely signed with Brevio

Revisjonsberetning

Signers:

Name
Haugervåg, Jon

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Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 02.07.2012	Vår dato 15.08.2012
Telefon 22078139	Deres referanse Atle Nordby	Vår referanse 2012/490448

GRIEG SHIPPING GROUP AS
Postboks 781
5807 BERGEN

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Det vises til deres brev av 3. juli 2012 samt telefonsamtale i sakens anledning. Det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

Grieg Star Group AS	org. nr. 991 258 965
Grieg Star Shipping AS	org. nr. 920 958 524
Grieg Star Bulk AS	org. nr. 997 580 087
Grieg Star AS	org. nr. 932 350 467
Grieg Green AS	org. nr. 995 509 601
Grieg Shipowning AS	org. nr. 982 706 645
Grieg Shipping II AS	org. nr. 822 195 482
Grieg International II AS	org. nr. 882 706 672

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Bakgrunn

Grieg Star Group AS er morselskap i et underkonsern. Konsernspissen er Grieg Maturitas AS som igjen er eiet av flere aksjeselskaper. Grieg Star Group har også flere datterselskaper og avdelinger i utlandet. Grieg Star Group driver sin virksomhet innenfor internasjonal industriell shipping. Gruppen har 25 egne skip, men benytter i tillegg innleid tonnasje slik at det i snitt er cirka 40 skip som er i aktivitet. Det vesentlige av virksomheten foregår i utlandet. Majoriteten av de ansatte er også utenlandske. Shipping er en internasjonal bransje og skipene opererer rundt i hele verden og har internasjonale motparter for de ulike reiser som utføres. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. Det interne arbeidsspråket i selskapene er også engelsk og all intern rapportering skjer på dette språket. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal ”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”

Postadresse Postboks 9200 Grønland 0134 Oslo	Besøksadresse Se www.skatteetaten.no Org. nr: 996250318	Sentralbord 800 80 000 Telefaks 22 17 08 60
For elektronisk henvendelse se www.skatteetaten.no		



I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *”informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at eierkretsen er begrenset og hovedaksjonærene er aksjeselskaper. Selskapene inngår i et underkonsern. Konsernets arbeidsspråk er engelsk og all kommunikasjon skjer på engelsk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland