



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 822 195 482
Organisasjonsform: Aksjeselskap
Foretaksnavn: GRIEG SHIPPING II AS
Forretningsadresse: C Sundtsg 17-19
5004 BERGEN

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, 13.05.2022



Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Annen driftsinntekt	7	101 023 147	99 936 099
Gevinst v salg skip	3		364 744
Sum inntekter		101 023 147	100 300 843
Kostnader			
Vessel operating expenses		48 727 455	47 038 383
Avskrivning på varige driftsmidler og immaterielle eiendeler	3	23 873 767	23 804 812
Nedskrivning av varige driftsmidler og immaterielle eiendeler		51 300 000	
Annen driftskostnad	10	2 575 981	2 620 167
Bareboat og TC hyre	12	18 918 761	17 877 224
Sum kostnader		145 395 964	91 340 586
Driftsresultat		-44 372 817	8 960 257
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern	7	599 118	892 640
Annen renteinntekt		-370	30 254
Annen finansinntekt		487 003	314 434
Verdiøkning andre finansielle instrumenter vurdert til virkelig verdi	4		533 365
Sum finansinntekter		1 085 751	1 770 693
Verdireduksjon andre finansielle instrumenter vurdert til virkelig verdi	4	145 045	
Rentekostnad til foretak i samme konsern	7	8 061 863	7 875 004
Annen rentekostnad		5 520 403	7 002 981
Annen finanskostnad		155 586	287 463
Sum finanskostnader		13 882 897	15 165 448
Netto finans		-12 797 146	-13 394 755
Ordinært resultat før skattekostnad		-57 169 963	-4 434 498
Ordinært resultat etter skattekostnad		-57 169 963	-4 434 498



Resultatregnskap

Beløp i: USD	Note	2020	2019
Årsresultat		-57 169 963	-4 434 498
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-57 169 963	-4 434 498
Sum overføringer og disponeringer		-57 169 963	-4 434 498



Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	3	363 988 246	435 394 179
Sum varige driftsmidler		363 988 246	435 394 179
Finansielle anleggsmidler			
Andre fordringer		3 096 154	3 365 385
Sum finansielle anleggsmidler		3 096 154	3 365 385
Sum anleggsmidler		367 084 400	438 759 564
Omløpsmidler			
Varer			
Varer		1 788 269	2 341 659
Sum varer		1 788 269	2 341 659
Fordringer			
Andre fordringer		4 144 993	3 781 203
Konsernfordringer	7	9 475 176	501 894
Sum fordringer		13 620 169	4 283 097
Investeringer			
Andre markedsbaserte finansielle instrumenter	4	8 130 837	14 789 247
Sum investeringer		8 130 837	14 789 247
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		12 192	155 261
Sum bankinnskudd, kontanter og lignende		12 192	155 261
Sum omløpsmidler		23 551 467	21 569 264
SUM EIENDELER		390 635 867	460 328 828



Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
39 286 598 aksjer a NOK 1	2,8	7 057 811	7 057 811
Annen innskutt egenkapital	2	47 447 985	47 447 985
Sum innskutt egenkapital		54 505 796	54 505 796
Opptjent egenkapital			
Annen egenkapital	2	92 888 811	150 058 774
Sum opptjent egenkapital		92 888 811	150 058 774
Sum egenkapital		147 394 607	204 564 570
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	6	60 693 446	75 014 223
Langsiktig konserngjeld	7	170 357 138	174 258 782
Sum annen langsiktig gjeld		231 050 584	249 273 005
Sum langsiktig gjeld		231 050 584	249 273 005
Kortsiktig gjeld			
Leverandørgjeld		657 065	1 289 178
Betalbar skatt	9	256 517	226 828
Kortsiktig konserngjeld	7	8 442 247	3 142 001
Annen kortsiktig gjeld		2 834 847	1 833 244
Sum kortsiktig gjeld		12 190 676	6 491 251
Sum gjeld		243 241 260	255 764 256
SUM EGENKAPITAL OG GJELD		390 635 867	460 328 826



BOARD OF DIRECTORS' REPORT 2020 GRIEG SHIPPING II AS

The business

Grieg Shipping 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 Shipping II AS controlled a fleet of 23 open hatch vessels, after purchasing a second-hand vessel in February 2020. 17 of the vessels are owned by the Company, and the remaining 6 are on either long term bareboat or time charter.

The Company has its office in Bergen 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 for 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 increased to USD 101.0m in 2020 vs. USD 100.3m in 2019, given effects of having one additional vessel in the fleet, when almost offset the result of lower income due to Covid-19 markets.

Total operating costs before depreciations and write-downs increased from USD 67.5m in 2019 to USD 70.2m in 2020. The vessels' operating expenses increased from USD 47.0m in 2019 to USD 48.7m mainly as an effect of more 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. The cost for hiring in vessels increased from USD 17.9m in 2019 to USD 18.9m in 2020, mainly due an allocation on profit split. By this, Company EBITDA was reduced to USD 30.8m in 2020 vs. USD 32.8m in 2019.

Depreciation charges were unchanged with USD 23.7m in 2020 (USD 23.8m). 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 51.3m 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 38% (44%), it has no real material impact on its financial strength, solidity, operations, or partners' interests.

With this, Grieg Shipping II AS' operating profit decreased to minus USD 44.4m in 2020 vs. a positive operating profit of USD 9.0m in 2019.

Net financial items were minus USD 12.8m in 2020 vs. USD 13.4m in 2019. With Company financing costs positively influenced by the lower Libor rate, and despite refinancing of four vessels, total interest rate costs and financing fees decreased from USD 14.9m in 2019 to USD 13.6m in 2020. The net effect from foreign exchange gains/loss was negative USD 0.1m 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 57.2m in 2020 vs. minus USD 4.4m in 2019.

Long-term interest-bearing debt decreased from USD 249.3m in 2019 to USD 231.1m in 2020. The Company's book equity was USD 147.m at year end 2020 (USD 204.6m), and the Company had total assets of USD 390.6m (USD 460.3m), with current assets accounting for USD 23.6m (USD 21.6m). Liquidity on the balance sheet date in the form of bank deposits and cash was USD 9.5m including the Company's share of aggregated cash balance in the cash pool agreement the Company is part of¹.

Based on net cash flows from operations of USD 24.4 (USD 20.7m), cash flow from investments of minus USD 11.7m (minus USD 2.5m) and net cash flow of minus USD 3.5m (minus USD 18.4m) from financing activities, the Company's net change in liquid funds in 2019 was USD 9.3m (minus USD 0.2m).

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.

One vessel had ballast water treatment plants installed during the year. 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 Shipowing 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 Shipping 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 Shipping II AS' assets and liabilities as well as financial position and results, and recommends that the loss after tax of USD 57,169,963 (minus USD 4,434,498) is allocated as follows:

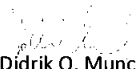
From other equity:	USD - 57,169,963
Total allocations:	USD - 57,169,963

Bergen, 18 March 2021


The Board of Directors of Grieg Shipping II AS


Elisabeth Grieg
Board Member



Camilla Grieg
Chair


Didrik O. Munch
Board Member


Kai Grøtterud
Board Member


Sirine Fodstad
Board Member


Rune Birkeiand
Board Member


Matthew Robert Cagienard Duke
CEO



INCOME STATEMENT

GRIEG SHIPPING II A/S

REVENUES	Note	2020	2019
Operating revenues	7	101,023,147	99,936,099
Gain from sale of vessel	3	0	364,744
Total revenues		<u>101,023,147</u>	<u>100,300,844</u>
Operating expenses			
Vessel operating expenses		48,727,455	47,038,383
Other operating expenses	10	2,575,982	2,620,167
Bareboat- and T/C hire	12	18,918,761	17,877,224
Depreciation	3	23,873,767	23,804,812
Impairment loss of fixed assets		51,300,000	0
Total operating expenses		<u>145,395,964</u>	<u>91,340,586</u>
Operating profit		<u>-44,372,817</u>	<u>8,960,258</u>
Financial items			
Interest income		-370	30,254
Interest income group	7	599,118	892,640
Interest expenses		-5,520,403	-7,002,981
Interest expenses group	7	-8,061,863	-7,875,004
Change in value of financial investments	4	-145,045	533,364
Realized return on market-based fin. investm.	4	487,003	314,434
Other financial expenses		-33,078	-49,416
Gain/loss on foreign exchange		-122,509	-238,046
Total financial items		<u>-12,797,146</u>	<u>-13,394,756</u>
Profit before tax		<u>-57,169,963</u>	<u>-4,434,498</u>
Tax		0	0
Profit for the year		<u>-57,169,963</u>	<u>-4,434,498</u>
Transferred to (from) other equity		-57,169,963	-4,434,498
Total allocation		57,169,963	4,434,498

**BALANCE SHEET AS OF 31.12**

GRIEG SHIPPING II A/S			

ASSETS	Note	2020	2019
Tangible assets			
Vessels	3	363,716,076	435,021,504
Project in progress		272,170	372,675
Total fixed tangible assets		<u>363,988,246</u>	<u>435,394,179</u>
Other long term receivables		3,096,154	3,365,385
TOTAL FINANCIAL ASSETS		<u>3,096,154</u>	<u>3,365,385</u>
CURRENT ASSETS			
Receivables from group companies	7	9,475,176	501,894
Inventory		1,788,269	2,341,659
Other receivables		4,144,993	3,781,203
Other market based investmenets	4	8,130,837	14,789,247
Bank deposits, cash in hand, etc		12,192	155,261
Total current assets		<u>23,551,467</u>	<u>21,569,263</u>
TOTAL ASSETS		<u>390,635,867</u>	<u>460,328,827</u>

**BALANCE SHEET AS OF 31.12****GRIEG SHIPPING II A/S**

EQUITY AND LIABILITIES	Note	2020	2019
Paid-in capital			
Share capital (39.286.598 shares of NOK 1)	2, 8	7,057,811	7,057,811
Share premium reserve	2	47,447,985	47,447,985
Total paid-in capital		54,505,795	54,505,795
Retained earnings			
Other equity	2	92,888,811	150,058,774
Other equity		92,888,811	150,058,774
Total equity	2	147,394,607	204,564,570
Long-term debt			
Liabilities to financial institutions	6	60,693,446	75,014,223
Long-term liabilities to group companies	7	170,357,138	174,258,782
Total long-term liabilities		231,050,584	249,273,005
Current liabilities			
Liabilities to group companies	7	8,442,247	3,142,001
Accounts payable		657,065	1,289,178
Taxes payable	9	256,517	226,828
Other short-term liabilities		2,834,847	1,833,244
Total current liabilities		12,190,676	6,491,252
TOTAL EQUITY AND LIABILITIES		390,635,867	460,328,827



BALANCE SHEET AS OF 31.12

GRIEG SHIPPING II A/S

Bergen, 18.03.2021

The Board of Directors of Grieg Shipping II AS


Camilla Grieg
Chair


Elisabeth Grieg
Board Member


Didrik Munch
Board Member


Rune Birkeland
Board Member


Sirine Fodstad
Board Member


Kai Grøtterud
Board Member


Matthew R. C. Duke
CEO



Cash flow statement Grieg Shipping II AS 2020	USD	USD
	2020	2019
Cash flow from operations		
Profit before income taxes	-57 169 963	-4 434 498
Unpaid tonnage tax classified as operating expenses	16 134	226 828
Taxes paid in the period	-226 828	-236 728
Gain/loss from sale of market based investments	79 935	-314 434
Gain/loss from sale of fixed assets	0	-344 602
Depreciation	29 501 045	29 630 779
Writedown of assets	51 300 000	
Change in inventory	553 390	-122 936
Change in trade creditors	-632 113	-453 127
Effect of exchange fluctuations	1 481	0
Items classified as investments or financing	-145 045	-533 364
Change in other provisions	1 163 561	-2 732 898
Net cash flow from operations	24 441 598	20 685 019
Cash flow from investments		
Proceeds from sale of fixed assets	0	39 471 810
Purchase of fixed assets	-9 544 209	-48 937 222
Proceeds from sale of market based investments	7 000 732	7 202 637
Purchase of market based investments	-145 731	-3 985
Loan repayments received from Group companies	-8 973 282	-198 665
Other loans granted	0	0
Net cash flow from investments	-11 662 490	-2 465 425
Cash flow from financing		
Repayment of long term loans	-14 320 777	-89 123 277
Proceeds Group loans	10 873 776	70 737 541
Net cash flow from financing	-3 447 001	-18 385 736
Net change in cash and cash equivalents	9 332 106	-166 143
Cash and cash equivalents at the beginning of the period	155 260	321 403
Cash and cash equivalents at the end of the period	9 487 367	155 260
Cash and cash equivalents at the end of the period consists of:		
Bank deposits	12 192	155 260
Bank deposits cash pool agreement within the Grieg Shipowning Group	9 475 174	0
Sum	9 487 367	155 260



Grieg Shipping II AS
Notes to the financial statements 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.

Inventories

The company has inventories of lub 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.



Grieg Shipping II AS
Notes to the financial statements for 2020

Note 4 Investments in financial instruments				
Figures in USD 1 000				
	Acquisition cost	2020 Market value	2019 Acquisition cost	Market value
Bonds	3,136	3,761	4,872	5,468
Money market funds	4,176	4,369	8,954	9,321
Book value 31.12	7,312	8,131	13,826	14,789
		2020 Realised profit/loss	2020 Unrealised profit/loss	Total profit/loss
Mutual funds				
Bonds		264	30	294
Money market funds		223	-175	48
Hedge funds				
Profit/loss from changes in fair value of financial instruments		487	-145	342

Note 5 Debtors which fall due later than one year		
Figures in USD 1 000		
	2020	2019
Long term receivables	3,096	3,365
Total	3,096	3,365

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

Note 6 Interest bearing debt and credit facilities		
The loan is secured with mortgage and guaranteed by Grieg Shipowning AS of USD 60.7m. Grieg Shipowning AS has covenants including minimum USD 25M / 5% of interest bearing debt in liquidity and minimum 25% book equity. The company is providing Mortgage loans		
At 31.12.20, the company has one loan. The loan is denominated in USD		
Covenants		
The loan is secured with mortgage and guaranteed by Grieg Shipowning AS of USD 60.7m. The company is providing guarantees in the amount of USD 84 m per 31.12.2020 for Grieg Shipowning AS. In addition the company, together with Grieg International II AS providing guarantees in the amount of USD 157.7m for Grieg Shipowning AS. All the loans have a financial covenant that Grieg Shipowning consolidated shall have minimum USD 25M / 5% of interest bearing debt in liquidity and minimum 25% in book equity. The company has been in compliance with its covenants throughout the year.		
Long term liabilities which fall due later than 5 years		
Figures in USD 1 000		
Liabilities to credit institutions	2020	2019
Liabilities secured by mortgage (1st priority)	60,693	75,014
Book value of assets pledged as security:		
Vessels	98,634	136,120
New building contracts	0	0
Total	98,634	136,120



Grieg Shipping II AS
Notes to the financial statements for 2020

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 Shipping II AS. The shipping pool result is distributed to the company based on a distribution

Company	Relation	Type of services	2020	2019
Operating revenue from group and associated companies				
G2 Ocean AS	Associated company	Time charter	100,130	99,936
Operating revenue also includes revenue from the TC-vessels owned by F. H. Berling Chartering and Shipmanagement Pte Ltd.				
Grieg Shipholding AS	Group company	Management	2,066	988
Grieg Star AS	Group company	Management	4,127	4,855
Total			6,193	5,843

management was outsourced for some of the company's vessels: 1 vessel to Zeabone Ship Management and 2 vessels to Thome Ship Management, while the

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

Net financial items

Grieg Shipowning AS	Group company	Interest income	599	743
Grieg Shipping III AS	Group company	Interest income	-150	150
Grieg International II AS	Group company	Interest expense	-207	0
Grieg Shipowning AS	Group company	Interest expense	-6,800	-6,754
Grieg Shipholding AS	Group company	Interest expense	-905	-1,121
Total			-7,463	-6,982

Balances with group companies and related parties

Other short-term receivables

Grieg Star Group AS	Group company			157
Grieg Star OH Pool AS	Group company			184
Grieg Shipowning AS *)	Group company	9,475		11
Grieg Shipping III AS	Group company			150
Sum		9,475		502

The short-term receivables to Grieg Shipowning AS in 2020 is in total related to the Shipowning cash pool.

Net short term receivables with associated companies

G2 Ocean AS	Associated company			
Sum		0		0

The balance is posted as accounts receivable.

Other current liabilities

Grieg Shipowning AS	Group company			795
Grieg International II AS	Group company	5,486		730
Grieg Star OH Pool AS	Group company	810		0
Grieg Star Bulk AS	Group company			24
Grieg Star AS	Group company	357		
Grieg Shipholding AS	Group company	989		2,277
Grieg Investor AS	Related	5		8
Sum		8,442		3,142

Net short term liabilities with associated companies

G2 Ocean AS	Associated company			
Sum		0		0

Other long-term liabilities

Grieg Shipholding AS	Group company	23,138		23,138
Grieg Shipowning AS	Group company	147,220		151,121
Sum		170,357		174,259

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 39 286 598 shares with nominal value of NOK 1 each.

Shareholders at 31.12	Number of shares	Ownership
Grieg Shipowning AS	39,286,598	100%
Total shares	39,286,598	100%



Grønt Shipping II AS
Notes to the financial statements for 2020

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	0	0
Change in deferred tax	0	0
Tax expense	0	0
Tonnage tax (booked as operating cost)	257	227
Deferred tax:		
Revaluation account	-156	-320
Temporary differences on taxable securities	1,336	2,307
Financial losses brought forward	-20,515	-19,496
Basis for deferred tax/deferred tax asset	-19,335	-17,509
Deferred tax/deferred tax asset (2.2%)	-4,254	-3,852
Deferred tax benefit not shown in the balance sheet	4,254	3,852
Deferred tax benefit 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.

Tax payable in the balance sheet:

Taxable financial income	0	0
Tonnage tax	257	227
Tax payable in the balance sheet	257	227

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.

	2020	2019
Auditor's fee		
Statutory audit (incl. technical assistance with financial statements)	16	18
Tax advisory fee (incl. technical assistance with tax return)	1	1
Other non-audit services		
Total fees to auditor, excl VAT	17	19



Grønt Shipping AS
Notes to the financial statements for 2020

Note 11 Financial risk management

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

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

The company hedges, from time to time, expenditures in currencies other than USD through forward contracts. At 31.12.20 the company had entered into hedging through the use of currency swaps for USD 4.8m. Total unrealized MTM value, not recognized in the balance sheet, at 31.12.20, was USD 1.5m.

Freight risk (FFA)

Forward Freight Agreements (FFA) are from time to time used as a risk management instrument in order to smooth out freight volatility. The FFA contracts are settled as an adjustment of operating income. At 31.12.20, the company had not entered into any Forward Freight Agreements (FFA).

The company has the following long term operating lease agreements related to chartering of vessels:

	Number of vessels	Average duration
Bareboat	4	7.0 years
Charterhire	2	0.1 years

The annual lease commitment is USD 11.1m for bareboat and USD 7.8m for charterhire.



To the General Meeting of Grieg Shipping II AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grieg Shipping 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 Shipping 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 Shipping 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 For elektronisk henvendelse se www.skatteetaten.no	Besøksadresse Se www.skatteetaten.no Org. nr: 996250318	Sentralbord 800 80 000 Telefaks 22 17 08 60
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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