



Consolidated Financial
Statements
G2 Ocean

2017

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.

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HIGHLIGHTS OF 2017

- Mar 18 G2 Ocean AS established
- May 02 Operations commenced
- Mission "*Pioneering sustainable shipping solutions*" launched
- May 12 First G2 Ocean rebranded vessel on route with cargo



OUR ORGANIZATION

G2 Ocean AS (“Company” or “G2 Ocean”) is the world’s largest shipping company within the open hatch segment, operating 89 open hatch vessels, as well as about 40 conventional bulk vessels. We have 15 offices around the world with 318 employees. Our business covers all continents, operating 27 different trade routes.

The Company is a joint venture between two of the world’s leading open hatch companies, Gearbulk Holding AG (“Gearbulk”) and Grieg Star Group AS (“Grieg Star”). The headquarters of G2 Ocean is located in Bergen, Norway, with regional hubs located in Rio de Janeiro and Singapore.

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 commercial resources and expertise of Grieg Star and Gearbulk to operate the joint fleet of open hatch, semi open hatch and conventional bulk vessels.

ESTABLISHMENT OF G2 OCEAN

On October 19, 2016, Grieg Star and Gearbulk announced their intention to enter into a joint venture in order to establish a highly versatile and customer oriented global shipping company.

On March 18, 2017, G2 Ocean was established and subsequently commenced its operation on May 2, 2017.

G2 Ocean combines Grieg Star’ and Gearbulk’s global commercial resources and expertise to operate the parties joint fleet.

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

G2 Ocean AS is a company registered in Norway. The hubs and offices around the world are organized in local registered entities, which are fully owned.

OUR LEGACY

Gearbulk was founded in 1968 by Kristian Gerhard Jebsen with three partners. The company specialized 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 specialized in both the open hatch segment as well as conventional bulk.

CUSTOMER FOCUSED

With close to 130 vessels and 15 offices on six continents, we are able to serve all 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.

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 70 countries on six continents and transports approximately 30 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.

Our mission is “Pioneering sustainable shipping solutions”.

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

BUSINESS SEGMENT

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

Operating worldwide, we are present in fifteen countries in six continents, covering all time zones.

Open Hatch segment

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 89 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

The Company’s conventional dry bulk operation consists of a core fleet of 19 Supramax vessels. In

addition, the Company operates in the short-term markets and have a few long-term cargo contracts.

ANNUAL ACCOUNTS

Results, earnings and operations

The dry bulk market experienced continued low freight rates in 2017.

The Open Hatch operation, which is more industrial in nature, experienced much of the same, although the vessels' earnings stayed at a higher level than for conventional dry bulk.

G2 Ocean's gross revenue of USD 789.7 million consists mainly of freight income whereof USD 690.5 million in the Open Hatch segment and USD 99.2 million in the Bulk segment. The voyage related expenses amounted to USD 416.7 million and the time charter rental expenses amounted to USD 50.8 million.

The income from operations before pool distribution amounted to USD 284.5 million. This resulted in a pool distribution to the Pool participants of USD 281.3 million for the eight months ending December 2017.

G2 Ocean's Income before income tax was USD 2.7 million. The Net income result for the eight months ended December 2017 was USD 1.8 million.

Balance sheet, financial situation and cash flow

The Company's book equity was USD 32.6 million at year-end, whereof USD 28.1 million was capital injected during the year. By end 2017 the equity ratio was 14.6%. By the end of 2017, the Company had total assets of USD 222.8 million, with current assets accounting for USD 176.9 million.

Based on net positive net cash flows from operations of USD 24.7 million, a net cash flow from investments of minus USD 82.1 million and a net cash flow of USD 63.2 million from financing activities, the group's net change in liquid funds in 2017 was USD 5.8 million. Liquidity in the form of bank deposits, cash and undrawn credit facility at year-end totaled USD 18.9 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 318 employees whereof 63 were employed in Norway and 255 abroad.

Health, environment and safety

G2 Ocean maintains an overview of sick leave in accordance with current laws and regulations. In 2017 the general sick leave for the global organization was 0.8%. Sick leave for the Norwegian based employees was 1.4%. Besides organizing medical follow-ups, the Company encourages and facilitates participation in physical activities for its personnel to stay fit. The records show no injuries in 2017.

Throughout the organization there are on-going training and learning activities taking place in various formats and contexts. Their objectives range from developing management skills, to anti-corruption training and safety.

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.

At year-end 2017, the workforce reflected a distribution between the genders of 42% women and 58% men.

For top management, the gender distribution was 40% women and 60% men.

During 2017, 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 direct impact on the climate and the environment are mainly related to its travelling activity, greenhouse gas emissions and waste from its office operations, whereas G2 Ocean's indirect impact on the environment is related to the service it provides to its owners and customers.

G2 Ocean is committed to be a sustainable, pioneering and responsible company and will support the owners' ongoing commitment to the environment.

ETHICS, INTEGRITY AND TRANSPARENCY

The Company's Code of Business ethics is established and are promoting the employees and representatives' of G2 Ocean professional competence, confidentiality and behavior in all interaction with each other, with customers, supplier and other stakeholders, and in all countries of operation.

The Code of Business Ethics sets out G2 Ocean's commitment to safeguard and respect human rights. All employees are treated with respect and dignity and have the right to freedom of association. We will not use any form of forced, compulsory or child labor.

Raising the bar on compliance matters in shipping is vital, of which handling corruption continues to be a target area. G2 Ocean has a strict policy against bribery and corruption and provides continuous training within this area.

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, compliance and regulatory framework. The development of strategies and policies as well as risk mitigating actions, play a vital role in managing and reducing these risks.

G2 Ocean's financial and market risk is mainly composed by 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.

CORPORATE GOVERNANCE

In order 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 Recommendation on Corporate Governance is applied as far as practicable for a privately-owned company. Seven ordinary board meetings were held during 2017. In addition, the Board resolves upon various matters by circulation of resolutions.

THE MARKET

Seaborne trade provides the platform upon which the shipping industry operates. The world seaborne trade experienced a 4.0% growth in 2017 up to 11.6 billion tons and is projected to reach 12 billion tons in 2018.

In 2017, dry-bulk market conditions have improved compared to the extremely weak market experienced in 2016, however the market is still below sustainable levels.

The outlook is still challenging with modest demand and supply growth expectations. Most likely a longer period will be needed before market fundamentals are in balance, and the oversupply of capacity (i.e. vessels) is reduced.

On the positive side, in 2016 contracting activity fell to its lowest level in over 20 years and market fundamentals imply a continued limitation on new orders for vessels within the open hatch segment. Shipyards are facing tough times, as new orders are hard to achieve, particularly as long as shipping companies and banks are showing reduced appetite. In addition, the number of actual deliveries of new vessels is in fact expected to be lower than what the order book would imply. New environmental regulations will hopefully also ensure that more ship recycling will occur going forward. Going into 2018 the dry bulk rates are significantly higher than the historical low levels experienced in the beginning of 2017. There may be several unexpected drivers for additional demand or improved market conditions over the year to come.

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 would like to thank all employees for their great effort throughout this first year of operation.



Bergen, March 13, 2018
The Board of Directors of
G2 Ocean AS

Kristian Jebsen
Chair

Elisabeth Grieg
Vice Chair

Hans Petter Aas
Board Member

Rune Birkeland
CEO

Hans Olav Lindal
Board Member

Camilla Grieg
Board Member





CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

For the period (USD 1 000)	Note	Mar 18 - Dec 31, 2017
Total revenues	5,6	789 665
Operating expenses		
Voyage related	5,7	416 738
Time charter rental	9	50 806
Depreciation and amortization	20	3 372
Selling, general & administrative	11,12,13	34 264
Income from operations before pool distribution		284 485
Pool distribution to Pool Participants	18	281 295
Income from operations		3 190
<i>Non-operating income / (expenses):</i>		
Interest income		136
Other income and expenses, net	14	(649)
Income before income taxes		2 678
Provision for income taxes	15	870
Net income		1 808

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period (USD 1 000)	Note	Mar 18 - Dec 31, 2017
<i>Comprehensive Income / (Loss)</i>		
Net income		1 808
<i>Other Comprehensive Income / (Loss)</i>		
Net change in the fair value of cash flow hedges	17	2 544
Translation adjustment		14
Actuarial movements related to pension schemes	13	74
Comprehensive Income / (Loss) for the period		4 439

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

CONSOLIDATED BALANCE SHEET

Assets as per (USD 1 000)	Note	Dec 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	26	5 814
Trade receivables (net)	18	48 758
Trade receivables with related parties	18	7 155
Related parties receivables	18	26 659
Accrued voyage revenue		21 349
Inventories	8	57 733
Prepaid expenses		1 282
Other current assets	19	8 149
Total current assets		176 899
Non-current assets		
Property, plant and equipment	20	20 342
Goodwill	3,4	17 877
Other non-current assets	22	7 635
Total non-current assets		45 854
Total assets		222 753

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, 2017
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Bank overdraft	25	6 942
Trade payable		22 203
Related parties payable	18	40 314
Accrued liabilities	24	45 970
Deferred voyage revenue		41 340
Other current payables	27	4 769
Total current liabilities		161 538
Non-current liabilities		
Related parties payable	18	24 587
Other non-current liabilities	13,23	4 066
Total non-current liabilities		28 652
Total liabilities		190 190
Shareholder's equity		
Share capital	28,29	14 471
Additional paid-in capital	28	13 652
Retained earnings		1 808
Accumulated other comprehensive income/ (loss)	16	2 631
Total equity		32 563
Total liabilities and shareholder's equity		222 753

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

Bergen, March 13, 2018
The Board of Directors of
G2 Ocean AS



Kristian Jebsen
Chair



Elisabeth Grieg
Vice Chair



Hans Petter Aas
Board Member



Rune Birkeland
CEO



Hans Olav Lindal
Board Member



Camilla Grieg
Board Member

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the period Mar 18 – Dec 31, 2017 (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 Mar 18, 2017	300	3	-	-	-	3
Share capital split May 2, 2017	29 700	-	-	-	-	0
Capital increase May 2, 2017		4 994	5 006	-	-	10 000
Capital increase Nov 24, 2017	54 360	9 474	8 646	-	-	18 120
Net change in fair value of cash flow hedges		-	-	-	2 544	2 544
Translation adjustment		-	-	-	14	14
Net income		-	-	1 808	-	1 808
Net actuarial movement related to pension schemes		-	-	-	74	74
Balance at Dec 31, 2017	84 360	14 471	13 652	1 808	2 631	32 563

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, 2017
<i>Cash flows from operating activities</i>		
Net income		1 808
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	20	3 372
Financial cost		177
<i>Changes in operating assets and liabilities</i>		
Trades receivable		(48 747)
Inventories	8	(13 223)
Prepaid expenses and other assets		(1 883)
Accrued voyage revenue		(21 349)
Deferred voyage revenue		41 340
Accrued liabilities	24	38 212
Trade payable		22 222
Payments to and from related parties	18	8 092
Other payables	27	(16 775)
Other, net		11 413
Net cash provided / (used) by operating activities		24 659
<i>Cash flows from investing activities</i>		
Acquisition of business, share deals, net of cash	3,4	(33 714)
Acquisition of business, asset deals, net of cash	3,4	(47 951)
Purchase of property, plant and equipment	20	(389)
Net cash provided / (used) by investing activities		(82 054)
<i>Cash flows from financing activities</i>		
Proceeds from share capital increase	28	14 471
Proceeds from capital increase	28	13 652
Proceeds from bank overdraft facility	25	6 942
Proceeds from seller´s credit	3	28 335
Payment of finance costs		(177)
Net cash provided / (used) by financing activities		63 220
Net increase / (decrease) in cash and cash equivalents		5 825
Effect of exchange rate changes on the cash in the year		(14)
Cash and cash equivalents at March 18, 2017		3
Cash and cash equivalents at the end of the year		5 814
<i>Supplementary disclosure</i>		
Taxes paid		250
Interest paid		177
Interest received		137

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.

On May 2, 2017, G2 Ocean commenced operations. G2 Ocean is jointly controlled by Gearbulk Holding AG (“Gearbulk”) and Grieg Star Group AS (“Grieg Star”), with Gearbulk owning 65% and Grieg Star owning 35% through its parent, G2 Ocean Holding AS. To form the joint venture, the owners founded G2 Ocean Holding AS and its direct subsidiary G2 Ocean AS. In addition, Gearbulk and Grieg Star sold various subsidiaries (i.e. Australia, Bermuda, Brazil, Canada, Chile, China, Italy, Netherlands, Norway, Philippines, Singapore, Sweden and the United States) as well as inventories, equipment and other assets and liabilities related to the chartering and operation business to G2 Ocean.

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. The total number of vessels operated by the joint venture is close to 130. 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 108 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 (“US GAAP”).

The preparation of consolidated financial statements in conformity with US GAAP 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 Business combination

The results of companies acquired or disposed of during the fiscal year are included in the consolidated financial statements from the effective date of acquiring control or up to the date of relinquishing control.

Goodwill arises when companies are acquired for a purchase price greater than the fair value of net assets acquired. Goodwill is not amortized but tested for impairment when a triggering event occurs and to supplement this on an annual basis. An impairment loss is recognized to the extent that the carrying amount exceeds the goodwill's implied fair value.

The impairment test consists of two steps. The first compares the carrying value of the relevant reporting units to the fair value of each reporting unit. If the carrying amount of a reporting unit exceeds the fair value of the reporting unit, the Company performs the second step of the impairment test. In the second step, the Company compares the implied fair value of the reporting unit's goodwill with the carrying amount of the reporting unit's goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all of the assets (recognized and unrecognized) and liabilities of the reporting unit in a manner similar to a purchase price allocation upon a business combination. The residual fair value after this allocation is the implied fair value of the reporting unit's goodwill.

2.4 Revenue and Voyage Related Expenses Recognition

Freight revenues are recognized on a percentage of completed voyage method of accounting, based on the number of days completed and an estimate of freights that will be receivable for a voyage. All other revenues are recognized once the service has been performed.

Voyage related expenses consist primarily of loading and discharging expenses, port and canal charges and fuel expenses. Voyage related expenses are recognized ratably over the length of voyages, based on the number of days completed and an estimate of the voyage related costs that will be payable for a voyage.

The Consolidated Balance Sheets reflect the deferred portion of revenues and expenses applicable to subsequent periods or the accrued portion of revenues and expenses applicable to the current period.

2.5 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	
Machinery & equipment	Up to 10 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.

2.6 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 at 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 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 earnings.

2.7 Cash and Cash equivalents

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

2.8 Inventories

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

2.9 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.

2.10 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 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.

The Company performs impairment reviews when there is a triggering event and to supplement this 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 disposition 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.

2.11 Intangible Assets

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

2.12 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 life. 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.

2.13 Derivatives

The Company recognizes derivatives as either assets or liabilities on the balance sheet and measures them at fair value. As described in Note 17, 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.

2.14 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.

2.15 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 expense and penalties in Other income and expense in the Statement of Income.

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 reverse. 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.

2.16 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.

2.17 Adoption of new accounting standards

The commentary below relates to recent accounting pronouncements applicable to the Consolidated Financial Statements for periods after December 31, 2017.

Revenue Recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. ASU 2014-09 prescribes a single, common revenue standard that replaces most existing revenue recognition guidance in GAAP. The standard outlines a five-step model, whereby revenue is recognized as performance obligations within a contract are satisfied. The standard also requires new, expanded disclosures regarding revenue recognition. Several updates have been proposed and rescissions made since the issuance of ASU 2014-09 and the new revenue standard ASC 606 has been finalized. For private companies ASU 2014-09 will become effective for annual periods beginning on or after December 15, 2018. The Company will evaluate and assess the impact and related disclosure in due course.

Deferred taxes (ASU 2015-17): In November 2015, the FASB issued guidance on Income Taxes: Balance Sheet Classification of Deferred Taxes, which simplifies the presentation of deferred income taxes. ASU No. 2015-17 provides presentation requirements to classify deferred tax assets and liabilities as non-current in a classified balance sheet. The standard is effective for the Company for annual periods beginning after December 15, 2017 and is not expected to have a material effect on the Company's consolidated financial statements.

Measurement of financial assets and liabilities (ASU 2016-01): In January 2016, new accounting guidance was issued regarding the recognition and measurement of financial assets and financial liabilities. Changes to the current GAAP model primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. In addition, the Financial Accounting Standards Board clarified guidance related to the valuation allowance assessment when recognizing deferred tax

assets resulting from unrealized losses on available-for-sale debt securities. The accounting for other financial instruments, such as loans, investments in debt securities and financial liabilities is largely unchanged. The standard is effective for the Company for annual periods beginning after December 15, 2018, and is not expected to have a material effect on the Company's consolidated financial statements.

Leasing (ASU 2016-02): 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. At November 29, 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. For privately held companies the standard will become effective for fiscal years beginning after December 15, 2019. The Company will evaluate and assess the impact and related disclosure in due course.

Business Combinations (ASU 2017-01): In January 2017, the FASB issued final guidance that revises the definition of a business. The definition of a business affects many areas of accounting (e.g., acquisitions, disposals, goodwill impairment, consolidation). The amendments in this Update provide a screen to determine when a set is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The standard is effective for the Company for annual periods beginning after December 15, 2018 and is not expected to have a material effect on the Company's consolidated financial statements.

Intangibles-Goodwill and Other (ASU 2017-04): In January 2017, the FASB issued guidance to simplify the subsequent measurement of goodwill, 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 15, 2021. The Company will evaluate and assess the impact and related disclosure in due course.

Presentation of Net Periodic Benefit Cost related to Defined Benefit Plans (ASU 2017-07): In March 2017, the FASB issued guidance to improve the income statement presentation of the components of net periodic pension cost and net periodic postretirement benefit cost for an entity's sponsored defined benefit pension and other post-employment benefit plans. In addition, only the service cost component of net benefit cost is eligible for capitalization. The accounting update is effective for fiscal years beginning after December 15, 2018. We do not expect the adoption of this accounting update to have a material impact on our consolidated financial statements.

Accounting for Hedging Activities (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 is effective for fiscal years beginning after December 15, 2019. We will assess the impact of the new standard on our consolidated financial statements in due course.

NOTE 3 BUSINESS COMBINATION

On May 2, 2017, G2 Ocean acquired Open Hatch and Bulk chartering and operation activities from Gearbulk and Grieg and commenced operations. G2 Ocean acquired various subsidiaries (i.e. Australia, Bermuda, Brazil, Canada, Chile, China, Italy, Netherlands, Norway, Philippines, Singapore, Sweden and the United States) as well as inventories, equipment and other related assets and liabilities related to the Open Hatch and Bulk chartering and operation activities.

The purchase price for the Open Hatch and Bulk chartering and operation activities amounted to USD 86.1 million. The fair value of the identified assets and liabilities amounted to USD 68.2 million, resulting in a goodwill of USD 17.9 million.

The combined chartering and operation activities for the Owner's vessels in the Open Hatch and Bulk segment provides opportunities for synergies through optimization of fleet performance, vessel scheduling, cargo handling and cost efficiencies in the onshore organisation. 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.

The business acquisition of Open Hatch and Bulk chartering and operation activities from Gearbulk and Grieg have been reflected in the Company's consolidated financial statements for the year ended December 31, 2017, as a purchase of businesses pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, "Business Combination", and the result of operation of the acquired entities have been included in the accompanying consolidated statement of operations since May 2, 2017, the date the transaction were completed. The following table summarizes the estimated fair values of the significant assets acquired and liabilities assumed by the Company on the date of the acquisition.

Fair value as per
(USD 1 000)

May 2, 2017

ASSETS	
Cash and cash equivalents	4 377
Accounts receivable	11
Related parties receivables	1 592
Inventories	44 510
Prepaid expenses	141
Other current assets	11 501
Total current assets	62 132
Deferred tax assets	308
Related parties receivables	3 748
Property, plant and equipment	23 325
Restricted deposits	21
Other non-current assets	11 981
Total non-current assets	39 383
Total assets acquired	101 515
LIABILITIES	
Accrued liabilities	7 759
Other current payables	12 034
Total current liabilities	19 793
Other non-current liabilities	13 557
Total non-current liabilities	13 557
Total liabilities assumed	33 350
Net assets acquired	68 165
Consideration	86 042
Goodwill	17 877

The purchase price allocation was prepared by the Company assisted by a third-party expert, based on management estimates and assumptions, making use of available marked data and taking into consideration third party valuations. Major adjustments to record the acquired assets and assumed liabilities at fair value include:

A USD 1.7 million fair value adjustment recognized for property, plant and equipment, as supported by a valuation based on recognized valuation principles and methodology, through Level 3 of the fair value hierarchy not based on observable marked data.

A USD 6.9 million fair value adjustment recognized for inventory, as supported by a based on recognized valuation principles and methodology, through Level 3 of the fair value hierarchy not based on observable marked data.

Entity acquired	Entity name per Dec 31, 2017	Country of registration	Voting interest equity acquired	Purchase price (USD 1 000)	Goodwill (USD 1 000)
Gearbulk Australasia Pty Ltd	G2 Ocean Australia Pty Ltd	Australia	100%	289	385
PFT Paranaguá Terminais de Produtos Florestais Ltda	G2 Ocean Brazil Ltda	Brazil	100%	(251)	-
Gearbulk Management Ltd, including Gearbulk Management Ltd, ROHQ Manila	G2 Ocean Ltd / G2 Ocean Ltd ROHQ	Bermuda / The Philippines	100%	6 995	670
Gearbulk Chile SpA	G2 Ocean Chile SpA	Chile	100%	286	278
Grieg Star Shipping (Shanghai) Company Limited	Grieg Star Shipping (Shanghai) Company Limited	China	100%	9	-
Grieg Star Shipping AS, Shanghai Representative Office	Grieg Star Shipping AS, Shanghai Representative Office	China	100%	440	148
Grieg Star Shipping Srl	G2 Ocean Italy Srl	Italy	100%	431	198
Grieg Star Shipping Netherlands BV	G2 Ocean Netherlands BV	The Netherlands	100%	11	11
Grieg Star Shipping AS	Grieg Star Shipping AS*	Norway	100%	25 919	4 379
Grieg Star Shipping Singapore Pte Ltd.	G2 Ocean Singapore Pte Ltd.	Singapore	100%	213	-
Grieg Star Shipping AS Korea	Grieg Star Shipping AS Korea**	South Korea	100%	380	139
Grieg Star Shipping AB	G2 Ocean Sweden AB	Sweden	100%	264	193
Grieg Star Shipping (USA) Inc.	G2 Ocean US Inc.	United States	100%	2 850	808

* The legal entity Grieg Star Shipping AS changed name to G2 Ocean FE AS on January 24, 2018.

** The legal entity Grieg Star Shipping AS Korea changed name to G2 Ocean AS Korea on February 19, 2018.

Business acquired	Acquiring entity	Location	Purchase price (USD 1 000)	Goodwill (USD 1 000)
Chartering and Operation activities, assets and liabilities acquired from Gearbulk Terminais do Brasil Ltda and Gearbulk Maritima Ltda	G2 Ocean Brazil Ltda	Brazil	6 628	5 199
Chartering and Operation activities, assets and liabilities acquired from Grieg Star Shipping Comercio Maritimo Ltda	G2 Ocean Brazil Ltda	Brazil	100	100
Chartering and Operation activities, assets and liabilities acquired from Grieg Star Shipping (Canada) Ltd	G2 Ocean Shipping Canada Ltd	Canada	638	821
Chartering and Operation activities, assets and liabilities acquired from Gearbulk AG, WFOE	G2 Ocean AS	China	683	609
Chartering and Operation activities, assets and liabilities acquired from GB Pool Ltd	G2 Ocean AS	Norway	38 831	2 759
Chartering and Operation activities, assets and liabilities acquired from Grieg Star Bulk AS	G2 Ocean AS	Norway	(109)	-
Chartering and Operation activities, assets and liabilities acquired from Gearbulk Shipping Singapore Pte Ltd	G2 Ocean Singapore Pte Ltd.	Singapore	640	640
Chartering and Operation activities, assets and liabilities acquired from Gearbulk Inc.	G2 Ocean US Inc.	United States	540	540

NOTE 4 GOODWILL

The Open Hatch and Bulk, chartering and operation 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 Operation activities, assets and liabilities. The allocation of goodwill to operating segments will be completed as part of the finalization of the purchase price allocation in 2018.

There is no accumulated impairment loss recognized as of December 31, 2017.

(USD 1 000)	Goodwill	Total
Goodwill		
Historical cost Mar 18, 2017	-	-
Additions	17 877	17 877
Historical cost Dec 31, 2017	17 877	17 877
Amortization for the year 2017	-	-
Accumulated amortization for the year 2017	-	-
Goodwill Dec 31, 2017	17 877	17 877

NOTE 5 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 Mar 18 – Dec 31, 2017 (USD 1 000)	Open Hatch	Conventional Bulk	Eliminations	Total
Total revenues	691 886	99 161	(1 381)	789 665
Operating expenses				
Voyage related	382 304	34 434	-	416 738
Time charter rental	33 066	19 121	(1 381)	50 806
Depreciation and amortization	3 352	20	-	3 372
Selling, general & administrative	32 549	1 715	-	34 264
Income from operations before pool distribution	240 614	43 871	-	284 485
Pool distribution to Pool Participants	237 581	43 714	-	281 295
Income from operations	3 032	158	-	3 190
Non-operating income / (expenses)	(487)	(26)	-	(513)
Income before income taxes	2 545	133	-	2 678
Provision for income taxes	826	44	-	870
Net income	1 719	89	-	1 808

NOTE 6 TOTAL REVENUES

All of the 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)	Mar 18 – Dec 31, 2017
North America	198 340
South America	267 935
Europe	114 879
Africa	21 957
Australasia	40 132
Middle East and Asia	146 422
Total revenues	789 665

Load ports in the following countries each constituted more than 5% of the total cargo revenues reported in 2017; Brazil 19.0%, China 9.7%, Chile 7.2%, United States of America 9.8% and Canada 13.2%.

NOTE 7 VOYAGE RELATED EXPENSES

Voyage related expense consist of the following amounts:

For the period (USD 1 000)	Mar 18 – Dec 31, 2017
Bunker expenses	157 041
Cargo handling expenses	125 149
Port expenses	104 275
Insurance premiums and deductibles	4 567
Other voyage related expenses	25 706
Total voyage related expenses	416 738

NOTE 8 INVENTORIES

Inventories consist of the following amounts:

As per (USD 1 000)	Dec 31, 2017
Bunkers	43 728
Consumables and other inventories	14 005
Total inventories	57 733

There was no impairment on inventories in 2017.

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 eight months ending December 2017 is USD 50.8 million in 2017.

NOTE 10 OPERATING LEASES

Future minimum lease payments in respect of operating leases as of December 31, 2017, are as follows:

As per Dec 31, 2017 (USD 1 000)	Offices	Vessels	Total
2018	1 416	5 783	7 199
2019	1 013	0	1 013
2020	878	0	878
2021	776	0	776
2022	780	0	780
Thereafter	2 860	0	2 860
Total	7 723	5 783	13 506

NOTE 11 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

For the period (USD 1 000)	Mar 18 - Dec 31, 2017
Staff expenses	24 882
Office expenses	2 956
IT and communication	1 175
Professional fees	2 851
Travel expenses	1 621
Other administration expenses	779
Total selling, general and administrative expenses	34 264

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)	Mar 18 – Dec 31, 2017
Statutory audit	200
Tax advisory services	3
Other non-audit services	14
Total remuneration	217

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 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, 2017 were USD 1.8 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 % 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 26 employees as of December 31, 2017.

The components of net periodic pension cost for defined benefit plans for the year December 31, 2017 were as follows:

For the period (USD 1 000)	Mar 18 – Dec 31, 2017
Service cost	177
Interest cost	70
Expected return on assets	(29)
Payroll tax	29
Net periodic pension expenses / (income)	247

The components of movements in net pension obligations in Other Comprehensive income for defined benefit plans for the year ending December 31, 2017 were as follows:

For the period (USD 1 000)	Mar 18 – Dec 31, 2017
Amortization of actuarial gain	74
Net pension movement in other comprehensive income	74

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, 2017
Assumed discount rate	2.4 %
Expected long term rate of return on plan assets	4.1 %
Salary increase	2.5 %
Average remaining service period	9 years
Pension increase	2.3 %
Payroll tax	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, 2017
Funded status – over/underfunded	2 087
Payroll tax	294
Total pension liabilities	2 381

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, 2017
As of Mar 18, 2017	-
Acquired	2 686
Service cost	166
Interest cost	70
Actuarial loss	11
Total	2 933

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, 2017
As of Mar 18, 2017	-
Acquired	806
Estimated return on plan assets	29
Actuarial (loss) / gain	11
Total	846

13.2.5 Plan Assets

The allocation of plan assets is set out below:

As per (USD 1 000)	Dec 31, 2017
Equities	92
Bonds	342
Money market and similar	119
Property	85
Other	209
Total	847

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:

- 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 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, 2017
2018	-
2019	-
2020	18
2021	109
2022	247
Thereafter	6 989
Total	7 363

The Company expects to make contributions into the defined benefit pension schemes during 2018 of USD 0.2 million.

NOTE 14 OTHER INCOME AND EXPENSE

Other income and expense consist of the following amounts:

For the period (USD 1 000)	Mar 18 – Dec 31, 2017
Net foreign exchange loss / (gain)	472
Other financial expenses	177
Total	649

NOTE 15 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 that it is in 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)	Mar 18 – Dec 31, 2017
Current tax	
Norway	-
Overseas	228
	228
Deferred tax charge	
Norway	629
Overseas	13
	642
Total	870

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, 2017, the Company has tax losses carried forward in an overseas jurisdiction amounting to USD 2.2 million. Deferred tax assets recognized in respect of these losses amounted to USD 0.5 million.

NOTE 16 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 Mar 18, 2017	-	-	-	-
Movement in the year	2 544	14	74	2 631
Balance as at Dec 31, 2017	2 544	14	74	2 631

NOTE 17 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.

17.1 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 2017 is USD 141.1 million.

As of December 31, 2017, 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, of which USD 0.7 million was recorded within Other current assets and USD 0.5 million within Other payables. As of December 31, 2017, these contracts had maturities of up to one year and a notional principal amount of USD 75.8 million.

17.2 Fuel Cost Management

The Company maintains a fuel-cost risk-management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations 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 certain of these arrangements during the year ended December 31, 2017.

As of December 31, 2017, the fair value of aggregate fuel rate swap agreements held on the balance sheet was a net unrealized gain of USD 2.3 million, of which USD 1.4 million was recorded in Other current assets and USD 1.0 million was recorded within Other assets. As of December 31, 2017, these contracts had maturities between one to three years and a notional principal quantity of 37 945 metric tons. The notional value of these contracts is USD 15.7 million.

17.3 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.

17.4 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 table presents the aggregate notional principal amounts, carrying values, fair values and maturities of the Company's financial instruments as of December 31, 2017: (See Notes 19, 22, 23 and 27).

As per Dec 31, 2017 (USD 1 000)	Notional Principal Amounts	Carrying Values	Fair Values	Maturity
<i>Derivative instruments</i>				
Foreign exchange forward contracts	75 842	194	194	2018
Fuel future purchase contracts	15 725	2 350	2 350	2018-2020

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.

Maturities of notional principal amounts of derivative instruments held as of December 31, 2017, were as follows:

As per Dec 31, 2017 (USD 1 000)	Forward currency purchase	Fuel purchase contracts	Fuel purchase contracts (metric tons)
2018	75 842	7 147	18 745
2019	-	3 894	9 600
2020	-	4 685	9 600
2021	-	-	-
2022	-	-	-
Thereafter	-	-	-
Total	75 842	15 725	37 945

NOTE 18 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 AS 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, 2017, the following amounts are due from/to related parties and affiliates of the Company:

(USD 1 000)	As per	Dec 31, 2017
<i>Trade receivable with related parties</i>		
Gearbulk Pool Ltd		7 159
Gearbulk AG		49
Gearbulk Ltd		(54)
Total		7 155
<i>Related parties receivables (current)</i>		
Gearbulk Pool Ltd		7 384
Gearbulk Holding AG		4 092
Gearbulk Shipowning Ltd		826
Gearbulk Logistics Inc.		1 553
Gearbulk Shipping AS		42
Gearbulk Terminais do Brasil Ltda		446
Gearbulk Maritima Ltda		104
Gearbulk Norway AS		22
Grieg Star 2017 AS		10 304
Grieg Shipping II AS		827
Grieg Star Group AS		690
Grieg International II AS		368
Total		26 659
<i>Related parties payables (current)</i>		
Gearbulk Pool Ltd		(30 493)
Gearbulk AG		(776)
Gearbulk Management Switzerland AG		(104)
Gearbulk Holding AG		(1 179)
Gearbulk UK Ltd		(256)
Gearbulk Inc.		(540)
Gearbulk Services Japan, Ltd.		(21)
Gearbulk Shipping Singapore Pte Ltd.		(692)
GSS Comercio Maritimo Ltda		(100)
Grieg Star Shipping Canada Ltd.		(745)
Grieg Star Group AS		(3 407)
Grieg Star Bulk AS		(2 000)
Total		(40 314)
<i>Related party payables (non-current)</i>		
Gearbulk Pool Ltd		(6 019)
Gearbulk Terminais do Brasil Ltda		(684)
Grieg Star Group AS		(17 742)
GSS Comercio Maritimo Ltda		(142)
Total		(24 587)

18.1 Gearbulk

During 2017 pool distribution related to Gearbulk vessels amounted to USD 186.9 million, of which USD 159.6 million were related to the Open Hatch segment and USD 27.3 million were related to the conventional Bulk segment.

As of December 31, 2017, 12 Bulk vessels and 56 Open Hatch vessels were operated in the G2 Ocean pool on behalf of Gearbulk at a variable rate per day. In addition, one bulk vessel and two open hatch vessels were commercially operated by G2 Ocean on a pay as you earn basis.

During 2017, 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, 2017, G2 Ocean provided services for five COAs with accounts receivables with Gearbulk amounting to USD 7.2 million.

The voyages ongoing as of the commencement date of operation for G2 Ocean on May 2, 2017, were completed by respectively Gearbulk and Grieg on a back-to-back basis with the accumulated net result for the period May 2, 2017 to the completion of the voyage, passed on to G2 Ocean. As of December 31, 2017, the net result for the voyages completed by Gearbulk amounted to USD 28.2 million, whereof USD 23.1 million from open hatch vessels and USD 5.1 million from bulk vessels.

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 2017 were USD 5.0 million.

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

18.2 Grieg Star

During 2017 Pool distribution related to Grieg Star vessels amounted to USD 94.4 million, of which USD 78.0 million were related to the Open Hatch segment and USD 16.4 million were related to the conventional Bulk segment.

As of December 31, 2017, 7 Bulk vessels and 31 Open Hatch vessels were operated in the G2 Ocean pool on behalf of Grieg Star at a variable rate per day.

The voyages ongoing as of the commencement date of operation for G2 Ocean on May 2, 2017, were completed by respectively Gearbulk and Grieg on a back-to-back basis with the accumulated net result for the period May 2, 2017 to the completion of the voyage, passed on to G2 Ocean. As of December 31, 2017, the net result for the voyages completed by Grieg amounted to USD 13.1 million, whereof USD 9.7 million from open hatch vessels and USD 3.4 million from bulk vessels.

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 2017 were USD 2.5 million.

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

18.3 Advokatfirmaet Thommessen AS (“Thommessen”)

A director of the Company is also a partner of the Norwegian law firm Thommessen. During 2017, the Company paid USD 4 072 to Thommessen for services provided. All such transactions were completed on an arm’s length basis.

18.4 Other

Loans to directors from G2 Ocean as of December 31, 2017, amounted to nil. Loans to employees amounted to nil.

NOTE 19 OTHER CURRENT ASSETS

Other current assets consist of the following amounts:

As per (USD 1 000)	Note	Dec 31, 2017
Fair value of derivative instruments	17	2 142
Contract of affreightments		4 715
Value added taxes receivables		972
Other current assets		320
Total		8 149

Other current assets include USD 4.7 million related to contracts acquired with a favorable market feature.

NOTE 20 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 Mar 18, 2017	-	-	-	-
Additions	21 350	1 627	737	23 714
Balances as of Dec 31, 2017	21 350	1 627	737	23 714
Depreciation and amortization				
Accumulated depreciation at Dec 31	(2 979)	(273)	(120)	(3 372)
Book value as of Dec 31, 2017	18 371	1 354	617	20 342
Depreciation charge for the period	2 979	273	120	3 372
Net carrying value Mar 18, 2017	-	-	-	-
Net carrying value Dec 31, 2017	18 371	1 354	617	20 342

20.1 Depreciation

The depreciation charge for 2017 was USD 3.4 million.

20.2 Impairment

There was no impairment loss in 2017.

NOTE 21 SUBSIDIARIES

As of December 31, 2017, 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%
Grieg Star Shipping AS*	Norway	100%	100%
Grieg Star Shipping (Shanghai) Company Limited	China	100%	100%
Grieg Star Shipping AS, Shanghai Representative Office	China	100%	100%
Grieg Star Shipping AS Korea**	South Korea	100%	100%

* The legal entity Grieg Star Shipping AS changed name to G2 Ocean FE AS on January 24, 2018.

** The legal entity Grieg Star Shipping AS Korea changed name to G2 Ocean AS Korea on February 19, 2018.

NOTE 22 OTHER NON-CURRENT ASSETS

Other assets consist of the following amounts:

As per (USD 1 000)	Note	Dec 31, 2017
Fair value of derivative instruments	17	974
Contract of affreightments		5 687
Deferred tax asset		518
Other non-current assets		456
Total		7 635

Other non-current assets include USD 5.7 million related to contracts acquired with a favorable market feature.

NOTE 23 OTHER NON-CURRENT LIABILITIES

Other non-current Liabilities consist of the following amounts:

As per (USD 1 000)	Note	Dec 31, 2017
Fair value of derivative instruments	17	7
Taxes payable after 1 year		1 505
Pension obligation	13	2 554
Total		4 066

NOTE 24 ACCRUED LIABILITIES

Accrued liabilities consist of the following amounts:

As per (USD 1 000)	Dec 31, 2017
Accrued voyage related expenses	40 360
Accrued staff expenses	2 493
Accrued other expenses	3 117
Total	45 970

NOTE 25 BANK OVERDRAFT

As at December 31, 2017 the Company had a term revolving credit facility of USD 20.0 million whereof USD 6.9 million had been drawn. The facility is secured by the outstanding accounts receivables. The Company's financing agreement do not contain any financial covenants.

NOTE 26 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, 2017, USD 0.3 million was held in restricted withholding tax account.

NOTE 27 OTHER CURRENT PAYABLES

Other current payables consist of the following amounts:

As per (USD 1 000)	Note	Dec 31, 2017
Fair value of derivative instruments	17	565
Taxes payable		184
Payroll tax		199
Provisions for deductibles on cargo related insurance claims		3 699
Other payables		122
Total		4 769

NOTE 28 SHARES

As of December 31, 2017, the authorized share capital of G2 Ocean AS comprises 84 360 shares of NOK 1 421 par, of which 84 360 are issued. No dividends were declared or paid during 2017.

On May 2, 2017 the Company effectuated a hundred-for-one stock split of its common shares. The stock split increased the number of the Company's common shares from 300 to 30 000. All share and per share amounts disclosed in the accompanying financial statements give effect to this stock split for the periods presented.

On May 2, 2017 the Company completed a placement of USD 10.0 million, at a price of NOK 4 264 per share. The capital increase is split between USD 5.0 million in share capital, by increasing the nominal value per share by NOK 1 420, and USD 5.0 million in additional paid-in capital.

On November 24, 2017 the Company completed a placement of USD 18.1 million, at a price of NOK 4 139 per share capital increasing the paid-in capital to a total of USD 28.1 million. The placement of USD 18.1 million is split between USD 9.5 million in share capital and USD 8.6 million in additional paid-in capital, by increasing the number of the Company's common share from 30 000 to 84 360.

NOTE 29 SHAREHOLDERS

As of December 31, 2017, 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, 2017, 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 30 COMMITMENTS AND CONTINGENCIES

30.1 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 up to 12 to 14 months.

30.2 Insurance

The Company maintains protection and indemnity ("P&I") jointly with Owners and charterers hull 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.

The Joint Venture 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, results of operation or liquidity of the Company. As of December 31, 2017, and to the best of our knowledge to date, the Company does not have major claims pending under its liability insurance coverage.

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.

30.3 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.

30.4 Freight and other indirect taxes

The Company derives income from trade in numerous international jurisdictions, and this income may be subject to freight or other indirect taxes. Where appropriate the Joint Venture recognizes income, expenses, assets or liabilities in respect of freight 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 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 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 31 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On February 6, 2018 the vessel Holly Arrow entered the Open Hatch pool as a vessel nominated by Gearbulk.

Independent Auditor's Report

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 subsidiary, which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit 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 subsidiary as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Price WaterhouseCoopers AS
Bergen, Norway
March 13, 2018

OUR CORE FLEET

As of December 3, 2017

GEARBULK

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 Neptune ²	Bulk carrier	2009	55,657
Bulk Orion ²	Bulk carrier	2011	56,155
Bulk Pegasus ²	Bulk carrier	2009	58,736
Bulk Polaris ²	Bulk carrier	2017	63,396
Bulk Titan ²	Bulk carrier	2009	58,090
Bulk Venus ²	Bulk carrier	2017	63,371

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	OH Jib Crane	2015	61,022
Eagle Arrow ²	OH Jib Crane	2011	62,967
Finch Arrow ²	OH Jib Crane	2013	72,871
Ginkgo Arrow ²	OH Jib Crane	2015	61,026
Kashi Arrow ²	OH Jib Crane	2009	54,204
Kiwi Arrow ²	OH Jib Crane	2010	62,924
Matsu Arrow ²	OH Jib Crane	2014	55,975
Momo Arriw ²	OH Jib Crane	2009	54,274
Nandu Arrow ²	OH Gantry Crane	2011	62,960

¹ Owned

² Long Term TC

GRIEG STAR

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 Eos ¹	Bulk carrier	2015	63,200
Star Eracle ¹	Bulk carrier	2012	58,018
Star Crimson ²	Bulk carrier	2016	61,150
Star Maine ²	Bulk carrier	2015	61,263
Star Pathfinder ²	Bulk carrier	2015	61,298

Open Hatch

Vessel name	Vessel type	Build year	Deadweight (DWT)
Kai Xuan ¹	OH Jib Crane	2011	51,638
Star Japan ¹	OH Gantry Crane	2004	44,807
Star Istind ¹	OH Gantry Crane	1999	46,428
Star Fuji ¹	OH Gantry Crane	1985	40,850
Star Gran ¹	OH Gantry Crane	1986	43,759
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 Dalmatia ²	OH Jib Crane	2011	51,593
Star Navarra ²	OH Jib Crane	2010	51,593

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
Tawa Arrow ²	OH Jib Crane	2008	54,274
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 Gantry Crane	2001	23,529
Jaeger Arrow ¹	OH Jib Crane	2013	73,296
Kite Arrow ¹	OH Gantry Crane	1997	55,531
Lawin Arrow ¹	OH Jib Crane	2014	62,841
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
Rakiura Maru ¹	OH Gantry Crane	1996	23,872
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
Teal Arrow ¹	OH Gantry Crane	1999	36,466
Tenca Arrow ¹	OH Gantry Crane	2009	69,990
Toucan Arrow ¹	OH Gantry Crane	1996	55,918
Tuju Arrow ¹	OH Gantry Crane	2010	72,863
Weaver Arrow ¹	OH Gantry Crane	1998	55,402

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 ¹	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	50,761
Star Lygra ¹	OH Jib Crane	2013	50,761
Star Lysefjord ¹	OH Jib Crane	2014	50,728
Star Minerva ¹	OH Jib Crane	2008	50,757

¹ Owned

² Long Term TC

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