



Consolidated Financial
Statements
G2 Ocean

2019

Definitions

Throughout this report “G2 Ocean”, “Company”, “Joint Venture”, “Group”, “we”, “us” and “our” refer to G2 Ocean AS and its subsidiaries. Subsidiaries comprise consolidated entities.

The Company’s functional and reporting currency is the US Dollar. Unless otherwise indicated all references to “USD”, “US\$” or “\$” refer to United States Dollars, the currency of the United States of America.

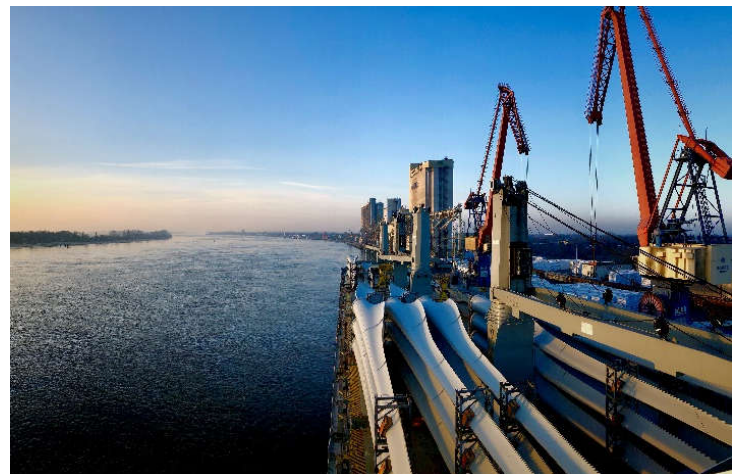
The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“USGAAP”).

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HIGHLIGHTS OF THE YEAR

- Q4, 2019** G2 Ocean is expanding its project cargo services and opened two new offices in Hamburg, Germany and Houston, USA in 2019
- Q4, 2019** Successful transition from high sulphur fuel oil to very low sulphur fuel oil which will significantly reduce air pollution
- Q1, 2020** Arthur English (CCO), replacing Rune Birkeland as the CEO on Jan 1, 2020
- Q1, 2020** G2 Ocean awarded the Silver sustainability badge – among the top 3 percent of transportation companies (Ecovadis) for 2019



OUR ORGANIZATION

G2 Ocean AS (“Company” or “G2 Ocean”) is the world’s largest shipping company within the open hatch segment, operating a core fleet of 84 open hatch vessels and 19 conventional bulk vessels, as well as approximately 13 vessels chartered from third parties on short-term time charters.

The Company is a joint venture between two of the world’s leading open hatch shipowning companies, Gearbulk Holding AG (“Gearbulk”) and Grieg Star Group AS (“Grieg Star”).

G2 Ocean does not own vessels on its own, but operate vessels owned or chartered by Gearbulk and Grieg Star, as well as vessels chartered from third parties on short-term time charters. The Company combines the global resources and expertise of Grieg Star and Gearbulk to operate the joint fleet of open hatch, semi open hatch and conventional bulk vessels.

G2 Ocean AS is a company registered in Norway. The headquarters of G2 Ocean is located in Bergen, Norway, with regional hubs located in Rio de Janeiro and Singapore. G2 Ocean currently employs 362 employees and has 13 offices around the world.

ESTABLISHMENT OF G2 OCEAN

On April 26, 2017, G2 Ocean was established and subsequently commenced its operation on May 2, 2017.

The Company is jointly controlled by Gearbulk and Grieg Star, with Gearbulk owning 65 % and Grieg Star owning 35 %.

OUR LEGACY

Gearbulk was founded in 1968 by Kristian Gerhard Jebsen with three partners. The company specializes in cargo that required special handling and stowage such as pulp, aluminum, orange juice or granite as well as conventional bulk.

Grieg Star is part of the privately-owned Grieg Group, established in 1884. Since the beginning in 1961 Grieg Star has taken part in the fast-growing worldwide trade in wood pulp and paper and the company specializes in both the open hatch segment as well as conventional bulk.

CUSTOMER FOCUSED

With 13 offices, a core fleet of 103 vessels operating on six continents, and 32 different trade routes we are able to serve the needs of our customers. Advanced systems make shipping with us easy. The passion and expertise of our people put our customers at ease. This is the basis for reliable, efficient, flexible, high-quality and innovative services.

“Our presence is worldwide, covering all time zones”

We specialize in cargo that requires special handling and stowage such as forestry products, steel, aluminum, orange juice, granite or project cargoes. The decks of our open hatch ships are perfect for project cargo. Our box-shaped holds with wide hatch openings offer efficient stowage and safe transport. Our onboard gantry and jib cranes speed up loading and discharge.

Each year our ships make thousands of port calls in more than 55 countries on six continents and transport approximately 26 million tons of cargo. Our dedication to detail throughout the supply chain and our people, ashore and onboard, coupled with excellent logistics services make it all happen.


INNOVATION

Finding smarter solutions and making technological progress is essential to the business’ success and an integral part of the way G2 Ocean operates.

Our vision

“Pioneering sustainable shipping solutions”






We optimize our customer services by continuously improving our:

Safety	
Cost Control	
Reliability	
Environmental impact	
Flexibility	
Productivity	
Digital customer journey	

BUSINESS SEGMENT



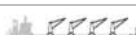
G2 Ocean is a commercial and customer-oriented shipping joint venture operating worldwide within the Open Hatch and Conventional Dry Bulk segments.

Open Hatch segment

Our Core fleet		Gearbulk	Grieg Star	Total
 Handysize		1	-	1
 Handymax		11	15	26
 Supramax		13	15	28
 Ultramax		19	-	19
 Panamax		10	-	10
	Total	54	30	84

G2 Ocean's open hatch activities offer its customers a broad parcel cargo carrier concept, transporting a variety of different cargoes which involve complex handling and loading operations. This requires a diversified fleet, flexible sailing patterns and a highly competent organization. The Company's core fleet of 84 open hatch vessels are custom built, equipped with either gantry or specialized swing cranes. All vessels are operated in a pool, which enters into cargo contracts with international pulp and paper producers and other cargo owners. The operation's success criteria are the ability to establish optimal sailing patterns, combining various types of cargoes and adjusting to changing markets.

Conventional Dry Bulk segment

Our Core fleet		Gearbulk	Grieg Star	Total
 Supramax		2	2	4
 Ultramax		3	8	11
 Panamax		4	-	4
	Total	9	10	19

The Company's conventional dry bulk operation consists of a core fleet of 19 vessels. In addition, the Company operates in the short-term markets.

ANNUAL ACCOUNTS

Results, earnings and operations

The dry bulk market improved throughout 2019 before worsening with lower freight rates at the end of 2019 and beginning of 2020.

The Open Hatch operation, which is more industrial in nature, experienced much of the same, although the vessels' earnings were less volatile than for conventional dry bulk.

G2 Ocean's gross revenue of USD 1 193.5 million (2018: USD 1 305.5 million) consists mainly of freight income whereof USD 1 085.1 million (2018: USD 1 180.4 million) in the Open Hatch segment and USD 108.4 million (2018: USD 125.1 million) in the Conventional Bulk segment. The voyage related expenses amounted to USD 601.1 million (2018: USD 677.3 million) and the time charter rental expenses amounted to USD 50.3 million (2018: USD 79.8 million).

The income from operations before pool distribution amounted to USD 482.7 million (2018: USD 486.7 million). This resulted in a pool distribution to the Pool participants of USD 472.9 million (2018: USD 478.2 million).

While there was a reduction in the pool distribution to the Pool participants in 2019 as compared to 2018, there has been an improvement in the net earnings per vessel per day in 2019.

G2 Ocean's Income before income tax was USD 4.0 million (2018: USD 4.1 million). The Net income result for 2019 was USD 4.8 million (2018: USD 2.3 million).

Balance sheet, financial situation and cash flow

The Company's book equity was USD 29.5 million (2018: USD 29.2 million) at year-end, whereof USD 28.1 million (2018: USD 28.1 million) was injected capital. By end 2019 the equity ratio was 16.4 % (2018: 14.8 %). By the end of 2019, the Company had total assets of USD 179.9 million (2018: USD 198.1 million), with current assets accounting for USD 134.6 million (2018: USD 152.8 million).

Based on net positive cash flows from operations of USD 14.7 million (2018: positive by USD 10.5 million), a net negative cash flow from investments of USD 6.6 million (2018: USD 5.0 million) and a net negative cash flow of USD 7.3 million (2018: negative by USD 7.0 million) from financing activities, the Group's net change in liquid funds in 2019 was positive by USD 0.7 million (2018: negative by USD 1.8 million). Liquidity in the form of bank deposits, cash and undrawn credit facility at year-end totaled USD 24.2 million (2018: USD 22.8 million).

WORKING ENVIRONMENT AND OCCUPATIONAL HEALTH

The Board considers the conditions related to the working environment and health in G2 Ocean to be good. The management works closely together with the employee representatives in monitoring and improving the overall working environment.

At year-end, G2 Ocean had 362 employees whereof 90 were employed in Norway and 272 abroad.

Health, environment and safety

G2 Ocean maintains an overview of sick leave in accordance with current laws and regulations. In 2019 the general sick leave for the global organization was 1.3 %. Sick leave for the Norwegian based employees was 2.1 %. Besides organizing medical follow-ups, the Company encourages and facilitates participation in physical activities for its personnel to keep healthy. The records show no personnel injuries for G2 Ocean employees in 2019.

In 2019, the Company has focused on enhancing its safety culture. Office and operational safety ambassadors were appointed to focus on safety within their respective areas, an alignment workshop was held with top management and a plan to further improve the safety work of the Company was approved. The Company has also implemented contingency plans for all offices.

Amongst the environmental priorities for 2019 was reduction of single-use plastics and development of sustainable recycling practices. In 2019, all G2 Ocean offices have achieved the defined KPIs; offices are no longer purchasing single use plastic merchandise, and all have recycling points for plastic items.

In 2019, G2 Ocean's Equipment department created an Equipment Recycling Program aiming to identify recycling locations for cargo equipment. G2 Ocean now have sorting facilities in Bremen, Shanghai and Houston and in 2019 a total of 9 547 web slings were recycled.

In September 2019, G2 Ocean arranged a World Cleanup Week to prevent marine pollution and increase employee knowledge and commitment to sustainability and the environment. More than 200 employees participated by collecting waste on beaches across the globe.

The Company has a quality management system, MyReports, for reporting of incidents and proposals for improvement. The main purpose of this tool is to develop a learning organization where knowledge is shared, encouraging employee participation and consultation in both problem solving and proposing ways to improve our performance. A total of 217 cases were registered in 2019.

Equal opportunities

G2 Ocean strives to create equal opportunities for all employees, regardless of their ethnic background, nationality, descent, language, religion, age, disability, lifestyle or gender. G2 Ocean has a zero-tolerance policy for workplace harassments and does not accept discrimination in any form. The business operations are to be conducted based on principles of equality and respect.

Total Workforce



Senior Management



At year-end 2019, the total workforce reflected a distribution between the genders of 43 % women and 57 % men. For senior management, the gender distribution was 55 % women and 45 % men.



During 2019, the Company's Board of Directors consisted of two women and three men.

EXTERNAL ENVIRONMENT

Shipping operations entail discharge of harmful emissions. G2 Ocean works continuously to be a visible and distinct contributor to environmental awareness and development.

G2 Ocean's impact on the climate and the environment are mainly related to the services G2 Ocean provides to its customers in addition to its travelling activity, greenhouse gas emissions and waste from its office operations.

G2 Ocean is committed to be a sustainable, pioneering and responsible company and has implemented the following UN Sustainable Development Goals as part of its long-term strategy: (8) Decent work and economic growth, (9) Industry, innovation and infrastructure, (12) Responsible consumption and production, (13) Climate action, (14) Life below water, and (16) Peace, justice and strong institutions.

ETHICS, INTEGRITY AND TRANSPARENCY

The G2 Ocean Code of Business Ethics sets out the governance principles for G2 Ocean. G2 Ocean has defined nine ethical principles which it will adhere to. Non-compliance with the ethical principles may have consequences for the employment relationship. E-learning for all employees on compliance is mandatory. So far the e-training has covered subjects such as; Code of Business Ethics, Anti-Bribery and Corruption and Anti-Trust, and many more subjects will be added.

Any form of bribery or corruption is unacceptable to G2 Ocean. To cooperate with like-minded industry companies to promote compliance with anti-corruption laws, G2 Ocean has joined the Maritime Anti-Corruption Network (“MACN”). In addition to the mandatory training for all employees on anti-bribery and corruption, awareness training workshops were held for the employees in Italy, the Netherlands, Norway, the Philippines and Sweden.

G2 Ocean has a whistleblowing policy in place which allows anonymous reporting of suspicion of non-compliance either to an external supplier, Expolink, or internally. A revised Whistleblowing Policy and Procedure was approved by the Board of Directors.

In 2019, G2 Ocean has continued to focus on privacy and data protection. Data processing agreements have been entered into where relevant and mandatory e-learning on privacy and data protection was launched for all employees.

A joint compliance forum between G2 Ocean, Gearbulk and Grieg Star has been established with a mandate to discuss and cooperate regarding matters such as Business Ethics, Anti-Bribery and Corruption, Anti-trust, Privacy and Data Protection, Corporate Social Responsibility and Sustainable Development Goals. The forum met twice in 2019.

CORPORATE SOCIAL RESPONSIBILITY

G2 Ocean’s vision is “Pioneering Sustainable Shipping Solutions”. The long-term strategy for 2020 – 2024 focuses on providing a positive contribution to G2 Ocean’s customers, suppliers, employees, owners, the society and the environment. G2 Ocean takes its Corporate Social Responsibility (“CSR”) seriously and continuously works to ensure that all activities are handled responsibly. Our actions and business practices are always grounded in the G2 Ocean vision, our Behavioral Principles and the UN Sustainable Development Goals, which the company officially adopted in 2019. G2 Ocean aspires to be recognized for its responsibility, honesty and high integrity in all markets and services. In 2020, G2 Ocean will publish its first sustainability report, giving a detailed overview of its CSR activities in 2019.

RISK

Managing risk is important for value creation and an integrated part of the Company’s management and governing model. G2 Ocean’s key risk factors relate to market operations, financial management, cyber security, compliance and regulatory framework. The Board of Directors approved a Risk Management Policy and Procedure in 2019 and the G2 Ocean Risk Management System was introduced.

G2 Ocean’s financial and market risk is mainly composed of risks related to the development of freight rates, bunker prices and currency rates. The earnings in the open hatch segment are to a large extent related to cargo contracts, and as this shipping activity is of an industrial character, it implies that revenues are less volatile than in the spot market, and that changing market conditions generally have a delayed effect on the results. The Company’s dry bulk operation is on the other hand more exposed to general market movements.

G2 Ocean assumes counterparty risk in all parts of its business. Issues related to credit risk as well as sanction regulations are frequently controlled and considered part of the daily business. In 2019 G2 Ocean implemented a sanction screening tool which regularly screens counterparties against applicable sanction lists.

CORPORATE GOVERNANCE

To ensure a sound practice when it comes to the division of tasks and roles between the administration, the Board of Directors and the General Meeting, the Norwegian Code of Practice for Corporate Governance is applied as far as practicable for a privately-owned company. Seven ordinary board meetings were held during 2019.

THE MARKET

In 2019, the seaborne dry bulk trade experienced an estimated growth of only 1.2 %, with volumes reaching close to 5.3 billion tonnes. In terms of tonne-miles, the trade growth was 1.1 %.

2019 was a volatile year for the bulkcarrier sector with several factors negatively influencing demand, e.g. trade disputes, African Swine Fever, iron ore delivery disruptions and the Indonesian ban on nickel ore exports as well as the general slowdown in the growth of the global economy and international trade. Supporting demand were factors such as economic stimulus to the infrastructure sector in China and strong coal and construction demand from the emerging SE Asian markets, and healthy grain and soybean exports from South America and corn exports from the Black Sea.

The average Baltic Dry Index (“BDI”) for 2019 was 1 352 which is the same as the 2018 average. However, there were very significant cyclical movements in the index during 2019 and the BDI ended the year at 976.

The emergence and outbreak of the Coronavirus disease (COVID-19) has added a new concern which has already led to significant implications on the global economy. During the first half of March we have already experienced extremely volatile day-to-day movements in the oil and fuel markets and for the stock markets we have seen movements not seen since the financial crisis in 2008.

In response to the outbreak, a number of countries, institutions and organizations across the globe are currently deploying preventive measures to halt the outbreak of the Coronavirus and a number of Governments and Central banks are introducing programs to render assistance to struggling industries.

The implications have also reached the shipping industry as most segments expect to suffer from a reduction in cargo volumes, and in time it is expected to see a drop in demand and freight rates. While it is still too early to gauge the full economic effect of the Coronavirus, it is clear that we will have to contend with this new epidemic for some time to come.

This situation is also impacting our customers and for G2 Ocean this means that we might have to contend with a higher than normal credit risk in the short term as some of our customers may struggle in meeting their financial obligations.

Above may also have a negative short and medium term impact on the liquidity situation in G2 Ocean. G2 Ocean is monitoring the situation closely and we expect this to be offset by a reduction in the pool distribution due to lower trade result.

We at G2 Ocean are doing everything in our power to minimize the negative consequences of the Coronavirus, and with the introduction of governmental support programs and with the situation seemingly normalizing in China, G2 Ocean remains cautiously optimistic for the future.

GOING CONCERN

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 group’s financial position and expectations of future earnings. The Board believes that the submitted annual accounts give a correct picture of the results, cash flows and economic situation. No events have taken place after the balance sheet date, which significantly would affect the accounts.

The Board are pleased to see improved results throughout the year and would like to thank all employees for their great effort in 2019.



Bergen, March 20, 2020
The Board of Directors of
G2 Ocean AS

Kristian Jebsen
Chair

Elisabeth Grieg
Vice Chair

Hans Petter Aas
Board Member

Arthur English
CEO

Hans Olav Lindal
Board Member

Camilla Grieg
Board Member





CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the period (USD 1 000)	Note	Jan 1 - Dec 31, 2019	Jan 1 - Dec 31, 2018
Total revenues	3,6	1 193 530	1 305 516
Operating expenses			
Voyage related	6,7	601 060	677 270
Time charter rental	9	50 331	79 773
Depreciation and amortization	14,15	6 013	6 729
Selling, general & administrative	11,12,13	53 400	55 035
Income from operations before pool distribution		482 726	486 709
Pool distribution to Pool Participants	19	472 911	478 154
Income from operations		9 815	8 555
<i>Non-operating income / (expenses):</i>			
Interest income / (expense)		(462)	(5)
Other income and expenses, net	17	(5 311)	(4 406)
Income before income taxes		4 042	4 143
Income tax expense	18	(735)	1 822
Net income		4 777	2 321

The accompanying notes form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period (USD 1 000)	Note	Jan 1 – Dec 31, 2019	Jan 1 - Dec 31, 2018
Comprehensive Income / (Loss)			
Net income		4 777	2 321
Other Comprehensive Income / (Loss)			
Net change in the fair value of cash flow hedges	16	6 371	(5 932)
Translation adjustment		59	271
Actuarial movements related to pension schemes	13	21	25
Comprehensive Income / (Loss) for the period		11 228	(3 315)

The accompanying notes form an integral part of these consolidated financial statements.



CONSOLIDATED BALANCE SHEET

Assets as per (USD 1 000)	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	21	4 707	4 022
Trade receivables (net)	5	47 522	45 158
Trade receivables with related parties	19	2 763	5 006
Related parties receivables	19	6 760	8 628
Accrued voyage revenue	4	12 056	22 363
Inventories	8	54 306	57 367
Prepaid expenses		1 298	1 075
Other current assets	16,18,22	5 183	9 141
Total current assets		134 595	152 759
Non-current assets			
Property, plant and equipment	15	26 405	25 935
Goodwill	14	17 757	17 838
Other non-current assets	16,26	1 093	1 571
Total non-current assets		45 255	45 345
Total assets		179 850	198 104

The accompanying notes form an integral part of these consolidated financial statements.



CONSOLIDATED BALANCE SHEET

Liabilities and Shareholder's Equity as per (USD 1 000)	Note	Dec 31, 2019	Dec 31, 2018
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Bank overdraft	23	506	1 267
Trade payable		12 725	19 053
Related parties payable	19	7 417	27 807
Accrued liabilities	24	51 059	50 308
Deferred voyage revenue	4	53 870	51 177
Other current payables	16,25	10 146	12 002
Total current liabilities		135 723	161 615
Non-current liabilities			
Related parties payable	19	12 001	4 559
Other non-current liabilities	13,16,27	2 632	2 681
Total non-current liabilities		14 633	7 240
Total liabilities		150 356	168 855
Shareholder's equity			
Share capital; par value NOK 1 421: issued and outstanding 84 360 shares	29,30	14 471	14 471
Additional paid-in capital	29	13 652	13 652
Retained earnings		(2 076)	4 129
Accumulated other comprehensive income/ (loss)	28	3 447	(3 004)
Total equity		29 494	29 248
Total liabilities and shareholder's equity		179 850	198 104

The accompanying notes form an integral part of these consolidated financial statements.

Bergen, March 20, 2020
The Board of Directors of
G2 Ocean AS

Kristian Jebsen
Chair

Elisabeth Grieg
Vice Chair

Hans Petter Aas
Board Member

Arthur English
CEO

Hans Olav Lindal
Board Member

Camilla Grieg
Board Member



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the period Jan 1 – Dec 31, 2019 (USD 1 000)	Number (Share capital)	Amount (\$) (Share capital)	Additional paid in capital (\$)	Retained earnings (\$)	Accumulated Other Comprehensive Income (Loss) (\$)	Total Shareholder's Equity (\$)
Balance at Jan 1, 2019	84 360	14 471	13 652	4 129	(3 004)	29 248
Opening balance adjustment – new revenue accounting principle	-	-	-	(10 852)	-	(10 852)
Net change in fair value of cash flow hedges	-	-	-	-	6 371	6 371
Translation adjustment	-	-	-	-	59	59
Net income	-	-	-	4 777	-	3 358
Dividend	-	-	-	(130)	-	(130)
Net actuarial movement related to pension schemes	-	-	-	-	21	21
Balance at Dec 31, 2019	84 360	14 471	13 652	(2 076)	3 447	29 494

For the period Jan 1 – Dec 31, 2018 (USD 1 000)	Number (Share capital)	Amount (\$) (Share capital)	Additional paid in capital (\$)	Retained earnings (\$)	Accumulated Other Comprehensive Income (Loss) (\$)	Total Shareholder's Equity (\$)
Balance at Jan 1, 2018	84 360	14 471	13 652	1 808	2 631	32 563
Net change in fair value of cash flow hedges	-	-	-	-	(5 932)	(5 932)
Translation adjustment	-	-	-	-	271	271
Net income	-	-	-	2 321	-	2 321
Net actuarial movement related to pension schemes	-	-	-	-	25	25
Balance at Dec 31, 2018	84 360	14 471	13 652	4 129	(3 004)	29 248

The accompanying notes form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows for as per (USD 1 000)	Note	Dec 31, 2019	Dec 31, 2018
Cash flows from operating activities			
Net income		4 777	2 321
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Depreciation and amortization	14,15	5 974	6 729
Financial cost		701	132
Changes in operating assets and liabilities			
Trades receivable	5	(2 364)	3 600
Inventories	8	3 061	(7 959)
Prepaid expenses and other assets		12 311	(851)
Accrued voyage revenue	4	4 034	(1 014)
Deferred voyage revenue	4	(1 886)	9 837
Accrued liabilities	24	808	4 337
Trade payable		(6 328)	(3 150)
Payments to and from related parties	19	(9 453)	(7 141)
Other payables	25	1 950	2 566
Other, net		1 158	1 099
Net cash provided / (used) by operating activities		14 743	10 506
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(6 676)	(4 952)
Disposal of fixed assets	15	39	
Net cash provided / (used) by investing activities		(6 638)	(4 952)
Cash flows from financing activities			
Proceeds from bank overdraft facility	23	(761)	(5 675)
Repayment of loans to related parties	19	(5 858)	(1 158)
Payment of finance costs		(701)	(132)
Net cash provided / (used) by financing activities		(7 320)	(6 965)
Net increase / (decrease) in cash and cash equivalents		785	(1 411)
Effect of exchange rate changes on the cash in the year		(100)	(381)
Cash and cash equivalents at the beginning of the year		4 022	5 814
Cash and cash equivalents at the end of the year		4 707	4 022
Supplementary disclosure			
Taxes paid		770	295
Interest paid		701	132
Interest received		239	130

The accompanying notes form an integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF THE BUSINESS

These are the consolidated financial statements of G2 Ocean AS (“Company” or “G2 Ocean”) and its subsidiaries. Subsidiaries comprise entities consolidated under either the voting interest method or the variable interest method as appropriate.

G2 Ocean is a joint venture of two of the world’s leading breakbulk and bulk shipping companies and combines the owners’ global resources and expertise to operate the combined fleet of open hatch, semi open hatch and conventional bulk vessels. As per December 31, 2019, the total number of vessels operating by the joint venture is 116 vessels. The network of worldwide offices provides a strong presence on every continent and is best placed to serve the customer’s needs locally and globally.

G2 Ocean operates the world’s largest fleet of open hatch gantry crane and jib crane vessels with box-shaped holds to maximize stowage and minimize cargo handling. The core fleet of 103 vessels, mainly of similar design, provides flexibility to interchange vessels for quick scheduling response. The onboard cranes lifting up to 70 ton and provide freedom to load and discharge efficiently anywhere, whether quayside facilities are equipped, or not.

The uniformity of the majority of the fleet enables G2 Ocean to use the vessels interchangeably, which provides scheduling flexibility, minimizes ballast voyages (“ballast voyages” refers to voyages, or legs of voyages, during which vessels are not fully loaded, which are made to position vessels in geographic locations where they may load cargoes) and reduces costs.

G2 Ocean is a leading dry bulk carrier of forest and other unitized products. The Company primarily operates its vessels under contracts of affreightment (“COA’s”), the majority of which are between one and three years.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“USGAAP”).

The preparation of consolidated financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2.2 Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are identified under either the voting interest model, where the Company exercises control through owning the majority of the voting interests in the entity, or the variable interest model, where the Company has been identified as the primary beneficiary of the risks and rewards associated with a variable interest entity.

All intercompany balances and transactions have been eliminated.

2.3 Use of estimates

Preparation of financial statements in accordance with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2.4 Changes in accounting principles

G2 Ocean adopted the Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). The nature and effect of the changes as a result of this adoption are described below.

ASC 606 Revenue from contracts with customers has superseded the revenue recognition requirements in Topic 605.

ASC 606 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers.

Until now, G2 Ocean has recognized revenue per voyage, not per customer contract, over the estimated duration of the voyage from discharge-to-discharge. Variable considerations, including estimated demurrage, was included in revenue over the estimated remaining duration of the voyage. The number of voyage days sailed compared to total estimated days for the voyage was used as a measure for recognizing revenue over time.

ASC 606 requires G2 Ocean to recognize revenue per freight service (performance obligation) in customer contracts over the period from load port to discharge port. Compared to previous accounting principle of G2 Ocean, this implies that a voyage is separated into many performance obligations and timing of revenues are estimated specifically for each. Revenue per freight service includes variable considerations such as demurrage, which is also recognized over the period from it occurred to discharge port. Freight services are performed over time as the customer benefits from and controls the services received as it is being performed. Number of days sailed from load port compared to total estimated days until discharge port for each performance obligation is used as a measure for recognizing revenue over time.

Under Topic 605 voyage costs were estimated and recognized over the estimated duration of the voyage, using the same pattern as for revenue. Under Topic 606 these costs are recognized as an asset if they are expected to be recovered from the customer. However, G2 Ocean applies the practical expedient where these costs are immediately expensed when the related revenue is expected to be recognized within one year. The Company has not identified any implementation effects relating to voyage costs.

2.4.1 Implementation

The new standard has been implemented in G2 Ocean using the modified retrospective approach as transition method, which requires the recognition of the cumulative effect of initially applying ASC 606 to the opening balance of equity as at January 1, 2019. As such, the comparative information has not been restated and continues to be reported under the accounting standards in effect for periods prior to January 1, 2019. Under the modified retrospective approach, G2 Ocean recognized the cumulative effect of adopting this standard as a net adjustment amounting to USD 10 852 000 to decrease the opening balance of Retained earnings as of January 1, 2019.

(USD 1 000)	Dec 31, 2018	Adjustments for ASC 606	Jan 1, 2019
Assets			
Accrued voyage revenue	22 363	(6 273)	16 090
Liabilities			
Deferred voyage revenue	(51 177)	(4 579)	(55 756)
Equity			
Retained earnings	(4 129)	10 852	6 723

2.5 Revenue and Voyage Related Expenses Recognition

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which G2 Ocean expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

2.5.1 Freight revenue

G2 Ocean recognizes revenue from rendering of transportation services over time, because the customer simultaneously receives and consumes the benefits provided by the Company. G2 Ocean has decided that every voyage charter contract consist of a single performance obligation of transporting the cargo within a specific time period. Therefore, the performance obligation is met evenly as the voyage progresses and the freight revenue is recognized over time from load port to discharge port by measuring the progress progress towards complete fulfillment of the performance obligation(s) under the contract. Number of days sailed from load port compared to total estimated days until discharge port is used as a measure progress. The method applied is the one that most faithfully depicts our progress towards complete satisfaction of the performance obligation.

2.5.2 Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the service to the customer. The variable consideration is estimated at contract inception or when changes in circumstances occur and is recognized as revenue if it is highly probable that there will not be a significant reversal of revenue in a future period. The Company is estimating demurrage revenue as a variable consideration when delays occur and the vessel is prevented from loading or discharging cargo within the stipulated laytime. The variable consideration based on contracted price terms and estimated excess time taken to discharge or load are being recognized as part of the freight service revenue over time for the remaining voyage (from the delay occurs to the discharge port).

2.5.3 Contract balances

Contract assets: A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables: A receivable represents the Company's right to an amount of consideration that is unconditional.

Contract liabilities: A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company fulfills the performance obligation(s) under the contract.

2.5.4 Cost to obtain a contract

G2 Ocean has elected to apply the optional practical expedient for costs to obtain a contract, e.g. voyage costs and broker commissions, which allows the Company to immediately expense such costs when the related revenue is expected to be recognized within one year.

2.6 Depreciation

Depreciation is charged on a straight-line basis, using rates calculated to write off the cost of property, plant and equipment to its estimated residual value over the following periods:

Item	Period
Machinery & equipment	Up to 12 years
Other property, plant and equipment	Up to 10 years

On retirement or disposal of property, plant and equipment the difference between any proceeds received and the net book value of the respective asset is recognized as a gain or loss in the Statement of Income.

Leasehold improvements are depreciated over the period of the lease.

2.7 Foreign Currency

The Company's functional and reporting currency is the US Dollar. Assets and liabilities denominated in foreign currencies are translated to US Dollars using the rates of exchange at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated into US Dollars using the exchange rate on the date of the transaction. Exchange gains and losses on settlement or translation are included in Net income / (loss).

Assets and liabilities of foreign subsidiaries, whose functional currency is not the US Dollar, are translated using the rates of exchange at the balance sheet date. Revenues and expenses of foreign subsidiaries are translated at average exchange rates prevailing during the year. Exchange gains and losses arising from the translation of foreign subsidiaries are reported as a separate component of Other Comprehensive Income / (Loss) as a translation adjustment.

The cash flows from derivative instruments, which are accounted for as hedges of forecasted foreign currency denominated transactions, are classified in the statement of cash flows in a manner consistent with the underlying nature of the hedged transactions. Foreign currency transaction gains or losses are reported in other income and expense in the Consolidated statement of Income.

2.8 Cash and Cash equivalents

All highly liquid investments with an original maturity of three months or less when purchased are considered cash equivalents.

2.9 Inventories

Inventories are recorded at the lower of cost and net realizable value with cost determined using the first-in-first-out (“FIFO”) method.

2.10 Assets held for sale

The Company classifies assets (disposal groups) as being held for sale when the following criteria are met: management has committed to a plan to sell the asset (disposal group); the asset (disposal group) is available for immediate sale in its present condition; an active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated; the sale of the asset (disposal group) is probable, and the transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale.

2.11 Property, Plant and Equipment

Property, plant and equipment is recorded at historic cost, less accumulated depreciation and any impairment. Property, plant and equipment includes capitalized Information Technology (“IT”) system costs. Where an asset is constructed over an extended period and the Company is responsible for funding the construction, interest is capitalized into the cost of the asset. Property, plant and equipment is recorded at historic cost, less accumulated depreciation and any impairment. Property, plant and equipment includes capitalized Information Technology system costs.

The Company performs impairment reviews when there is a triggering event and to supplement this the company performs reviews annually. These reviews are based upon comparisons between book values and estimated market values and projections of anticipated future cash flows. The projections of anticipated future cash flows are derived from approved budgets and medium-term forecasts. Thereafter, cash flows are adjusted by long term global growth rates considered applicable to the Company’s revenues and costs. An impairment loss is recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposal of the asset. That assessment is based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

2.12 Intangible Assets

Internally generated intangible assets are not carried in the Company’s balance sheet.

2.13 Leases

Lease payments in respect of assets under operating leases are expensed in the period incurred, except where the lease payment is fixed over a number of periods, in which case the expense is calculated based on the average charge over the period for which the lease payment is fixed.

Assets acquired under capital leases are capitalized as property, plant and equipment in the Consolidated Balance Sheet and the corresponding liability is included in capital lease obligations. The amount capitalized is the lower of the fair value of the asset or the present value of future minimum lease payments. The capital value of the asset is depreciated over its useful live. Lease payments are treated as consisting of a capital element and interest cost, the capital element reducing the obligation to the lessor and the interest cost being expensed over the period of the lease.

2.14 Derivatives

The Company recognizes derivatives as either assets or liabilities on the balance sheet and measures them at fair value. As described in Note 16, gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting.

Where derivative instruments entered into by the Company do not qualify for hedge accounting, the movement in their fair value is recorded under the caption of Other income and expenses in the Statement of Income.

2.15 Pension Plans

Obligations for contributions to defined contribution plans are recognized as an expense in the Statement of Income as incurred.

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior period. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

2.16 Income taxes

Income taxes are accounted for under the asset and liability method. Significant judgment is required in determining the Company's tax liabilities in the jurisdictions in which the Company operates. The Company's income tax liabilities are based on calculations and assumptions that are subject to examination by different tax authorities. The Company establishes accruals for certain tax contingencies and interest when, despite the belief that the Company's tax return positions are properly supported, the Company believes certain positions may be challenged and that the Company's positions may not be fully sustained. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company recognizes interest accrued related to unrecognized tax benefits in interest income / (expense).

Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and deferred tax liabilities are adjusted to the extent necessary to reflect tax rates expected to be in effect when the temporary differences are reversed. Adjustments may be required to deferred tax assets and deferred tax liabilities due to changes in tax laws and audit adjustments by tax authorities. To the extent adjustments are required in any given period the adjustments would be included within the tax provision in the Statement of Income and/or Balance Sheet.

A valuation allowance against a deferred tax asset is established if, based on the weight of available evidence, management believes that it is more likely than not that the recorded deferred tax asset will not be realized in future periods.

Where items in Other Comprehensive Income have a tax effect, the tax effect is also taken to Other Comprehensive Income.

2.17 Dividends

The Company accounts for dividends to shareholders once the dividend has been formally declared. These amounts are charged as a deduction to retained earnings.

2.18 Adoption of new accounting standards

The commentary below relates to recent accounting pronouncements applicable to the consolidated financial statements for periods after December 31, 2019.

Leasing (ASU 2016-02, 2018-11, clarifications and improvements): In February 2016, the FASB issued the new standard, Leases ASC 842. Lessees will need to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of the lease payments. The asset will be based on the liability, subject to adjustments, such as for initial direct costs. On November 29th, 2017 FASB proposed allowing entities to adopt the new guidance without adjusting the comparative periods presented. The FASB also voted to simplify lessor's disclosures by reducing the need to separate lease and non-lease components. The lessees and lessors are required to disclose qualitative and quantitative

information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. For privately held companies the standard would originally become effective for fiscal years beginning after December 15, 2019. However, ASU 2019-10 confirms that effective date for privately held companies are delayed one year. The standard will be effective for fiscal years beginning after December 15, 2020.

ASC 842 also allows lessees to elect as an accounting policy not to apply the provisions of ASC 842 to short term leases (i.e., leases with an original term of 12-months or less). Instead, a lessee may recognize the lease payments in profit or loss on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. The accounting policy election for short-term leases shall be made by class of underlying asset to which the right of use relates. The Company expect to elect as an accounting policy not to apply the provisions of ASC 842 to short term leases to its portfolio of short-term leases existing on January 1, 2021.

The Company currently has two major categories of leases - chartered-in vessels and leased office and other space. The Company does not expect to elect the practical expedient to not separate lease and non-lease components for all of our leases where we are the lessee.

The Company is in process of evaluating and assessing the impact and related disclosure.

Intangibles-Goodwill and Other (ASU 2017-04): In January 2017, the FASB issued guidance to simplify the subsequent measurement of goodwill, whereupon the Board eliminated Step 2 from the goodwill impairment test, which requires a hypothetical purchase price allocation. The standard is effective for annual goodwill impairment tests in fiscal years beginning after December 15, 2021 and it is not expected to have a material effect on the Company's consolidated financial statements.

Changes to disclosure requirements for defined benefit plans (ASU 2018-14): In August 2018, the FASB issued amended guidance related to the Compensation – Retirement Benefits – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which requires the bifurcation of service costs and other components of net benefit cost. The ASU is effective for fiscal years ending after December 15, 2021. The new standard may impact our disclosures but is not expected to have an impact on our consolidated financial statements.

Accounting for Hedging Activities, Topic 815 (ASU 2017-12): In August 2017, the FASB issued guidance with the objective of better aligning a company's risk management activities and the resulting hedge accounting reflected in the financial statements. The accounting update allows cash flow hedging of contractually specified components in financial and non-financial items. Under the new guidance, hedge ineffectiveness is no longer required to be measured and hedging instruments' fair value changes will be recorded in the same income statement line as the hedged item. The ASU also allows the initial quantitative hedge effectiveness assessment to be performed at any time before the end of the quarter in which the hedge is designated. After initial quantitative testing is performed, an ongoing qualitative effectiveness assessment is permitted. The accounting update was originally effective for fiscal years beginning after December 15, 2019. However, ASU 2019-10 confirms that effective date for privately held companies are delayed one year. The standard will be effective for fiscal years beginning after December 15, 2020. We are in progress of assessing the impact of the new guidelines on our consolidated financial statements. We do not expect the new guideline to have a material impact on our consolidated financial statements.

Disclosure requirements on fair value measurement (ASU 2018-13): In August 2018, the FASB issued guidance related to the disclosure requirements on fair value measurement. The ASU is effective for fiscal years beginning after December 15, 2019. The new standard may impact our disclosures in the financial statement in 2020 but is not expected to have an impact on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which revises guidance for the accounting for credit losses on financial instruments within its scope. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The guidance will be effective January 1, 2023 for nonpublic entities, with early adoption permitted. Entities are required to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

NOTE 3 TOTAL REVENUES

All of G2 Ocean's revenues arise from international shipping. An analysis of revenue by origin of load port is as follows:

For the period (USD 1 000)	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
North America	233 178	283 521
South America	452 126	510 879
Europe	141 792	153 958
Africa	27 312	29 057
Australasia	58 435	63 714
Middle East and Asia	280 687	264 386
Total	1 193 530	1 305 516

Load ports in the following countries each constituted more than 5 % of the total cargo revenues reported in 2019: Brazil 26.6 % (2018: 25.7 %), China 14.5 % (2018: 13.3 %), Chile 7.2 % (2018: 7.0 %), United States of America 9.0 % (2018: 10.1 %) and Canada 10.6 % (2018: 11.6 %).

G2 Ocean's gross revenue has been disaggregated and presented in the table below:

For the period (USD 1 000)	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Revenue from contracts with customers	1 189 703	1 302 335
Other revenues	3 827	3 181
Total	1 193 530	1 305 516
<i>Revenue from contracts with customers disaggregated by type of contracts:</i>		
Charter of Affreightment contracts	721 066	927 675
Spot contracts	392 365	374 660
Time charter hire	76 272	91 282
Total	1 189 703	1 302 335

Revenues from one customer in the year ended December 31, 2019 individually accounted for 10 % or more of the Company's revenues in the amount of USD 123.4 million. No customers in the year ended December 31, 2018, accounted for 10 % or more of the Company's revenues.

NOTE 4 CONTRACT ASSETS AND CONTRACT LIABILITIES

For the period (USD 1 000)	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Accrued voyage revenue	12 056	22 363
Contract assets	12 056	22 363
Deferred voyage revenue	53 870	51 177
Contract liabilities	53 870	51 177

4.1 Contract assets

Contract assets are recognized revenue for freight services partly satisfied from voyages that have commenced but are not completed and invoices have not been issued as per December 31. Contract assets are reclassified to receivables from contracts with customers once the freight service is being invoiced to the customer, normally at the latest within some weeks after the voyage is completed.

4.2 Contract liabilities

Contract liabilities are being recognized as revenue from contracts with customers within the completion of the voyage (at the latest a few months after the prepayment).

As per December 31, 2019 G2 Ocean has the following remaining performance obligations (amounts not disclosed):

- For voyages in progress, revenues related to the remaining freight services will be recognized as the voyage progresses. All voyages in progress will be completed within a few months.
- In addition the Company has freight commitments related to contracts of affreightment entered into for future shipments.

NOTE 5 TRADE RECEIVABLES

Trade receivables consists of the following amounts

As per (USD 1 000)	Dec 31, 2019	Dec 31, 2018
Trade receivables	47 984	45 507
Loss provision	(462)	(349)
Total	47 522	45 158

All trade receivables and 100 % of the loss provision is related to revenue from contract with customers.

As at December 31, the ageing analysis of trade receivables are as follows:

As per (USD 1 000)	Total	Current	1-30 days	31-60 days	61-90 days	> 91 days
2019	47 984	36 074	8 546	750	1 297	1 317
2018	45 507	32 811	9 523	1 398	449	1 326

NOTE 6 SEGMENT INFORMATION

The Company has two operating segments, Open Hatch and Conventional Bulk which are managed separately with each segment representing a strategic business unit that operates in the shipping market.

Pricing of services and transactions between businesses segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expenses and segment results include transactions between operating gross segments. These transactions are eliminated in the consolidation.

The Company provide segment data for the revenues and cost as the reliability measurement criteria cannot be met for other items.

For the period Jan 1 – Dec 31, 2019 (USD 1 000)	Open Hatch	Conventional Bulk	Eliminations	Total
Total revenues	1 085 118	109 745	(1 332)	1 193 530
Operating expenses				
Voyage related	566 109	34 951	-	601 060
Time charter rental	41 618	10 045	(1 332)	50 331
Depreciation and amortization	5 963	50	-	6 013
Selling, general & administrative	50 732	2 669	-	53 401
Income from operations before pool distribution	420 696	62 030	-	482 726
Pool distribution to Pool Participants	411 427	61 484	-	472 911
Income from operations	9 269	546	-	9 815
Non-operating income / (expenses)	(5 483)	(289)	-	(5 773)
Income before income taxes	3 785	257	-	4 042
Income tax expense	(698)	(37)	-	(735)
Net income	4 483	294	-	4 777

For the period Jan 1 – Dec 31, 2018 (USD 1 000)	Open Hatch	Conventional Bulk	Eliminations	Total
Total revenues	1 180 394	125 122	-	1 305 516
Operating expenses				
Voyage related	653 962	23 308	-	677 270
Time charter rental	62 272	17 501	-	79 773
Depreciation and amortization	6 636	93	-	6 729
Selling, general & administrative	52 283	2 752	-	55 035
Income from operations before pool distribution	405 420	81 469	-	486 709
Pool distribution to Pool Participants	396 901	81 253	-	478 154
Income from operations	8 339	216	-	8 555
Non-operating income / (expenses)	(4 191)	(221)	-	(4 412)
Income before income taxes	4 148	(5)	-	4 143
Income tax expense	1 731	91	-	1 822
Net income	2 417	(96)	-	2 321

NOTE 7 VOYAGE RELATED EXPENSES

Voyage related expense consist of the following amounts:

For the period (USD 1 000)	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Bunker expenses	266 648	302 154
Cargo handling expenses	152 040	175 124
Port expenses	134 771	151 143
Insurance premiums and deductibles	4 399	3 000
Other voyage related expenses	43 202	45 849
Total	601 060	677 270

NOTE 8 INVENTORIES

Inventories consist of the following amounts:

As per (USD 1 000)	Dec 31, 2019	Dec 31, 2018
Bunkers	51 511	51 294
Consumables and other inventories	2 795	6 073
Total	54 306	57 367

There was no impairment of inventories in 2019.

Certain voyage related machinery and equipment amounting to USD 8.3 million was reclassified to Property, plant and equipment from Inventories in 2018 to reflect the Company's use of the equipment as a long-lived asset.

NOTE 9 TIME CHARTER RENTAL EXPENSES

The time charter rental expenses consist of expenses for operating leases. Time charter is an arrangement for hire of a vessel. These arrangements vary in form and way of payment and period of hire may differ from time to time. The time charter rental expenses for the twelve months ending December 2019 is USD 50.3 million (2018: USD 79.8 million).

NOTE 10 OPERATING LEASES

Future minimum lease payments in respect of operating leases as of December 31, 2019, are as follows:

As per Dec 31, 2019 (USD 1 000)	Offices	Vessels	Total
2020	1 765	4 502	6 267
2021	1 154	-	1 154
2022	841	-	841
2023	816	-	816
2024	824	-	824
Thereafter	1 840	-	1 840
Total	7 239	4 502	11 741

NOTE 11 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses consist of the following amounts:

For the period (USD 1 000)	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Staff expenses	41 323	41 983
Office expenses	2 595	2 583
IT and communication	2 543	2 598
Professional fees	3 409	3 508
Travel expenses	2 981	2 824
Entertainment and marketing	550	-
Other administration expenses	-	1 595
Total	53 400	55 035

The classification of selling, general and administrative expenses in the table above has been amended in 2019 compared to 2018.

NOTE 12 AUDITOR'S REMUNERATION

The following auditor's remuneration is included in the selling, general and administrative expenses

For the period (USD 1 000)	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Statutory audit	180	202
Tax advisory services	36	60
Other non-audit services	6	9
Total	222	271

NOTE 13 PENSION BENEFITS AND LIABILITIES

The Company funds pension for certain employees under either a defined contribution scheme or a defined benefit plan undertaken with various pension companies under several different plans.

The Company's Norwegian subsidiaries are bound to have a mandatory occupational pension scheme pursuant to the Norwegian law of Occupational pension scheme. The Company's pension scheme meets the requirement of this Act.

13.1 Defined contribution plans

The Company funds pensions for certain employees under defined contribution personal pension policies undertaken with various pension companies under several different plans. Contributions are generally based on a percentage of gross salaries. Other subsidiaries also make contributions into various defined contribution pension arrangements including state schemes where relevant. Costs in respect of these pension arrangements for the period ending December 31, 2019 were USD 3.2 million (2018: USD 3.5 million).

13.2 Defined benefit plans

The Company has also defined benefit schemes and early retirement schemes. The defined benefit schemes are for certain employees with salaries above a specified threshold (12G). This pension gives the right to future defined benefits and the obligations are primarily dependent on years of service, salary at retirement and level of national insurance benefits. The scheme covers 5 employees.

The early retirement scheme covers employees who were transferred from Grieg Star Shipping AS and Grieg Star Group AS to G2 Ocean AS on May 2, 2017. The early retirement scheme pays 70 % (2018: 70 %) of salary at the time reaching the age of 65 until 67 years. This scheme is not funded but is financed through operations. The pension scheme covered 23 employees as of December 31, 2019 (2018: 24 employees).

The components of net periodic pension cost for defined benefit plans for the year December 31, 2019 were as follows:

For the period (USD 1 000)	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Service cost	245	267
Interest cost	98	69
Expected return on assets	(50)	(43)
Actuarial (gains) / losses	51	-
Payroll tax	48	39
Net periodic pension expenses / (income)	392	332

The components of movements in net pension obligations in Other Comprehensive Income for defined benefit plans for the year ending December 31, 2019 were as follows:

For the period (USD 1 000)	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Amortization of actuarial gain	21	25
Net pension movement in other comprehensive income	21	25

The following weighted-average assumptions have been used in determining the net periodic benefit costs or benefit obligation for the plans:

13.2.1 Assumptions

The assumptions used in the Company's defined benefit pension plans have been weighted and are as follows:

As per (USD 1 000)	Dec 31, 2019	Dec 31, 2018
Assumed discount rate	1.8 %	2.6 %
Expected long term rate of return on plan asset	4.2 %	4.3 %
Salary increase	2.25 %	2.75 %
Average remaining service period	11 years	12 years
Pension increase	2.0 %	2.5 %
Payroll tax	14.1 %	14.1 %

13.2.2 Funded status

The funding of the Company's defined benefit pension plans are as follows:

As per (USD 1 000)	Dec 31, 2019	Dec 31, 2018
Funded status - over/underfunded	2 306	1 919
- Unrecognized actuarial loss / (gain)	126	-
Payroll tax	307	271
Total pension liabilities	2 488	2 189

13.2.3 Change in projected benefit obligations

The following table is a reconciliation of projected benefit obligations ("PBO"):

As per (USD 1 000)	Dec 31, 2019	Dec 31, 2018
As of beginning of period	3 081	2 933
Service cost	245	251
Interest cost	98	69
Actuarial loss	(690)	64
Foreign exchange difference	805	(237)
Total	3 539	3 081

13.2.4 Change in plan assets

The following table is a reconciliation of the fair value of plan assets:

As per (USD 1 000)	Dec 31, 2019	Dec 31, 2018
As of beginning of period	1 163	846
Estimated return on plan assets	50	43
Actuarial (loss) / gain	(25)	11
Employer contribution	59	333
Foreign exchange differences	(14)	(70)
Total	1 233	1 163

13.2.5 Plan Assets

The allocation of plan assets is set out below:

As per (USD 1 000)	Dec 31, 2019	Dec 31, 2018
Equities	235	149
Bonds	536	501
Money market and similar	169	119
Property	137	106
Other	156	288
Total	1 233	1 163

Investments in securities traded on recognized exchanges are estimated at the last reported sales price on the last business day of the period. Securities traded in the over the counter market are valued at the last bid price.

The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments by level of the following fair value measurement hierarchy:

The Company has deemed the fair value measurement of equities, bonds and money market and similar assets to be level 1 where an active market exists, or level 2 where an active market does not exist. The Company has deemed the fair value measurement of property to be level 3.

The expected return on plan assets is based upon an evaluation of the Company's experience taking into account current and expected market conditions.

The Company's investment strategy for its pension plans is to maximize the long-term rate of return on plan assets within an acceptable level of risk in order to minimize the cost of providing pension benefits while maintaining adequate funding levels. The Company's practice is to conduct a strategic review of its asset allocation strategy every year with the Company's equity portfolios managed in such a way as to achieve optimal diversity. The Company does not manage any assets internally, does not have any passive investments in index funds and does not utilize hedging, futures or derivative instruments in relation to its pension schemes. No investments are held in stock of the Company.

13.2.6 Projected benefit payments

Benefit payments expected to be made from the defined benefit pension schemes are as follows:

As per (USD 1 000)	Dec 31, 2019
2020	57
2021	130
2022	120
2023	280
2024	293
Thereafter	6 116
Total	6 996

The Company expects to make contributions into the defined benefit pension schemes during 2020 of USD 0.1 million (2019: USD 0.2 million).

NOTE 14 GOODWILL

The Open Hatch and Bulk, chartering and operational activities were acquired from Gearbulk and Grieg Star on May 2, 2017 for a combined purchase price of USD 86.0 million. The fair value of the identified assets and liabilities in the transaction amounted to USD 68.1 million, resulting in a goodwill of USD 17.9 million.

The goodwill is allocated to the employees, corporate culture and synergies, such as optimization of fleet performance, vessel scheduling, cargo handling and cost efficiencies in the onshore organization. These can be realized in connection with the establishment of the Joint Venture and the acquisition of the subsidiaries and the Chartering and Operational activities, assets and liabilities.

As of December 31, 2019, there is no accumulated impairment loss recognized.

(USD 1 000)	Open Hatch	Conventional Bulk	Total
Goodwill			
Historical cost Jan 1, 2019	16 887	951	17 838
Additions	-	-	-
Currency translation	(77)	(4)	(81)
Historical cost Dec 31, 2019	16 810	947	17 757
Amortization for the year	-	-	-
Accumulated amortization	-	-	-
Goodwill Dec 31, 2019	16 810	947	17 757

(USD 1 000)	Open Hatch	Conventional Bulk	Total
Goodwill			
Historical cost Jan 1, 2018	16 924	953	17 877
Additions	-	-	-
Currency translation	(37)	(2)	(39)
Historical cost Dec 31, 2018	16 887	951	17 838
Amortization for the year	-	-	-
Accumulated amortization	-	-	-
Goodwill Dec 31, 2018	16 887	951	17 838

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following amounts:

(USD 1 000)	Machinery & Equipment	Cars, furniture & fixtures	IT Equipment & software	Total
Cost				
Balances as of Jan 1, 2019	35 242	1 657	1 374	38 273
Additions	6 405	207	65	6 676
Disposal	(91)	(432)	(162)	(685)
Foreign exchange differences	(52)	(9)	(7)	(68)
Balances as of Dec 31, 2019	41 504	1 423	1 270	44 197
Depreciation and amortization				
Accumulated depreciation at January 1, 2019	(11 695)	(315)	(329)	(12 339)
Depreciations	(5 137)	(374)	(481)	(5 991)
Disposals	29	326	164	520
Foreign exchange differences	10	1	8	18
Accumulated depreciations as per December 31, 2019	(16 793)	(362)	(638)	(17 792)
Net carrying value Jan 1, 2019	23 547	1 342	1 045	25 935
Net carrying value Dec 31, 2019	24 711	1 061	632	26 405

(USD 1 000)	Machinery & Equipment	Cars, furniture & fixtures	IT Equipment & software	Total
Cost				
Balances as of Jan 1, 2018	21 350	1 627	737	23 714
Reclassifications from Inventory	8 325	-	-	8 325
Other reclassifications	3 312	-	-	3 312
Additions	3 156	714	1 082	4 952
Disposal	(702)	(542)	(340)	(1 584)
Foreign exchange differences	(199)	(141)	(105)	(446)
Balances as of Dec 31, 2018	35 242	1 657	1 374	38 273
Depreciation and amortization				
Accumulated depreciation at January 1, 2018	(2 979)	(273)	(120)	(3 372)
Depreciations	(5 389)	(331)	(432)	(6 152)
Other reclassifications	(3 535)	-	-	(3 535)
Disposals	186	216	133	535
Foreign exchange differences	22	73	90	186
Accumulated depreciations as per December 31, 2018	(11 695)	(315)	(329)	(12 339)
Net carrying value Jan 1, 2018	18 371	1 354	617	20 342
Net carrying value Dec 31, 2018	23 770	1 342	1 045	25 935

Certain voyage related machinery and equipment amounting to USD 8.3 million was reclassified to Property, plant and equipment from Inventories in 2018 to reflect the Company's use of the equipment as a long-lived asset.

15.1 Depreciation and amortization

The depreciation and amortization charge for 2019 was USD 6.0 million including a loss on disposal and scrapping of USD 0.0 million (2018: USD 6.7 million including a loss on disposal and scrapping of USD 0.5 million).

15.2 Impairment

There was no impairment loss in 2019.

NOTE 16 HEDGING TRANSACTIONS AND FINANCIAL INSTRUMENTS

All derivatives are recognized on the balance sheet at their fair value. On the date that the Company enters into a derivative contract, it designates the derivative as either:

- I. A hedge of the fair value of a recognized asset or liability (a "fair value" hedge);
- II. A hedge of (a) a forecasted transaction, (b) the variability of cash flows that are to be received or paid in connection with a recognized asset or liability or (c) an unrecognized firm commitment (a "cash flow" hedge);
- III. A foreign-currency fair-value or cash flow hedge (a "foreign currency" hedge);
- IV. A hedge of a net investment in a foreign operation: or
- V. An instrument that is held for trading or non-hedging purposes (a "trading" or "non-hedging" instrument).

The Company in general enters into forward foreign exchange contracts, fuel rate swap agreements and options and less frequently, derivatives such as forward freight agreements, freight options and fuel purchase options, to manage its exposure to fluctuations in currency rates, the market price of fuel, the market price of time charter freight rates and voyage charter freight rates. Certain forward foreign exchange contracts and fuel rate swap agreements are designated as cash flow hedges and where they meet the criteria for hedge accounting, each is accounted for accordingly as follows.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are reported in the statement of income. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge, to the extent that the hedge is effective, are recorded in other comprehensive income, until earnings are affected by the variability of cash flows of the hedged transaction. Any hedge ineffectiveness (which represents the amount by which the changes in the fair value of the derivative exceed the variability in the cash flows of the forecasted transaction) is recorded in current-period earnings.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow, or foreign-currency hedges to (1) specific assets and liabilities on the balance sheet or (2) specific forecast or committed transactions. The Company also formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, the Company discontinues hedge accounting prospectively.

The Company discontinues hedge accounting prospectively when:

- it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions),
- the derivative expires or is sold, terminated, or exercised,
- it is no longer probable that the forecasted transaction will occur,
- a hedged firm commitment no longer meets the definition of a firm commitment, or
- the Company determines that designating the derivative as a hedging instrument is no longer appropriate.

The Company discontinues hedge accounting when it is no longer probable that the forecasted transaction or firm commitment will occur on the original date or within a two-month window either side of this date. If the hedge is de-

designated, the gain or loss accumulated to date on the derivative remains in Accumulated other comprehensive income and is reclassified into the Statement of Income when the transaction affects earnings. If the hedge is not de-designated, the gain or loss accumulated to date on the derivative is recognized immediately in the Statement of Income. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair value on the balance sheet, recognizing changes in the fair value in current-period earnings.

16.1 Foreign Currency Management

The Company maintains a foreign-currency risk-management strategy that uses derivative instruments to protect its interests from unanticipated fluctuations in earnings and cash flows that may arise from volatility in currency exchange rates. Movements in foreign-currency exchange rates pose a risk to the Company's operations and competitive position, since changes in exchange rates may affect the profitability, cash flow, and business and or pricing strategies of competitors. These movements affect transactions that involve operating costs incurred in foreign currencies. The Company uses foreign currency forward exchange contracts to hedge these risks.

The notional amount of the foreign currency forward exchange contract entered into during 2019 is USD 132.8 million (2018: USD 133.4 million).

As of December 31, 2019, the fair value of aggregate foreign currency forward exchange contracts held on the balance sheet was a net unrealized gain of USD 0.2 million (2018: net unrealized loss of USD 4.2 million), of which USD 1.0 million (2018: USD 0.3 million) was recorded within Other current assets, USD 0.7 million (2018: USD 0.2 million) was recorded within Other non-current assets and USD 1.4 million (2018: USD 4.5 million) within Other current payables and USD 0.0 million was recorded within Other non-current liabilities (2018: USD 0.2 million).

As of December 31, 2019, these contracts had maturities of up to two years and a notional principal amount of USD 128.4 million (2018: USD 107.3 million).

16.2 Fuel Cost Management

The Company maintains a fuel-cost risk-management strategy that uses derivative instruments to minimize significant, unanticipated fluctuations in earnings that may arise from volatility in fuel prices. The Company enters into forward contracts and options relating to fuel. The Company has applied hedge accounting to these arrangements during the year ending December 31, 2019.

As of December 31, 2019, the fair value of aggregate fuel rate swap agreements held on the balance sheet was a net unrealized gain of USD 3.6 million (2018: net unrealized loss of USD 0.1 million), of which USD 3.6 million (2018: USD 0.2 million) was recorded in Other current assets and USD 0.0 million (2018: USD 0.4 million) was recorded within Other non-current assets and USD 0.0 million (2018: USD 0.7 million) was recorded within Other current payables and USD 0.0 million (2018: USD 0.0 million) was recorded within Other non-current liabilities. As of December 31, 2019, these contracts had maturities of up to one year and a notional principal quantity of 49 599 metric tons (2018: 34 194 metric tons). The notional value of these contracts is USD 24.3 million (2018: USD 13.4 million).

16.3 Credit Risk

By using derivative financial instruments to hedge exposures to changes in exchange rates and fuel costs, the Company exposes itself to credit risk. Credit risk is the risk that the counterparty might fail to fulfill its performance obligations under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates repayment risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, does not assume repayment risk. The Company's hedging policy establishes maximum limits for each counterparty.

In the current economic environment, the Company is actively monitoring all of its material counterparty risks.

16.4 Fair Values

The estimated fair values of derivatives used to hedge or modify the Company's risks will fluctuate over time. These fair values should not be viewed in isolation, but rather in relation to the fair values of the underlying hedged transactions and the overall reduction in the Company's exposure to adverse fluctuations in foreign exchange rates and fuel prices.

The Company has adopted the requirements to disclose fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The Company has deemed the fair value measurement for each asset or liability held at fair value to be level 2.

The following tables present the aggregate notional principal amounts, carrying values, fair values and maturities of the Company's financial instruments as of December 31, 2019 and as of December 31, 2018 (See Notes 22, 25, 26 and 27):

As per Dec 31, 2019 (USD 1 000)	Notional Principal Amounts (\$)	Carrying Values (\$)	Fair Values (\$)	Maturity
<i>Derivative Instruments</i>				
Foreign exchange forward contracts	128 433	244	244	2020-2021
Fuel future purchase contracts	24 302	3 579	3 579	2020

As per Dec 31, 2018 (USD 1 000)	Notional Principal Amounts (\$)	Carrying Values (\$)	Fair Values (\$)	Maturity
<i>Derivative Instruments</i>				
Foreign exchange forward contracts	107 287	(4 232)	(4 232)	2019-2020
Fuel future purchase contracts	13 415	(112)	(112)	2019-2020

The carrying value of financial assets and liabilities approximates fair value. The fair value of the financial derivative instruments is the estimated amount, based upon quotations obtained from third party banks or brokers, or valuation techniques, which the Company would have received or would have had to pay if the financial instruments had been terminated or sold at the reporting date.

The following tables present maturities of notional principal amounts of derivative instruments held as of December 31, 2019 and as of December 31, 2018:

As per Dec 31, 2019 (USD 1 000)	Forward currency purchase (\$)	Fuel purchase contracts (\$)	Fuel purchase contracts (MT)
2020	99 898	24 302	49 599
2021	28 535	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
Thereafter	-	-	-
Total	128 433	24 302	49 599

As per Dec 31, 2018 (USD 1 000)	Forward currency purchase	Fuel purchase contracts	Fuel purchase contracts (MT)
2019	92 743	10 605	28 434
2020	14 544	2 811	5 760
2021	-	-	-
2022	-	-	-
2023	-	-	-
Thereafter	-	-	-
Total	107 287	13 415	34 194

Metric ton (MT)

NOTE 17 OTHER INCOME AND EXPENSE

Other income and expense consist of the following amounts:

For the period (USD 1 000)	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Net foreign exchange loss / (gain)	5 171	3 933
Other financial expenses	140	473
Total	5 311	4 406

NOTE 18 INCOME TAXES

The Company has considered its uncertain tax positions and is not presently aware of any uncertain tax positions requiring material adjustment in the accounts. However, the Company has operations in a number of overseas jurisdictions, and these operations are required to comply with relevant local tax legislation, for example with respect to residency, transfer pricing and the application of indirect taxes. The Company seeks to ensure compliance with the relevant local tax legislation and takes professional advice as appropriate. The Company believes that the positions it takes meet “the more likely than not” criterion (required by relevant accounting guidance) to be sustained upon a future tax examination. However, in certain aspects there is a degree of inherent subjectivity in the assessment of the positions taken and there can be no assurance that the relevant local tax authority would agree with the Company’s position, and as a result, material adjustments could arise in the future.

Income taxes recorded in the Consolidated Statement of Income:

For the period (USD 1 000)	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Current tax		
Norway	13	651
Overseas	996	1 398
	1 009	2 049
Deferred tax charge		
Norway	(1 529)	583
Overseas	(215)	(810)
	(1 744)	(227)
Total tax expense	(735)	1 822
Deferred tax included in Other Comprehensive Income		
Norway	1 797	(956)
Overseas	-	-
Total	1 062	866

The Company and its Norwegian subsidiaries pay income and capital tax in Norway. All other current tax represents income tax from certain of the Company’s overseas subsidiaries.

At December 31, 2019, the Company has tax losses carried forward in an overseas jurisdiction amounting to USD 1.8 million (2018: USD 3.2 million). Deferred tax assets recognized in respect of these losses amounted to USD 0.5 million (2018: USD 0.8 million).

As per (USD 1 000)	Dec 31, 2019	Dec 31, 2018
Temporary differences		
Goodwill	1 728	1 270
Receivables	(1 193)	1 354
Fixed assets	3 510	4 795
Pension	(2 488)	(2 189)
Financial instruments and other short-term investments	3 823	(4 344)
Tax losses carried forward	(6 669)	(3 230)
Basis for deferred tax liability / (deferred tax asset)	(1 289)	(2 345)
Net deferred tax liability / (deferred tax asset)	(530)	(584)

NOTE 19 RELATED PARTIES

In the normal course of the conduct of its business, the Company enters into a number of transactions with related parties. Related parties of the Company include G2 Ocean Holding AS' owners, Gearbulk Holding AG and Grieg Star Group AS including subsidiaries and affiliates of Gearbulk Holding AG and Grieg Star Group AS, affiliates of the Company, principal owners of the Company, including close family members and companies controlled by those owners, and management of the Company and companies in which the Company can significantly influence the operating and financial policies. As at December 31, the following amounts are due from/to related parties and affiliates of the Company:

As per (USD 1 000)	Dec 31, 2019	Dec 31, 2018
<i>Trade receivable with related parties</i>		
Gearbulk Pool Ltd	1 795	5 196
Gearbulk AG	968	4
Gearbulk Ltd	-	(194)
Total	2 763	5 006
<i>Related parties receivables (current)</i>		
Gearbulk Pool Ltd	2 453	2 939
Gearbulk Shipowning Ltd	423	709
Gearbulk Logistics Inc.	-	1 553
Gearbulk Shipping AS	6	9
Gearbulk Terminais do Brasil Ltda	633	314
Gearbulk AG	62	21
Gearbulk Norway AS	718	26
Gearbulk Ltd	-	184
Gearbulk Management Switzerland AG	-	16
Gearbulk Shipping Singapore Pte Ltd.	24	42
Grieg Star 2017 AS	49	-
GriegMaas Ultramax AS	182	-
Grieg Shipping II AS	498	1 750
Grieg Shipping III AS	15	-
Grieg Star Group AS	1 314	48
Grieg Star Shipping Shanghai	-	4
Grieg International II AS	173	896
GriegMaas Supramax AS	89	-
Grieg Star Bulk AS	91	35
Other	30	-
Total	6 760	8 544

Related parties payables (current)

Gearbulk Pool Ltd	5 141	19 065
Gearbulk AG	101	317
Gearbulk Management Switzerland AG	47	104
Gearbulk UK Ltd	175	97
Gearbulk Shipping Singapore Pte Ltd.	28	46
Gearbulk Maritima Ltda	177	280
Gearbulk Shipowning Ltd	-	32
Grieg Star Group AS	1 060	6 085
Grieg Star Bulk AS	-	200
Grieg International II AS	16	28
Grieg Star OH Pool AS	623	-
Grieg Gaarden AS	-	183
Grieg Shipping III AS	-	7
Grieg Shipping II AS	38	94
Grieg Star 2017 AS	4	1 270
Other	7	-
Total	7 417	27 807

Related party payables (non-current)

Gearbulk Pool Ltd	7 800	-
Grieg Star Group AS	4 201	4 559
Total	12 001	4 559

19.1 Gearbulk

During 2019 pool distribution related to Gearbulk vessels amounted to USD 309.1 million (2018: USD 317.9 million), of which USD 273.3 million (2018: USD 265.3 million) were related to the Open Hatch segment and USD 35.8 million (2018: USD 52.6 million) were related to the conventional Bulk segment.

As of December 31, 2019, 9 Bulk vessels (2018: 12) and 54 Open Hatch vessels (2018: 56) were operated in the G2 Ocean pool on behalf of Gearbulk at a variable rate per day. In addition, two open hatch vessels (2018: one bulk vessel and two open hatch vessels) were commercially operated by G2 Ocean on a pay as you earn basis during the year.

During 2018 and 2019, G2 Ocean has provided transportation services to and on behalf of Gearbulk to serve customers where the contract of affreightment ("COA") is not novated to G2 Ocean.

As of December 31, 2019, G2 Ocean provided services for three COAs (2018: five) with accounts receivables with Gearbulk amounting to USD 2.8 million (2018: USD 5.0 million).

The Company has an arrangement with Gearbulk for the provision of certain chartering, operation and support services. Fees payable to Gearbulk in respect of these services for 2019 were USD 2.9 million (2018: USD 7.8 million).

All such transactions were completed on an arm's length basis.

19.2 Grieg Star

During 2019 Pool distribution related to Grieg Star vessels amounted to USD 163.9 million (2018: USD 160.3 million), of which USD 138.2 million (2018: USD 131.6 million) were related to the Open Hatch segment and USD 25.7 million (2018: USD 28.7 million) were related to the conventional Bulk segment.

As of December 31, 2019, 10 Bulk vessels (2018: 7) and 30 Open Hatch vessels (2018: 31) were operated in the G2 Ocean pool on behalf of Grieg Star at a variable rate per day. In addition, one open hatch vessel (2018: one open hatch vessel) were commercially operated by G2 Ocean on a pay as you earn basis during the year.

The Company has an arrangement with Grieg for the provision of certain chartering, operation and support services. Fees payable to Grieg in respect of these services for 2019 were USD 1 mill (2018: USD 1.4 million).

All such transactions were completed on an arm's length basis.

19.3 Advokatfirmaet Thommessen AS ("Thommessen")

A member of the Board of Directors of the Company is also a partner of the Norwegian law firm Thommessen. During 2019, the Company paid USD 30 266 (2018: USD 85 840) to Thommessen for services provided. All such transactions were completed on an arm's length basis.

19.4 Other

Loans to directors from G2 Ocean as of December 31, 2019, amounted to nil (2018: nil). Loans to employees amounted to nil (2018: nil).

NOTE 20 SUBSIDIARIES

As of December 31, 2019, the following subsidiaries are included in the consolidated accounts.

Company name	Country of registration	Ownership shares	Voting Shares
G2 Ocean Brazil Ltda	Brazil	100 %	100 %
G2 Ocean Ltd	Bermuda	100 %	100 %
G2 Ocean Ltd ROHQ	The Philippines	100 %	100 %
G2 Ocean US Inc.	United States	100 %	100 %
G2 Ocean Sweden AB	Sweden	100 %	100 %
G2 Ocean Shipping Canada Ltd	Canada	100 %	100 %
G2 Ocean Netherlands BV	The Netherlands	100 %	100 %
G2 Ocean Singapore Pte Ltd	Singapore	100 %	100 %
G2 Ocean Italy Srl	Italy	100 %	100 %
G2 Ocean Australia Pty Ltd	Australia	100 %	100 %
G2 Ocean Chile SpA	Chile	100 %	100 %
G2 Ocean FE AS	Norway	100 %	100 %
G2 Ocean (Shanghai) Company Limited	China	100 %	100 %
G2 Ocean FE AS Shanghai Representative Office	China	100 %	100 %

NOTE 21 RESTRICTED CASH

Restricted cash consists of cash, which may only be used for certain purposes and is held under a contractual arrangement. As of December 31, 2019, USD 0.8 million (2018: USD 1.4 million) was held in restricted withholding tax account.

NOTE 22 OTHER CURRENT ASSETS

Other current assets consist of the following amounts:

As per (USD 1 000)	Note	Dec 31, 2019	Dec 31, 2018
Fair value of derivative instruments	16	4 553	445
Contract of affreightments		-	6 346
Value added taxes receivables		(91)	180
Deferred tax assets current	18	227	247
Other current assets		494	1 924
Total		5 183	9 141

Other current assets include USD 0.0 million (2018: USD 6.3 million) related to contracts acquired with a favorable market feature.

NOTE 23 BANK OVERDRAFT

As at December 31, 2019 the Company had a term revolving credit facility of USD 20.0 million (2018: USD 20.0 million) whereof USD 0.5 million (2018: USD 1.3 million) had been drawn. The facility is secured by the outstanding accounts receivables and by a guarantee from its parent company G2 Ocean Holding AS. The Company's financing agreement do not contain any financial covenants.

Effective January 13, 2020 the revolving credit facility was increased from USD 20.0 million to USD 25.0 million.

NOTE 24 ACCRUED LIABILITIES

Accrued liabilities consist of the following amounts:

As per (USD 1 000)	Dec 31, 2019	Dec 31, 2018
Accrued voyage related expenses	44 855	43 949
Accrued staff expenses	5 527	2 517
Accrued other expenses	677	3 842
Total	51 059	50 308

NOTE 25 OTHER CURRENT PAYABLES

Other current payables consist of the following amounts:

As per (USD 1 000)	Note	Dec 31, 2019	Dec 31, 2018
Fair value of derivative instruments	16	1 372	5 232
Taxes payable	18	716	807
Payroll tax		739	1 306
Provisions for deductibles on cargo related insurance claims		5 651	3 699
Other payables		1 668	311
Total		10 146	12 002

NOTE 26 OTHER NON-CURRENT ASSETS

Other assets consist of the following amounts:

As per (USD 1 000)	Note	Dec 31, 2019	Dec 31, 2018
Fair value of derivative instruments	16	673	603
Deferred tax asset	18	303	800
Other non-current assets		117	167
Total		1 093	1 571

NOTE 27 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following amounts:

As per (USD 1 000)	Note	Dec 31, 2019	Dec 31, 2018
Fair value of derivative instruments	16	31	160
Deferred tax liability	18	-	217
Pension obligation	13	2 488	2 189
Other long term liabilities		113	114
Total		2 632	2 681

NOTE 28 ACCUMULATED OTHER COMPREHENSIVE INCOME / (LOSS)

Total Accumulated Other Comprehensive Income / (Loss) consists of the following:

(USD 1 000)	Accumulated Net Change in Fair Value of Cash Flow Hedges	Translation adjustments	Actuarial movements on Pension Schemes	Total Accumulated Other Comprehensive Income / (Loss)
Balance as at Jan 1, 2019	(3 388)	285	99	(3 005)
Movement in the year	7 212	59	21	7 292
Income tax effect	(841)	-	-	(841)
Balance as at Dec 31, 2019	2 983	344	120	3 447
Balance as at Jan 1, 2018	2 544	14	74	2 631
Movement in the year	(6 888)	271	25	(6 592)
Income tax effect	956	-	-	956
Balance as at Dec 31, 2018	(3 388)	285	99	(3 004)

NOTE 29 SHARES

As of December 31, 2019, and as of December 31, 2018, the authorized share capital of G2 Ocean AS comprises 84 360 shares of NOK 1 421 par, of which 84 360 are issued. A dividend of NOK 953 784 were declared and paid during 2019. No dividend were declared or paid during 2018.

NOTE 30 SHAREHOLDERS

As of December 31, 2019, the Company is a fully owned subsidiary of G2 Ocean Holding AS.

Shares of common stock

Shareholder	Amount	Shares
G2 Ocean Holding AS	84 360	100 %
Total issued common shares	84 360	100 %

G2 Ocean's parent company, G2 ocean Holding AS is jointly controlled by its two shareholders, Gearbulk Holding AG and Grieg Star Group AS. The table below shows the distribution of ownership in G2 Ocean Holding AS, as of December 31, 2019, between its two shareholders, both in terms of number of shares of common stock and percentages.

Shares of common stock

Shareholder	Amount	Shares
Gearbulk Holding AG	19 500	65 %
Grieg Star Group AS	10 500	35 %
Total issued common shares	30 000	100 %

NOTE 31 COMMITMENTS AND CONTINGENCIES

31.1 Contracts of Affreightment

The Company enters into contracts of affreightment, committing the Company to provide transportation services covering medium and long-term periods. To meet its existing and anticipated commitments the Company also charters in vessels for various term periods of up to 12-14 months.

31.2 Insurance

The Company maintains protection and indemnity ("P&I") jointly with Owners and charterers liability insurance coverage for its shipping activities, which include the legal liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs. The Company's P&I insurance is arranged through three mutual protection and indemnity associations ("P&I Clubs") of which two are in Norway and one is in the United Kingdom. As a member of a P&I Club, the Company is subject to calls payable to the association based on the Company's claims record as well as the claims record of all other members of the association. The P&I Clubs operate a policy of reinsurance on certain insurance risks.

While liabilities to third parties are generally covered by P&I insurance, coverage ordinarily available for damage arising out of oil pollution is currently limited to USD 1 billion per incident. The vessels operated by the Company do not transport crude oil or its products, but the vessels do carry significant quantities of diesel oil and other heavy oil used for fuel, which if spilled would cause pollution. Likewise, vessels commercially operated by the Company could be involved in a collision with a tanker vessel causing a spill of the tanker's cargo for which the Company could be liable.

G2 Ocean is a defendant in several lawsuits for damages and arbitration proceedings in foreign jurisdictions arising principally from contractual disputes, personal injury and property casualty claims. The Company believes that the resolution of such claims will not have a material adverse effect on the financial position, financial results or liquidity of the Company. As of December 31, 2019, and to the best of our knowledge to date, the Company does not have major claims pending under its liability insurance coverage which can adversely effect the financial position, financial results or liquidity.

The Company believes that its current insurance coverage provides adequate protection against the accident related risks involved in the conduct of its business and that it maintains appropriate levels of environmental damage and pollution insurance coverage, consistent with standard industry practice. However, there is no assurance that all

risks are adequately insured against, that any particular claims will be paid or that the Company will be able to procure adequate insurance coverage at commercially reasonable rates in the future.

31.3 Environmental

The Company is subject to the laws of various jurisdictions and international conventions regarding the discharge of materials into the environment. Under some of these laws, such as the United States Oil Pollution Act of 1990 (“OPA ‘90”), any Company which is an operator of a vessel could be exposed to substantial strict liability, and in some cases unlimited liability, for removal costs and damages arising from a spill caused by one of its vessels into any of the waters of such jurisdiction (including, for example, US waters). Such a claim against the Company would enable claimants in certain jurisdictions to seize the assets of the operating Company located in that jurisdiction. At the time of a final judgment against the operating Company, such Company’s assets in that jurisdiction, as well as in various other jurisdictions, could be exposed to seizure and sale in satisfaction of such judgment. The maximum amount of protection and indemnity (“P&I”) coverage ordinarily available in the market against some of these environmental risks is USD 1 billion per incident per vessel. While the Company maintains such P&I coverage, there can be no assurance that such coverage would be sufficient to cover the costs of damages suffered by the Company.

OPA ‘90 expressly provides that individual states in the US are entitled to enforce their own pollution liability laws, even if inconsistent with or imposing greater liability than OPA ‘90. There is no uniform liability scheme among the states. Some states have OPA ‘90-like schemes for limiting liability to various amounts and some rely on fault-based remedies under common law, while others impose strict and unlimited liability on an owner or operator. Some states have also established their own requirements for financial responsibility. The Company has been able, and believes that it will continue to be able, to comply with applicable state laws and regulations which are material to the conduct of its operations.

Outside the US, many countries have ratified and follow the liability scheme adopted by the International Maritime Organization and set out in the International Convention on Civil Liability for Oil Pollution Damage 1969 (“CLC”) and for Bunker Oil Pollution Damage 2001 (“BCLC”). A 1992 Protocol to the CLC (“CLC92”), and a Supplementary Protocol, (“CLC2003”), have increased the liability limits of the CLC in several signatory countries. In addition, with effect from June 8, 2015, the limit of liability under the BCLC was increased by approximately 50 %. In jurisdictions where the CLC, CLC92, BCLC2001 or CLC2003 have not been adopted or do not apply for vessels not carrying oil in bulk as cargo or as bunkers, various legislative schemes or common law govern, and liabilities are imposed on the basis of fault or in a manner similar to the CLC, CLC92, BCLC2001 or CLC2003. Compliance is arranged via the vessel’s P&I Club.

31.4 Freight taxes and other indirect taxes

The Company derives income from trade in numerous international jurisdictions, and this income may be subject to freight taxes or other indirect taxes. Where appropriate the Company recognizes income, expenses, assets or liabilities in respect of freight taxes or other indirect taxes in the financial statements. The Company takes legal and professional advice in seeking to ensure it is compliant with the tax legislation in the jurisdictions in which it operates. However, the operation of freight taxes and other indirect taxes within the context of international transportation is complex and continually evolving particularly in emerging markets. The Company takes various measures to address any potential exposure to freight taxes or other indirect taxes, including through its standard contractual terms of business. However, there can be no absolute assurance that these measures will fully protect the Company from potential exposure to such taxes or that the relevant tax authorities will agree with the tax positions the Company has taken and as such material adjustments may be required in the future.

NOTE 32 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent events have been reviewed from period end to issuance of the consolidated financial statement on March 20, 2020.

As described in the Directors Report, the recent emergence and outbreak of the Coronavirus disease (COVID-19) has added a new concern which has already led to significant implications on the global economy. In response to the outbreak, a number of countries, institutions and organizations across the globe are deploying measures and preventive actions.

The implications have also reached the shipping industry as most segments expects to suffer from reduced cargo volumes. While it is still too early to gauge the full economic effect of the Coronavirus, it is clear that we will have to contend with this new epidemic for some time to come and in the short term we will likely see a drop in demand and freight rates.

This situation is also impacting our customers and for G2 Ocean this means that we might have to contend with a higher than normal credit risk in the short term as some of our customers may struggle in meeting their financial obligations.

Above may also have a negative short and medium term impact on the liquidity situation in G2 Ocean. G2 Ocean is monitoring the situation closely and we expect this to be offset by a reduction in the pool distribution due to lower trade result.

Apart from the above-mentioned related to Coronavirus there are no material events to report.

Report of Independent Auditors

To the Board of Directors and Shareholders of G2 Ocean AS

We have audited the accompanying consolidated financial statements of G2 Ocean AS and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statement of income, comprehensive income, changes in shareholder's equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of G2 Ocean AS and its subsidiaries as of December 31, 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



PricewaterhouseCoopers AS
Bergen, Norway
March 20, 2020

CORE FLEET

As of December 31, 2019

GEARBULK

Open Hatch

Vessel name	Vessel type	Build year	Deadweight (DWT)
Acer Arrow ²	Semi-open	2014	61 066
Betula Arrow ²	Semi-open	2014	61 007
Biwa Arrow ²	Semi-open	2014	55 975
Buna Arrow ²	Semi-open	2014	55 975
Condor Arrow ²	OH Jib Crane	2012	62 980
Cypress Arrow ²	Semi-open	2015	61 022
Eagle Arrow ²	OH Jib Crane	2011	62 967
Finch Arrow ²	OH Jib Crane	2013	72 871
Ginkgo Arrow ²	Semi-open	2015	61 026
Holly Arrow ²	Semi-open	2018	61 000
Kiwi Arrow ²	OH Jib Crane	2010	62 924
Matsu Arrow ²	Semi-open	2014	55 975
Momi Arrow ²	Semi-open	2009	54 274
Nandu Arrow ²	OH Jib Crane	2011	62 960
Pelican Arrow ²	OH Jib Crane	2011	62 942
Pipit Arrow ²	OH Jib Crane	2012	62 980
Puffin Arrow ²	OH Jib Crane	2011	62 967
Siskin Arrow ²	OH Jib Crane	2014	72 871
Toki Arrow ²	OH Jib Crane	2010	62 942
Aracari Arrow ¹	OH Gantry Crane	1992	46 956
Avocet Arrow ¹	OH Jib Crane	2015	62 823
Canelo Arrow ¹	OH Jib Crane	1997	48 077
Cedar Arrow ¹	OH Jib Crane	2001	47 818
Corella Arrow ¹	OH Gantry Crane	2009	69 990
Emu Arrow ¹	OH Gantry Crane	1997	55 457
Grebe Arrow ¹	OH Gantry Crane	1997	55 671
Grouse Arrow ¹	OH Gantry Crane	1991	42 276
Jacamar Arrow ¹	OH Gantry Crane	1992	46 998
Japin Arrow ¹	OH Jib Crane	2013	73 296
Jaeger Arrow ¹	OH Gantry Crane	2001	23 529
Kite Arrow ¹	OH Gantry Crane	1997	55 531
Lawin Arrow ¹	OH Jib Crane	2014	62 841

GRIEG STAR

Open Hatch

Vessel name	Vessel type	Build year	Deadweight (DWT)
Kai Xuan ¹	OH Jib Crane	2011	51 638
Star Dalmatia ²	OH Jib Crane	2011	51 593
Star Navarra ²	OH Jib Crane	2010	51 593
Star Japan ¹	OH Gantry Crane	2004	44 807
Star Istind ¹	OH Gantry Crane	1999	46 428
Star Grip ¹	OH Gantry Crane	1986	43 712
Star Hansa ¹	OH Gantry Crane	1995	46 591
Star Harmonia ¹	OH Gantry Crane	1998	46 604
Star Herdla ¹	OH Gantry Crane	1994	46 580
Star Hidra ¹	OH Gantry Crane	1994	46 547
Star Isfjord ¹	OH Gantry Crane	2000	45 740
Star Ismene ¹	OH Gantry Crane	2000	46 428
Star Java ¹	OH Gantry Crane	2006	44 692
Star Juventas ¹	OH Gantry Crane	2004	44 837
Star Kilimanjaro ¹	OH Gantry Crane	2009	49 862
Star Kinn ¹	OH Gantry Crane	2010	49 870
Star Kirkenes ²	OH Gantry Crane	2009	49 924
Star Kvarven ¹	OH Gantry Crane	2010	49 856
Star Laguna ¹	OH Jib Crane	2012	50 761
Star Lima ¹	OH Jib Crane	2012	50 761
Star Lindesnes ¹	OH Jib Crane	2012	50 761
Star Livorno ¹	OH Jib Crane	2013	50 761
Star Loen ¹	OH Jib Crane	2013	50 761
Star Lofoten ¹	OH Jib Crane	2013	50 761
Star Louisiana ¹	OH Jib Crane	2013	50 748
Star Luster ¹	OH Jib Crane	2013	50 827
Star Lygra ¹	OH Jib Crane	2013	50 761
Star Lysefjord ¹	OH Jib Crane	2014	50 728
Star Majesty ¹	Semi-open	2009	50 790
Star Minerva ¹	OH Jib Crane	2008	50 757

Macaw Arrow ¹	OH Jib Crane	2013	73 296
Macuru Arrow ¹	OH Gantry Crane	2010	69 990
Maitaca Arrow ¹	OH Jib Crane	2013	73 296
Mandarin Arrow ¹	OH Gantry Crane	1996	55 770
Merlin Arrow ¹	OH Gantry Crane	1999	55 497
Misago Arrow ¹	OH Jib Crane	2015	62 823
Osprey Arrow ¹	OH Jib Crane	2015	62 841
Penguin Arrow ¹	OH Gantry Crane	1997	55 506
Petrel Arrow ¹	OH Jib Crane	2013	69 990
Pine Arrow ¹	OH Jib Crane	1996	48 041
Plover Arrow ¹	OH Gantry Crane	1997	55 459
Poplar Arrow ¹	OH Jib Crane	2005	47 852
Quetzal Arrow ¹	OH Gantry Crane	1992	46 908
Raven Arrow ¹	OH Jib Crane	2012	69 988
Spruce Arrow ¹	OH Jib Crane	2002	47 792
Swift Arrow ¹	OH Gantry Crane	1992	42 276
Tanchou Arrow ¹	OH Jib Crane	2014	69 999
Tawa Arrow ¹	Semi-Open	2008	54 274
Teal Arrow ¹	OH Gantry Crane	1999	36 466
Tenca Arrow ¹	OH Gantry Crane	2009	69 990
Tuju Arrow ¹	OH Gantry Crane	2010	72 863
Weaver Arrow ¹	OH Gantry Crane	1998	55 402

¹ Owned

² Long Term TC

Bulk carriers

Vessel name	Vessel type	Build year	Deadweight (DWT)
Bulk Aquila ²	Bulk carrier	2014	66 625
Bulk Aries ²	Bulk carrier	2016	60 220
Bulk Carina ²	Bulk carrier	2016	57 819
Bulk Castor ²	Bulk carrier	2015	66 625
Bulk Draco ²	Bulk carrier	2015	66 625
Bulk Electra ²	Bulk carrier	2015	66 604
Bulk Orion ²	Bulk carrier	2011	56 155
Bulk Polaris ²	Bulk carrier	2017	63 396
Bulk Venus ²	Bulk carrier	2017	63 371

¹ Owned

² Long Term TC

Bulk carriers

Vessel name	Vessel type	Build year	Deadweight (DWT)
Star Artemis ¹	Bulk carrier	2015	63 200
Star Athena ¹	Bulk carrier	2012	58 018
Star Crios ¹	Bulk carrier	2012	63 301
Star Damon ¹	Bulk carrier	2012	63 200
Star Eos ¹	Bulk carrier	2015	63 200
Star Eracle ¹	Bulk carrier	2012	58 018
Star Crimson ²	Bulk carrier	2016	61 150
Star Gaia ²	Bulk carrier	2019	64 057
Star Maine ²	Bulk carrier	2015	61 263
Star Pathfinder ²	Bulk carrier	2015	61 298



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