GRIEG SHIPPING GROUP

Annual report 2008

Contents

Summary

Our Business

The Grieg Shipping Group owns and manages a fleet of open hatch gantry crane vessels and holds a shipbuilding contract for additional vessels. The vessels are customised to carry wood pulp, rolled paper and other forestry products. The safety and security of the crew, the environment, the cargoes and the vessels are always given the highest priority. Maintenance planning and follow-up are based on ensuring safe and efficient operation as well as a long, useful life of the vessels. In addition to the shipping activities, the Group owns and manages a financial investment portfolio.

The Grieg Shipping Group is based in Bergen with offices in Oslo, Manila, Mobile and Shanghai. The Group employs 616 persons including sailing personnel.

The vessels are operated and marketed by Grieg Star Shipping, which as of 31.12.08 was wholly owned by Grieg. Grieg Star Shipping has a unique position in the transportation of forestry products world wide. The vision of Grieg Star Shipping is to be a world class industrial shipping company and the preferred carrier in its chosen business segments.

Grieg Star Shipping has 15 offices and representation world wide, including the headquarters in Bergen. The company employs 172 persons.

A milestone in Grieg history

In June 2008 Masterbulk and Grieg agreed to end their long-term cooperation and split the activities in Star Shipping. Grieg is now continuing the success story which started in 1961 as Grieg Star Shipping. The demerger was completed by year end.

"This marks the beginning of a new and exiting era. Our strong balance sheet and willingness to take action and initiate activities form an excellent base for future expansion. We look forward to developing the company further, by uniting Grieg Star Shipping and the Grieg Shipping Group's know-how and expertise," say Elisabeth and Camilla Grieg.

Our Vision

"Create lasting value through our common effort"

The value we create emerges from a conscientious long-term relationship with our main stakeholders.

- Our trademark within the shipping business shall be safety, quality, integrity and financial strength.
- We shall develop our strong position by building on our core business activities and competence, creating and seizing business opportunities and entering new markets
- We shall work relentlessly to prevent harmful emissions to air and sea
- We shall actively support and shape the future of the maritime sector in Norway and abroad to the greatest extent possible

Our Values

Solid Proud Open Committed

Our values define our company culture. They are the cornerstones of our attitudes, behavior and actions, guiding the way we do our business and how we measure our success.

2008 in Brief

Grieg demerged long-term partner Masterbulk (Westfal-Larsen) from Star Shipping and continues the successful marketing and operating company as Grieg Star Shipping.

The Grieg Shipping Group recorded its highest ever freight earnings amounting to USD 208m. The profit before tax was USD 78 million, which is down from USD 116m in 2007.

2008 was the most dramatic year for international dry bulk shipping in modern history. During the summer months freight rates were record high, and then fell by 80-90% in the course of two months. Still, 2008 was the best dry bulk year ever, rate-wise.

In August, a crew member on one of our vessels had an accident and his life could not be saved. The tragic accident was reported to the Norwegian authorities and an investigation has been held.

The Grieg Shipping Group has established cooperation with a new manning agency in the Philippines to be named Grieg Philippines Inc.

As part of our environmental strategy, five of our vessels received Green passport certification.

Based on an initiative from the Norwegian Shipowners' Association, employees of Grieg Shipping Group fully financed the annual operating costs of one house in SOS Children's Village, Cebu, the Philippines.

2009 so far

M/V Star Dover, built in 1977, was sold for recycling in February 2009. The vessel will be recycled at Xinhui Shuangshui Shipbreaking Yard, China.

The Grieg Shipping Group was awarded ISO 14001 certification in March 2009.

The CEO's perspective

A year of extremes

2008 was a historic year, a year of important milestone events, globally, nationally and for the Grieg Shipping Group. It was a year of extremes, with shipping activities at a historic high and rates that turned during second half and fell faster than the market had ever seen, to levels that we never thought we would experience in this century.

We did expect to see a decline in the market as a result of a newbuilding order book that was extremely large after the buoyant market over the last five years had spiraled people's appetite for shipping investments. The decline was not expected to materialize quite so soon, and it was not the new deliveries that caused it - the financial crisis did.

Being an industrial shipping company with a high degree of long-term contracts of affreightment makes us less vulnerable to the short-term changes in the spot market. Consequently, the collapse in the shipping market did not immediately affect our results. Thus last year's operating profit ended at a very high level. Our financial portfolio, however, did not escape the consequences of the disastrous decline in stock market values around the world and hurt our overall results severely.

We are now faced with a high cost structure after years of pressure on all cost elements, combined with substantially lower income, which is not a sustainable situation. It is difficult to predict how long global economic activities will remain depressed and as a result, also world sea bourn trade. Consequently, all costs are under scrutiny, but the focus is also - and more importantly - on our work processes and how to establish greater work efficiency.

The Grieg Shipping Group's vision is to create lasting value through our common effort. We are long term players and we intend to serve our customers and be an attractive employer, also in the future. This is why we must be able to withstand and survive market downturns and see and act upon the opportunities offered by developments of this kind.

With our newly established 100% ownership of Grieg Star Shipping, which was also an important milestone for our Group, we are better equipped to execute our long term vision and strategy. We have a long history in our markets, with well established customer relations, and our organizations both in Grieg Star Shipping and the Grieg Shipping Group have substantial competence as well as financial strength which supports our will and capacity for growth. We have established our own manning agency in the Philippines to further develop and strengthen our relationship with our seafarers and build on their expertise to meet future challenges at sea.

The world continues to surprise and challenge us, demanding our constant attention and the ability to be dynamic. More than ever before, the coming years will demand the best we have to give. We must be realistic and careful, but - most importantly - ready to act when the time is right.

The Grieg Shipping Group supports the UN declaration of human rights, the ten principles of the UN Global Compact and ISO 14001 certification, which commits us to high ethical and environmental standards in the way we conduct our business. We aim to be a driving force in the field of corporate responsibility in the shipping industry, with full integration of environmental, social and ethical concerns in our business strategies and daily operations.

I would like to take this opportunity to thank all our customers and business partners for their support in 2008. We will do our outmost to serve you well in the years to come.

Finally, to all our colleagues in Grieg Star Shipping and Grieg Shipping Group ashore and at sea, in all our offices around the world, let me express my sincere thanks for your contribution and untiring efforts. It is an honour to have you onboard.

Camilla Grieg
CEO
Grieg Shipping Group

Our business: Overview

2008 will go down in history as a landmark year for Grieg, as Masterbulk and Grieg agreed to part and split the activities of Star Shipping. The successful business, founded in 1961, is now continued by Grieg as Grieg Star Shipping.. The future will bring close cooperation between the Grieg Shipping Group and Grieg Star Shipping, and by combining the best from both companies we have the know-how and expertise to further strengthen our leading position in the transportation of forestry products and other unitized cargoes.

Together we are strong, and we have ambitions, capability and willpower!

Fact

The Grieg Group

The Grieg Group is a privately owned line of companies which operates globally within a variety of business areas: Shipping (Grieg Shipping Group and Grieg Star Shipping), Ship broking (Joachim Grieg & Co) Global logistics services (Grieg Logistics), Fish farming (Grieg Seafood and Grieg Cod Farming), Maritime information systems (MARIS), Investment consulting services (Grieg Investor), Offshore wind energy (NorWind and OceanWind).

In addition, the Grieg Group comprises several business and investment companies and owns 20% of AON Grieg (insurance broking).

The Grieg Group emphasises the creation of economic and social values in a long term perspective. The group's activities shall be in the area of competitive international business controlled from Norway. All members of the group are independent, but close cooperation across company borders is encouraged. At year-end 2008 the Grieg Group employed 1531 persons.

Grieg Shipping Group

The Grieg Shipping Group owns and manages 23 open-hatch general cargo vessels. In addition, we have shipbuilding contracts for four new vessels, with delivery in 2009 and 2010. The Group consists primarily of the management company Grieg Shipping Group AS and the two shipowning companies Grieg Shipping AS and Grieg International II AS. Further, Grieg Shipping Group AS has owner interests in the manning agency to be named Grieg Philippines Inc.. We are located in Bergen, Oslo, Mobile, Shanghai, and Manila. In 2008, the Group employed 616 persons, of whom 568 were sailing personnel.

The Grieg Shipping Group is owned by the Grieg Group, a privately owned group of companies, and Grieg Foundation which is a charitable organisation.

Our vessels have box-shaped holds to ensure optimal and safe stowage. For efficient and damage-free cargo handling they have gantry cranes with rain protection and make use of state-of-the-art cargo handling equipment. Dehumidification systems ensure that the air quality in the holds is right for the various types of cargo carried. Our latest vessels are among the most modern open-hatch vessels in the world and are equipped with tween decks, permitting a mix of various types of cargo in the same hold.

At all times, our main concern is the safety and security of the crew, the environment, the cargo and the vessels. We recognize the environmental and social impacts of our business activities and focus on corporate responsibility and sustainable business development, on both a strategic and operational level.

Our long-term commitment, financial strength and highly competent personnel are of vital importance for the ability to deliver high-quality services and maintain our position as a leading shipping group. The vessels are manned by highly qualified Philippine seafarers, specially trained for our operations. In 2008, to further develop and improve the competence, knowledge and skills of the seamen, Grieg established cooperation with a new manning agency in the Philippines to be named Grieg Philippines Inc.. We attach great importance to a high return rate among the crew to ensure familiarity with our vessels and operational standards.

The vessels are maintained to secure optimal operation through out their effective life. Through a continuous focus on quality routines and procedures together with onboard training and drills verified by audits, the vessels are at all times in compliance with our high quality standard as well as all relevant national and international regulations.

The Grieg Shipping Group also owns and manages an investment portfolio with an investment policy founded on the Group's business principles and long-term strategy. The investment policy is set as a percentual allocation between asset classes. The portfolio serves as a long-term buffer for the Group's core activity as well as growth opportunities, and funds invested are increased or reduced in proportion to capital requirements.

Grieg Star Shipping

The Grieg Shipping Group fleet is operated and marketed by Grieg Star Shipping. Grieg Star Shipping, former Star Shipping, was founded in 1961. The company became as of 31.12.08 wholly owned by Grieg. Grieg Star Shipping's field of business comprises the open-hatch pool, container services, terminals and the conventional bulk carrier division.

Grieg Star Shipping is based in Bergen, Norway with offices and representation in Atlanta, Mobile, Savannah, Charlston, Long Beach, Vancouver, Rotterdam, Brussels, Gothenburg, Seoul, Shanghai, Tokyo, Vancouver and Squamish. The company employs 172 persons of whom 63 are located in Bergen.

Grieg Star Shipping provides high quality transportation and logistic services for a number of industries. The company's vision is to be a world class industrial shipping company and the preferred carrier in its chosen business segments. Long term commitment, specialized vessels and efficient and damage free cargo handling are essential to fulfil the high quality demands of our customers.

Open-hatch pool

The pool consists of close to 30 highly specialized open hatch vessels that are customised for the carriage of wood pulp, rolled paper and other forestry products. The vessels also carry a wide range of other cargoes such as steel, petcoke and fertilizer, as well as containers. In addition, the box-shaped holds and unobstructed deck space provide excellent stowage for various project cargoes.

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>> The strategy of the open-hatch pool is customer-focused, strong relationships, long-term and industrial, and the business is characterized by long-term contracts of affreightment. The pool operates a considerable network of trades with regular sailings and frequencies adapted to its customers' requirements. Punctuality, efficiency, quality and flexibility are Grieg Star Shipping's primary competitive advantages to ensure customer satisfaction in the long run.

Grieg Star Shipping together with the Grieg Shipping Group, continuously work to improve every aspect of the cargo handling and transportation process. This enables loading and discharging of the cargo to be performed with a minimum of handling, ensuring safe stowage and minimum delays.

Container Services
Grieg Star Shipping operates regular container services between North Europe and the US East Coast/Gulf. The company's Swedish subsidiary, Atlantic Cargo Services AB, manages the container activities. Containers are also frequently transported in other trades, either as empty positioning moves or full containers on behalf of other operators. The office in Gothenburg, together with staff in North America and the agency network in Europe, are dedicated to providing the container shippers with fully integrated door-to-door transportation solutions.

Terminals
Grieg Star Shipping offers integrated transportation solutions from shipper to end receiver. As an important part of the logistic chain, the company has long-term agreements with terminals in all major ports serving as consolidation and distribution hubs. In Squamish, British Columbia, Canada, Grieg Star Shipping owns a purpose-built break-bulk terminal, Squamish Terminals.

The Squamish Terminals is a terminal for public use, offering efficient handling of forest products, steel products and special project cargo for loading to or from ocean vessels and barges. With two berths, three warehouses, specialized handling equipment, and an experienced workforce as well as an intermodal transportation infrastructure, Squamish Terminals efficiently handles imports and exports cargo from and to major markets worldwide.

Conventional bulk carrier division
Grieg Star Shipping operates a modern fleet of geared handysize/ handymax bulk carriers, equipped with grabs. The vessels are operated in contract trades and the spot market worldwide carrying a large variety of cargoes such as coal, coke, alumina, fertilizers, cement, concentrates, steel products, grain, sugar, salt, scrap and logs.

Fact

Grieg Foundation

Grieg Foundation was established in its present form in the autumn of 2002 and owns 25% of the Grieg Group's operative companies. It has no voting power, but is guaranteed a dividend. This ensures that a proportion of the values created by the Grieg Group will be channelled to national and international projects beneficial to the communities.

Grieg Foundation contributed to national and international projects with about NOK 36 million during 2008 and has committed considerable additional funds for approved projects in the coming years. The Grieg Group is very proud to have a shareholder like the Grieg Foundation, with the activities which it represents.

Fact

The Grieg Group's history

1884: *Capt Joachim Grieg establishes a shipbroking business in Bergen.*
1961: *Per Grieg Sr. reorganizes and widens the scope of activities. Star Shipping is founded.*
1969: *Grieg Logistics is established as a separate unit.*
1984: *100th anniversary! Restructured as the Grieg Group.*
1992: *Grieg Seafood is established.*
1998: *Grieg Insurance merges with Aon Norway under the name Aon Grieg. Grieg Investor is established.*
1999: *The Grieg Group is reorganized for the fourth generation: Per Grieg Jr, Elisabeth Grieg, Camilla Grieg and Elna-Kathrine Grieg take leading roles in their respective parts of the Group. Grieg acquires a part of MARIS, later the ownership interest is increased to 85%.*
2002: *Grieg Foundation is established in Os.*
2006: *Grieg Seafood merges with Volden Group.*
2007: *Grieg Seafood ASA is listed on the Oslo Stock Exchange. The Grieg Group acquires 40% of NordWind.*
2008: *Star Shipping is demerged and Grieg continues the company as Grieg Star Shipping. OceanWind established.*

GRIEG SHIPPING GROUP

Trading pattern as of January 2009

US West Coast/British Columbia > North Europe
Main commodities: Pulp, Woodpellets

US West Coast/British Columbia > Far East
Main commodities: Pulp, Containers, Aluminum ingots/t-bars

Europe > US West Coast/British Columbia
Main commodities: Fertilizer, Steel, Project cargoes

United Kingdom/European Continent > US East Coast/Gulf
Main commodities: Steel, lumber

US East Coast/Gulf > Far East
Main commodities: Pulp

US East Coast/Gulf > United Kingdom/European Continent
Main commodities: Pulp, Petcoke, Paper

US East Coast/Gulf > Mediterranian
Main commodities: Pulp, Paper

Far East > US West Coast/British Columbia
Main commodities: Steel, Paper

Far East > US East Coast/Gulf
Diversified cargo

Mediterranian > US East Coast/Gulf
Diversified cargo

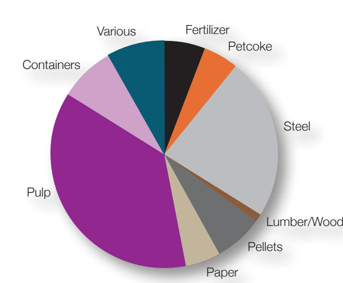
Fact

What is wood pulp?

The fibrous raw material used to make paper is called pulp. Breaking down the wood into fibers can be done by a mechanical or chemical process or a combination of the two. Pulp mills produce a variety of qualities, depending on what type of wood chips and pulping processes used. Wood pulp produces from softwood trees such as spruce, pine, fir, larch and hemlock, have longer fibers and gives paper its strength and pulp produced by hardwood trees such as eucalyptus, aspen and birch provides smoothness and opacity. Many pulp mills are integrated with paper mills so the pulp goes right into the paper production. Other companies sell their pulps to paper mills, this is called market pulp.

Seaborne market pulp amounts to 25 metric tons.

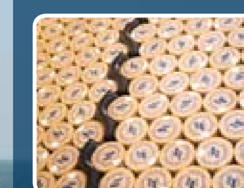
Grieg Star Shipping
Cargo mix 2008



Cargo

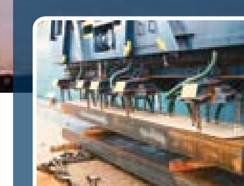
60 ton lift of pulp being loaded using Grieg Star Shipping's unihooks.

Paper rolls lifted efficiently with Grieg Star Shiping's vacum clamps.

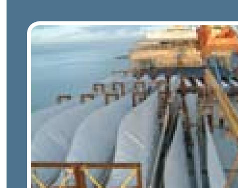


Newsprint secured with airbags.

Steel pipes being discharged. Due to the width and beam of the cargo holds, pipes with varying dimensions can be handled over and under deck.



Steel bars loaded in China, bound for the US West Coast.



Windmills loaded in Aarhus, Denmark.

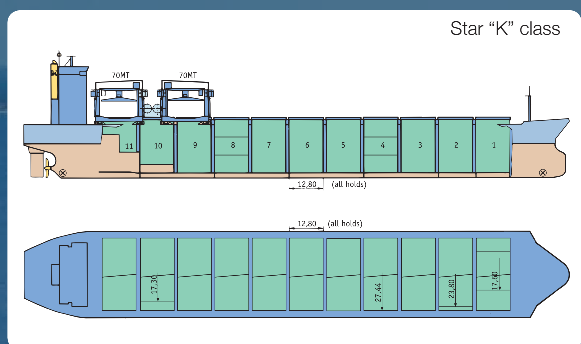
Our business: Fleet

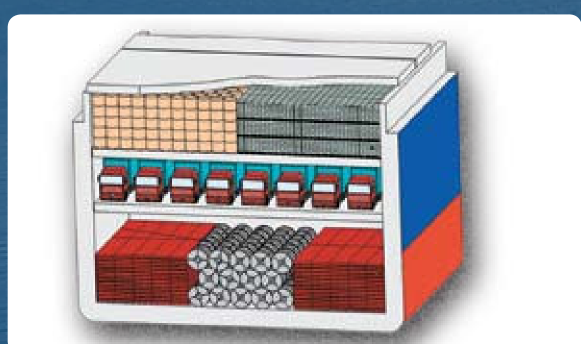
Fact

Record breaking productivity

”Congratulation to Star Java, that discharged 16 813 tons paper pulp from within 9 hours. The achievement is a new world record”

Specialized vessels



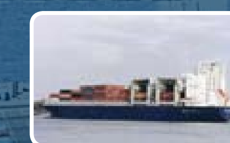
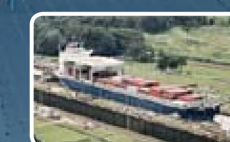
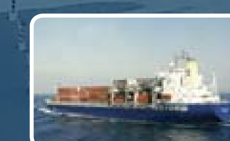


Our highly specialized vessels have box shaped holds, gantry cranes with rain protection, dehumidification systems and state-of-the-art cargo equipment. This enables loading and discharge of the cargo with minimum handling, ensuring safe stowage and minimum delays.

Additionally most of the vessels are equipped with removable tween-decks in two levels in hold 4 and 8. These decks give the flexibility to combine a mixture of fragile, sensitive and project cargoes.

The rain protection on the cranes allow vessels to work a number of cargoes in light to moderate precipitation maintaining cargo care and efficiency during loading and discharge. Further, the vessels' unobstructed deck space gives an excellent stowage for various project cargoes in order to perform a safe and damage free ocean transit.

Fleet list



	Buildt	DWT	Cranes
STAR ”J” CLASS			
M/S Star Juventas	2004	44837	2x68 mt
M/S Star Japan	2004	44807	2x68 mt
M/S Star Java	2006	44837	2x68 mt
STAR ”I” CLASS			
M/S Star Istind	1999	46547	2x68mt
M/S Star Ismene	2000	46489	2x68 mt
M/S Star Isfjord	2000	45849	2x68 mt
STAR ”H” CLASS			
M/S Star Herdla	1994	46580	2x40 mt
M/S Star Hidra	1995	46580	2x40 mt
M/S Star Hansa	1995	46580	2x40 mt
M/S Star Harmonia	1998	46590	2x40 mt
STAR ”G” CLASS			
M/S Star Grip	1986	43712	2x40 mt
M/S Star Gran	1986	43759	2x40 mt
STAR ”F” CLASS			
M/S Star Florida	1985	40790	2x37 mt
M/S Star Fraser	1985	40840	2x37 mt
M/S Star Fuji	1985	40850	2x37 mt
STAR ”E” CLASS			
M/S Star Eagle	1981	39749	2x40 mt
M/S Star Evviva	1982	39718	2x40 mt
STAR ”D” CLASS			
M/S Star Dieppe	1977	43082	2x32 mt
M/S Star Derby	1979	43700	2x32 mt
STAR ”A” CLASS			
M/S Star America	1985	30168	2x40 mt
M/S Star Alabama	1985	30175	2x40 mt
M/S Star Atlantic	1986	30402	2x40 mt

In addition, we have shipbuilding contracts for four new vessels with delivery in 2009 and 2010. These vessels will form the STAR “K” CLASS

Market Report

"A rate decrease in the course of two months in the region of 80-90% sounds like a bad joke, but is unfortunately a reality for most of the dry bulk segments."

Halvor Sveen

GRIEG SHIPPING GROUP

Halvor Sveen

Tom Rasmussen

A dialogue between Tom Rasmussen, President of Grieg Star Shipping and Halvor Sveen, Director - Business Development & Market, Grieg Shipping Group.

(Halvor)
- 2008 was the most dramatic year for international dry bulk shipping in modern history. We saw freight rates reaching new record levels during the summer, and even though some downward adjustment of rates and values was expected in the second half of the year, developments in the fourth quarter came as a huge negative surprise to everyone involved in dry bulk shipping. The credit crunch, the financial crisis and later a global recession almost ended seaborne dry bulk trade. A rate decrease in the course of two months in the region of 80-90% sounds like a bad joke, but is unfortunately a reality for most of the dry bulk segments. Paradoxically, however, 2008 will still be the best dry bulk year ever rate-wise, in spite of the shaky last months. How did this massive downturn in the general dry bulk market affect our niche; the forest product and dry parcel trade, Tom?

(Tom)
- All the open hatch operators experienced an immediate effect, inasmuch as we all had our surplus capacity trading in the dry bulk market. It could not be ignored that the general dry bulk market over the last years has yielded higher earnings. We also had positioned ourselves with quite a few spot market voyages, thus these results dropped to lay- up level within 8/9 weeks.

In our forestry products business, too, we saw lower volumes in most of the trade lanes, starting early November. The rates and the volumes for the general parcel trades also decreased rapidly.

(Halvor)
- The supply side of the dry bulk market is a topic which has been frequently commented on and analyzed - naturally with a great deal of concern since 50% of the sailing fleet is in the order books. The meltdown in the market has presented the shipyards with totally new challenges. Speculation points in direction of 50% cancellation of the global order book, but we feel it is too early to pinpoint this figure. As owners of specialised tonnage, the new situation among the shipyards may offer some interesting scope for new orders at more reasonable prices than we have seen over the last few years.

How do you foresee the development of the tonnage balance in our niche and what is your perception of the tonnage type that will represent the future in forest products and the typical parcel trade?

(Tom)
- The extremely good shipping market over the last 5 years has resulted in a lot of specialized tonnage being operated in the dry bulk market. Consequently, overcapacity in our niche has not been that visible. Currently, there is probably 10 - 15 percent overcapacity in our segment. This has come about as a result of reduced forestry volumes being transported in basically all major trades. With China's current low import of wood pulp, and low export of various steel products, the impact is significant for all of us.

When it comes to the future tonnage, I think a somewhat less sophisticated vessel than our current gantry vessels might be needed. The price gap between the special designed gantry vessels and what's available of semi-open hatch vessels, appears to make it cost prohibitive to go for additional gantry vessels beyond our existing fleet. However, when we look at the current financial situation and what opportunities this may lead to, the situation could be reversed. The forestry trades have changed considerably over the last decade. We all started out in the parcel trades in British Columbia. No single shipper was big enough to fill a vessel. Most mills had an annual capacity of between 200 000 and 400 000 mt. Loading took place at the "mill dock", where there were very rarely any shore based cranes. The gantry self-load system, with certain rain protection, was therefore very important. There was also a lot of paper being transported, so the need for sophisticated tonnage was there.

The new pulp mills we see these days all have a capacity in excess of 1 million tons, and some shippers are themselves able to fill one vessel with pulp alone. The need to be a parcel carrier is not always the case in all trades. I think future tonnage will be much more differentiated, depending on what trades and commodities we are looking at.

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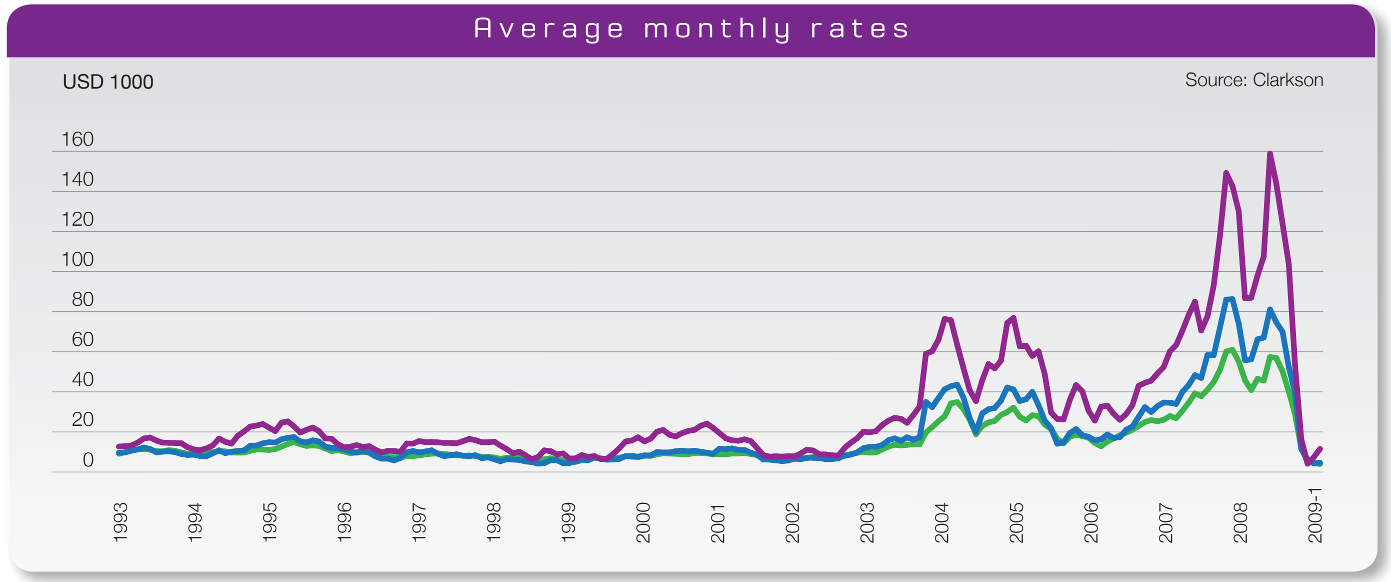

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(Halvor)
- The open hatch segment also faces competition from the container fleet, particularly out of North America. With massive rate cuts in all container trades and a significant order book, how do you see this affecting our activities? And can we expect to see the same development in South America as well?

(Tom)
- Our main competition from container vessels is baled pulp from British Columbia to China, and smaller volumes to Japan and Korea. Currently close to 2 million tons are shipped in containers in this trade. With a total collapse in the container market from Far East to North America, we can't imagine the container rates being further decreased westbound from British Columbia.

In South America, only smaller volumes are being transported in containers. The total pulp volumes are much higher, and a change in the infrastructure will be needed if the mills and the pulp ports are to handle containers equivalent to 2.5 - 3 million tons a year to the Far East. What we have seen, however, is that pulp has been shipped break bulk to the Continent, and then stuffed into containers for transportation to the Far East.

Further, with the big pulp volumes to be shipped from South America, it is our impression that the pulp producers are looking for long term contracts, i.e. breakbulk, as opposed to the container alternative which is not necessarily always available.

(Halvor)
Tom, as I understand it, the wood pulp industry is facing its fair share of challenges. Can we for instance expect a restructuring of parts of the industry?

(Tom)
- More and more of the production, of both hard wood and soft wood pulp, has switched to the southern hemisphere. The production cost there is way below what it is in North America. British Columbia has the biggest disadvantage in this respect.

In North America they are also struggling with much higher fiber cost, and as a result we have seen quite a few mill closures there over the last couple of years. Unfortunately, we expect this to continue, so there will be a "natural restructuring" of this industry. The big suppliers in South America will grow even bigger. We will see more mergers and acquisitions, so there will be fewer, but much larger players in the future.

(Halvor)
- Global industrial production and the rate development in the dry bulk market are closely correlated historically. The annual growth rate showed a steady increase during the fantastic dry bulk years from late 2003 until the dramatic fourth quarter of 2008. In the course of the last three months of 2008 the industrial production rate (year-over-year) fell from 4% to minus 4%, which speaks it own language. Being close to the market for many years Tom, and like the rest of us confronted with this most extraordinary situation; How would you sum up the prospects for 2009 in general and more specifically for our niche?

(Tom)
- I don't think there are many reasons to be too optimistic about 2009. For the time being there are no clear signs of a swift end to the current world wide financial crisis. This means less commodities, of all kinds, being transported between the continents. In addition, there is an order book for dry bulk carriers and container vessels, which do nothing to indicate that shipping market will improve appreciably in the next year or so.

The big challenge we all have is to accept that USD 15/18 000 per day for a conventional dry bulker is still a very good rate. Most of the fleet is making good money at this level.

There is overcapacity in our market, and this will most likely remain so for the next 3 to 5 years. The general dry bulk market is currently not a good alternative for these vessels. This means that there will be severe competition in all forestry trades, and for all contracts/trades coming up for renewal. As far as pulp production is concerned, we all know where the growth is, and we all know where the challenges are. We can therefore expect our trading world to become smaller, and the competition will become even more fierce.

But, as you said Halvor, on the positive side, this market can also give interesting opportunities; the increased competition between the shipyards may offer scope for new orders at reasonable prices. As long term players backed by a strong financial balance sheet, we aim to take full advantage of the opportunities that arise, while continuing to meet our customers' strict quality demands both during and after the current crisis.

"As long term players backed by a strong financial balance sheet, we aim to take full advantage of the opportunities that arise, while continuing to meet our customers' strict quality demands both during and after the current crisis."

Tom Rasmussen

Director's Report:

Grieg Shipping Group Holding AS-Consolidated

2008 was an epoch-making year for the Group. Earnings in the freight market reached new heights after 5 years of more or less continuous growth, while at the same time a good and lasting solution was found after years of discussion between the owners of the operating and marketing company Star Shipping AS. With a strong balance sheet and continuing the core activities of re-named Grieg Star Shipping AS, now wholly owned and under own roof, Grieg Shipping Group Holding is well equipped for further growth, also in a turbulent market.

BUSINESS AREAS

Grieg Shipping Group Holding AS, based in Bergen, is the parent company of the Grieg Group's shipping concern. The consolidated Group, which also has offices in Oslo, Manila, Mobile and Shanghai, comprises the shipowning companies Grieg Shipping AS, Grieg International II AS, Grieg Maritime AS and the 50% owned general partnership ANS Billabong II, as well as the management and administration company Grieg Shipping Group AS. The shipping companies control in total 23 open hatch gantry crane vessels employed in international transport of forestry products and other unitized cargoes. Grieg Shipping Group AS provides all services to the Group in the area of strategy, management and HR, asset management, accounting and finance, insurance, market analysis, business and product development, as well as technical operation of the fleet. The marketing, chartering and operation of the Group's fleet are carried out by Grieg Star Shipping AS which is owned by the Grieg Group[1]. Around 25% of the shipping business is owned by Grieg Foundation which is a charitable organisation located at Os outside Bergen.

Vision and strategy

The overriding commercial objective of Grieg Shipping Group Holding AS is to develop the Group's strong market position and brand by expanding the core activities and expertise in open hatch and dry bulk shipping, and thereby create business opportunities and enter new markets.

Central to the development of the Group's leading position in the transportation of forestry products and other unitized cargo is the ability to produce cost-efficient, but at the same time customised transport solutions for the vessels' customers. Critical success factors in this respect are thus the ability to establish optimal long-term sailing patterns and cargo combinations, while simultaneously responding to constantly changing market conditions and a challenging competitive situation.

Strengthening of the business and investments in new shipping activities, beyond the open hatch segment, will mainly be based on revitalisation and further development of the Group's existing dry bulk involvement.

Areas of operation

Open hatch forestry products and other unitized cargo

Grieg Star Shipping AS operates the open hatch fleet in a pool with long and short-term contracts of affreightments in international transportation of pulp and other forestry products, as well as various kinds of dry bulk cargoes. In a normal year, most of the fleet is employed in the transportation of cargo contracts. The freight contracts are entered into with major international pulp and paper producers and usually have duration of 1-5 years.

Until 31.12.08 Grieg Star Shipping AS, then called Star Shipping AS, was owned 50/50 by Masterbulk Pte. Ltd (Singapore) and the Grieg Group. In the summer of 2008, after a period of strategy discussions between the owners, the parties agreed to split the activities of the company in two. Star Shipping AS had until then been a success story in the shipping industry for almost 50 years and one of the leading global players in transportation of forestry products. A division of the company, whereby Grieg continues the company under the name of Grieg Star Shipping AS, entailed a 50/50 split of assets and liabilities, including cargo contracts and sailing patterns, as well as offices and employees. In addition to continuing to operate the Group's 23 vessels and vessels on charter from third parties, for Grieg Star Shipping AS this means that the company continues its shipping activities in North America to and from Europe and Asia, while it will no longer be involved in its previous shipping activities from Brazil. As a result, Grieg Star Shipping AS took over a majority share of the contracts from the demerged company and is thus better positioned to deal with more uncertain and falling freight markets. Grieg Star Shipping AS has also assumed responsibility for running 9 of the international offices which was a natural consequence of the decision to split the sailing patterns, as well as around 70% of the employees. All personnel who are based in Bergen, moved into Grieg Gaarden in January 2009.

In addition to the sailing fleet, the Group has newbuilding contracts with Hyundai Mipo Dockyard Co. Ltd, South Korea, for the construction of four customised open hatch gantry crane vessels, with two to be delivered in 2009 and two in 2010. The vessels were ordered in the spring of 2006 and are fully financed in the form of paid-in equity and committed loans from a group of northern European shipping banks.

Other shipping activities

In addition to its core business in the open hatch segment, the Group is also involved in the development of other shipping activities, mainly in the general dry bulk market. Since 1972, former Star Shipping AS has also been operating a pool of handymax[2] dry bulk vessels, called CBCD (Conventional Bulk Carrier Division). This was and continues to be an operator activity, since neither the owners of Star Shipping AS nor the company itself own any vessels, except for short periods. Vessels are chartered from other shipping companies in the same manner as contracts of affreightment are entered into with varying durations. The combination of tonnage and cargo commitments at any given time thus give rise to the net market exposure and results for the period in question.

The CBCD activity has not been affected by the demerger in the sense that it is being continued in its entirety by Grieg Star Shipping AS. While the Group made a good profit on the purchase and sale of a handymax vessel in 2007, it had no owner interests in dry bulk vessels in 2008.

Financial management

The Group manages a financial investment portfolio of considerable size. The portfolio is owned by the two largest shipowning companies in the Group. It has been built up over time on the basis of good results from the shipping activities and the locking effect that the Norwegian taxation of shipping companies has in respect of the withdrawal of capital from such companies. It is considered that the financial investment portfolio is managed well and professionally. For a number of years the portfolio has succeeded in outperforming its short-term benchmark return as well as the Group's long-term required rate of return on total capital. This trend was interrupted in 2008 as the Group experienced extensive losses as a result of the global financial crisis.

CORPORATE GOVERNANCE

Considerable efforts have been made over the last few years to ensure that the division of tasks and roles between the administration, the Board and the General Meeting is based on sound practice. The Norwegian recommendation on corporate governance applies insofar as it is appropriate for the organisational form. Any divergence from the recommendation arises from the fact that the Group is not publicly listed, as it is a family-owned business which also has restrictions under its Articles of Association.

Appropriate mechanisms are incorporated to ensure the protection of minority interests, including guidelines on amendment of the Articles of Association and a defined dividend policy. Transactions with related parties such as other companies of the Grieg Group take place frequently. In such situations, there is an emphasis on ensuring, for example, that value assessments and agreements are commercially sound and based on the arm's length principle. The Group also has an internal pricing strategy with related guidelines and documentary requirements for services provided between Group companies.

Board of Directors

The Board comprises five members, two women and three men, of whom three are elected from outside the Grieg Group. One more externally elected Board member Kai Grøtterud, will be elected to the Board at the next Annual General Meeting. The company does not have a Nomination Committee. The Board members also function as Board of Directors of the underlying Group companies. Effective from 1 January 2009 the Board will also function as the Board of Directors of Grieg Star Shipping AS.

The Board convened seven times in 2008. In addition to following up ongoing operations, much of the Board work has related to the split of Star Shipping AS and the subsequent strategy work and preparations for the continuation of Grieg Star Shipping AS in relation to the Group's other shipping activities.

Auditor

The Annual General Meeting elects an external auditor who is

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1 Grieg Star Shipping AS is wholly owned by Grieg Shipping II AS.

2 Over time, there has been a gradual development in the size of vessels in the handysize segment from handysize, to handymax and now supra-max.

responsible for conducting the financial audit of both the parent company and the Group. The same audit company is used for all companies of the Group where this is appropriate. The Board meets with the auditor when the annual accounts are considered, and otherwise when necessary. The independence of the auditor is regularly assessed by the Board.

INTEGRITY AND TRANSPARENCY

The Group's values, summarised in the words Solid, Proud, Open and Committed, form the cornerstones of attitudes, guiding the way the Group conducts its business. Ethical guidelines have also been drawn up covering relevant areas for interested parties and requirements pertaining to business ethics in relation to impartiality, conflict of interest, gifts and representation, as well as treatment of information and confidentiality. Furthermore, an ethical test has been developed to help employees to make good decisions. For several years the Group has made time available to focus on the discussion of dilemmas. A subject such as corruption, where the Group takes a zero tolerance stance, is one of many difficult themes in an international industry such as shipping which have been accorded much attention.

Transparency

In 2008 the Board adopted a Suppliers Code of Conduct which makes demands on all of the Group's various suppliers and how they conduct their activities. Training of employees to ensure that they are in compliance with these norms is in the process of implementation.

Since 2006 the Group has been a member of the World Business Council for Sustainable Development and Transparency International which set requirements on the way business activities are conducted. The Group's recent commitment to the UN Global Compact and its ten principles regarding human rights, working conditions, the environment and anti-corruption will make new demands which we will strive to meet. In order to highlight the results that have been achieved in the area of corporate responsibility, the Group has taken the first step towards reporting in accordance with the Global Reporting Initiative (GRI). The GRI report and copious information about the Group's work in the area of corporate responsibility is presented in a separate sustainability report.

Whistle blowing

The HR director and the chair of the Board act as the Group's advisers in ethical matters. Whistle blowing rules were implemented by the Group in 2007. Externally elected board members are the last notification body for unethical or illegal matters. Notifications are dealt with confidentially, unless the matter relates to criminal offences. No actions shall be taken against reporting of undesired events.

WORKING ENVIRONMENT

At year-end 2008 the Group had 48 shore-based personnel, all employed by Grieg Shipping Group AS[3] , and 568 sailing personnel. The Group's vessels are manned by Philippine crews. Starting in 2009, as part of strengthening and playing a more active role in crew-related matters, the Group will be using a new manning agency in the Philippines to be named Grieg Philippines Inc. The agency will be run and owned in collaboration with local partners who have worked with the Group for many years. It is expected that more than 95% of the seafarers will transfer to the new manning agency, which is hoped to be an indication that the onboard working conditions are good.

The Board considers the working environment and the level of job

3 The shipowning companies are organised under the taxation regime for Norwegian shipowning companies and thus have no employees.

satisfaction in the offices to be good. In 2008 there was focus on the involvement and personal development of the employees, among other things by strengthening common corporate culture and by developing competence and skills. This has been done by utilising structured and interactive arenas such as conferences, seminars and job-based training. Steps have also been taken to renew tools and processes related to areas such as employee development talks, individual development plans and definition of the role of the leader.

Health, environment and safety

The Group maintains an overview of sick leave in accordance with current laws and regulations. In 2008 the overall incidence of sick leave for shore-based employees stood at 1.23% (3.24% in 2007). The Group encourages and facilitates participation in physical activities, and in 2008 it became involved in the GoActive project initiated by Grethe Waitz, whereby employees engage in keeping fit and at the same time raise funds to combat cancer. Most kinds of fitness activity are registered on the Internet, where anything from yoga and jogging, hoola hoops and skipping ropes to cycling and walking are included. Progression is communicated by guiding the participants digitally through the completion of one or more New York Marathons. For each milestone reached by the employees, Grieg donates an amount to Active against Cancer.

No injuries or accidents ashore were recorded in 2008. There is a continuous focus on training and the performance of work processes in accordance with stipulated procedures. In addition, an internal project was started to consider the work strains on sailing personnel. As well as aiming to improve the onboard processes, the project will also seek to identify areas where steps can be taken to prevent accidents. Among sailing personnel, 7 cases of sick leave were recorded while 8 crew members had to sign off due to injury. The level of injuries is too high compared to established goals and historical figures. There was also one tragic occurrence in the course of the year which led to the death of an employee on one of the Group's vessels during loading. The main concern after the accident was to take care of the deceased's family and provide support and comfort for the other crew members onboard. A number of measures have already been put in place based on own initiative, but also in response to recommendations made by the commission of enquiry, all aimed at reducing risk in the future.

Elisabeth Grieg (49)
Chair

Mrs. Grieg is co-owner of the Grieg Group and a member of the founding family. In addition to being President of the Norwegian Shipowners' Association, Mrs. Grieg is also a board member of StatoilHydro ASA, SOS Children's Villages Norway and the Grieg Foundation. She is a member of the Supervisory Board and the Nomination Committee of Orkla ASA and of the Council of Det norske Veritas.

Equal opportunities

The Group does not accept discrimination based on gender, religion, cultural background, skin colour, or in any other form. The Group wishes to have a business based on full equality and respect for the employees.

At year-end 2008 the Group's workforce reflected almost full equality between the genders, with 48% women and 52% men. Equal gender distribution applies to the top management group and is also largely implemented at middle management level. The Board thus considers that no action is required in this area.

EXTERNAL ENVIRONMENT

Shipment by sea is the most environment-friendly way of transporting goods from one place to another. Nevertheless, shipping operations entail the discharge of harmful emissions into the sea and the air. As its contribution to addressing the climate challenges, the Group's long term vision reflects a commitment to have zero harmful emissions into the sea and the air.

As well as complying with national and international environmental laws and regulations, the Group strives to be proactive in implementing environmental procedures and approved technology to reduce possible harmful effects of its business activity on the environment. The Group supports the environment policy of the Norwegian Shipowners' Association to the effect that environmental emissions from transportation by ships must be subject to international regulation.

Primarily the Group will seek solutions through innovation and technological development within the industry aimed at reducing emissions of CO_2, NO_2 and SO_2. NO_2 emissions from the Group's vessels in 2008 were 2% down on the previous year partly because of the installation of recently developed sliding fuel valves on the ships' main engine. In addition, CO_2 emissions, adjusted for changes in non-productive time (offhire)[4], were reduced by around 10% as a consequence of lower consumption of bunkers.

The most effective way of reducing CO_2 emissions in the future is to reduce the fleet's total energy consumption. A number of development projects, both small and large, have therefore been started which are expected to result in an upgrading of the fleet. Initially, the Group aims to reduce fuel consumption by around 20% within the docking period for the respective vessels, assuming that proposed measures are implemented. This implies that the Group should be able to achieve its target for all of the vessels by 2015. As well as the environment-friendly effect, future investments of this kind will increase the operating efficiency of the fleet and thus reduce running costs.

A number of investments were made in 2008 to improve the environmental standard of the fleet. All vessels now have mechanical sealing of every pump in the engine room, which considerably reduces the amount of bilge water. Some of the vessels have also been fitted with an extra set of bilge water separators in order to double the protection against accidental discharges of oily water. The separators can be adjusted down to 5 ppm, against the current requirement of 15 ppm. The air conditioning system has been cleaned and balanced to improve the indoor climate onboard. A so-called Green Passport Inventory has also been installed on several of the vessels. Possession of this document, a "Statement of Compliance", shows that the vessel is in compliance with IMO's proposed regulations for recycling ships.

Considerable work was done by the Group in 2008 to achieve certification in accordance with the international environmental standard ISO 14001, which will be awarded in the first quarter of 2009. The Group has also become involved in the government-sponsored initiative "Focus on the Climate", and as a result, office employees have undertaken to identify areas of improvement where CO_2 emissions can be reduced in the office, in travel and at home.

4 One of the Group's vessels was off-hire for 5 months in 2008 due do losing its rudder. The rudder was recovered, but had to be repaired and reinstalled in a dry dock

Cato A . Holmsen Sr. (68)
Deputy Chair

Mr. Holmsen has previously held top executive positions in shipping and industrial companies, the last being Executive Group Vice President of Aker AS and Dep. CEO of Scancem AB. At present he is Chairman and Partner of FSN Capital Partners AS. He is also a Board Member of Aftenposten AS, Alignment System AB, Aura Light AB, Eiendomsspar AS, Norgens Gruppen ASA, Teres Medical Group AS, VIA Travel Group ASA, and Victoria Eiendom AS

CONTINUOUS IMPROVEMENT

Sustainability topics such as corporate responsibility, the climate, ethics and the working environment are important in setting the framework for the Group's growth and development. 2008 saw the start of an improvement project aimed at the development of an effective reporting tool to provide feedback on this process in accordance with the "Global Reporting Initiative".

Achievements in relation to corporate responsibility through compliance with ethical guidelines, integrity and transparency, the working environment, health, the environment and safety, as well as steps taken to improve the external environment are further described in the Group's corporate responsibility report.

ANNUAL ACCOUNTS

Results, earnings and operations

2008 was the second year of operations for the concern Grieg Shipping Group Holding AS, thus providing the Group with consolidated historical figures for comparative purposes. Following the best ever shipping market, and despite a dramatic decline in rates and earnings in the last quarter, but with a sharp rise in operating costs and considerable losses on the financial investment portfolio, the Group can report pre-tax profits of NOK 199m for 2008. This represents a 70% decline on the profits of NOK 663m recorded in 2007, which also implies that long-term capital target returns were not achieved for 2008.

The Group had aggregated income of NOK 1.17bn in 2008, which was marginally better than the NOK 1.15bn recorded in the previous year. However, the income figure for 2007 included a net gain of NOK 231m on the sale of a handymax dry bulk vessel. The fleet's earnings in 2008 were therefore NOK 245m up on 2007 and thus at a record level. The improvement in freight earnings was due to both higher time charter income for the Group's open hatch vessels and a good contribution from other dry bulk shipping activity.

The Group's operating expenses were 11% up on the previous year, totalling NOK 621m. This dramatic increase was higher than expected and can be explained by two factors. The continued economic growth throughout most of 2008 impacted negatively on price development and access to goods and services. This increased the cost of lubricating oil, spare parts and provisions, as well as personnel costs at sea and ashore. In addition, insurance costs spiralled as a result of higher premiums in general, but also because several of the Group's vessels had been exposed to various incidents in the last couple of years. There were 8 dry dockings in 2008, mainly involving vessels that are almost 20 years old. The dockings entailed budget over-runs. This will be gradually reflected in future accounts as dry docking costs are capitalised and depreciated over the period to the next docking. Depreciation charges increased in 2008 mainly because this was the first accounting year for an open hatch vessel bought by the Group at the end of 2007[5].

Camilla Grieg (45)
Board member

Mrs. Grieg is co-owner of the Grieg Group and CEO of the Grieg Shipping Group. She is a member of the founding family. Mrs. Grieg has an MBA with a major in finance from the University of San Francisco and is a Certified Financial Analyst (AFA). She is Chairperson of Bergen Rederiforening and member of the Board of Directors of GC Rieber AS and Storebrand ASA.

Based on a new earning record, but with higher operating costs, the Group's operating profit was reduced from NOK 594m in 2007 to NOK 546m in 2008.

Net financial items in 2008 made a negative contribution of NOK 347m. This was a change of NOK 416m compared with the previous year, mainly due to realised and unrealised losses totalling NOK 209m on the Group's financial investment portfolio. For the first time in many years the Group failed to outperform its short-term benchmark return on equity investments, partly because investments in several active equity funds gave a return below the development in the general equities market. However, the fact that the investment portfolio was considerably underweighted in equities for a large part of the year had the effect of curbing the loss to some extent. The negative asset management result is the main reason why the Group's profit before tax is as poor as it is in what was otherwise a very good shipping year.

Short-term USD rates continued to fall in 2008 with the 3-month Libor rate standing at 1.43% at year-end. The decline in interest rates was of no overall significance for financing costs as around 50% of the Group's interest rate exposure is secured at a fixed rate and because the Group's funding costs increased with one more vessel financed in 2008 than in 2007[6]. The net loss of NOK 43m on foreign exchange due to a weaker Norwegian Krone vs US Dollar, was also a factor which weakened the performance.

Balance sheet, financial situation and cash flow

Based on marginally higher overall income, a lower level of investment activity, increased costs and negative financial return, the Group's cash flow from operations at year-end 2008 totalled NOK 731m, while the net change in liquid funds was minus NOK 201m after payment of dividends and a net increase in mortgage debt. Long-term interest-bearing debt, including pre-delivery financing for the four vessels on order, increased from NOK 1.26bn to NOK 1.91bn in the course of the year due to further borrowing and the strengthening of the US dollar versus the Norwegian krone. However, there was no corresponding increase in overall long-term debt as the present value of NOK 180m related to removal of the deadline for utilisation of the "environment fund" was set at zero for accounting purposes. This can be regarded as a write-back of one third of the transitional shipping tax to equity. At year-end, book equity stood at NOK 2.01bn.

At the end of 2008 the Group had total assets of NOK 5.57bn, with current assets accounting for NOK 2.13bn, and the financial investment portfolio accounting for most of this. Liquidity in the form of bank deposits and cash at year-end totalled NOK 201m.

Despite uncertain economic times and challenging shipping markets ahead, the Board considers the Group to be in a good financial position and well equipped for further growth as entering 2009.

REGULATORY FRAMEWORK

Shipping tax regime

The shipowning companies of the Group comply with the new shipping tax regime which was adopted in 2007.

Under transitional rules on compliance with the new scheme, retained profits in the period covered by the previous tax regulations are in effect taxed over a ten-year period. One third of the total transitional tax, referred to as the "environment fund", will not be payable provided that the amount involved is invested in initiatives aimed at protecting the environment. In January 2009, the deadline for utilising the fund was lifted with effect for the accounts for 2008. The part of the transitional tax that must be used for environmental initiatives can therefore be posted as equity. In this connection, the company has reversed last year's provision related to one third of the transitional tax with a present value of NOK 180m. This contributes to the profit of NOK 393m after tax, as opposed to NOK 27m in 2007.

The Group is in the process of implementing a strategy for future environment-friendly investments and environmental initiatives. The proportion of the transitional tax that can be set off against environmental initiatives will be applied in a cost and environment-effective way. The shipowning companies implemented environmental initiatives in 2007 and 2008 which will reduce the environment fund of NOK 276m by NOK 6.6m if approved.

The Board is still of the firm view that the transitional tax conflicts with article 97 of the Norwegian Constitution which prohibits laws from being given retroactive effect. The companies of the Group which are affected have therefore contested the tax assessment for 2007. The Central Tax Office for Large Enterprises has confirmed that the complaints that have been filed will be dealt with once a final court ruling has been made in the cases that have been brought directly before the courts. The first case is due to be heard by the court of first instance in May 2009. It is hoped that a final ruling will be made before the end of 2010.

Jarle Roth (48)
Board member

Mr Roth is Executive Vice President of Umoe AS and Chairman in many of the group's subsidiaries. Umoe AS is engaged in a wide range of businesses, including maritime safety, IT, defence, and restaurants. He was President and CEO of Unitor ASA during the period 2001-2005. He is a naval architect and holds a Master of Science in Business (siviløkonom) from the Norwegian School of Economics and Business Administration (NHH), in addition to a doctorate program in organization and strategy from NHH.

The shipping industry has been severely affected by the crisis in the financial markets and the recession in the shipping market. The government has nonetheless chosen not to relax its requirements regarding the payment of the transitional tax. This only adds to the difficulties which the shipping industry has to deal with in terms of access to capital and liquidity.

MARKED OUTLOOK

2008 can be characterised as one of the most dramatic and volatile years ever for international dry bulk shipping. After experiencing record high freight rates in the first half-year, with spot rates for supramax dry bulk carriers approaching USD 70,000 per day, almost all activity came to an end in the fourth quarter due to a number of factors such as the financial crisis, credit rationing, lack of letter of credits and a decline in industrial production. In the course of two months dry bulk rates fell to what many describe as lay-up levels. The open hatch business also experienced an immediate market effect as the companies in this segment had chosen to employ parts of its fleet in the general dry bulk market which gave a better short-term return as a result of the amazing dry bulk rates, but also because freight volumes for forestry products and other unitized cargoes were reduced.

Today, overcapacity in the open hatch segment is estimated at around 10-15%. This is mainly because China has greatly reduced its imports of pulp and exports of various kinds of steel products, but, as mentioned above, it also reflects the fact that these vessels have been employed in the general dry bulk market and have therefore not been seen as representing overcapacity until now. The open hatch fleet, which numbers around 160 vessels, includes about 30 vessels which are more than 30 years old, and the obsolescence which they represent gives some grounds for optimism.

5 The Group bought Grieg Poseidon AS, which owned the open hatch vessel M/V Star Harmonia, from another company in the Grieg Group in December 2007. Grieg Poseidon AS was subsequently merged with Grieg International II AS on 01.01.08. Prior to this, the ship had sailed for several years on a bareboat charter to Grieg International II AS. In terms of comparative accounting figures, this charge affects bareboat expences, depreciation costs and finance expences, as well as fixed assets, long term interest bearing debt and equity.

6 Cf. earlier comments on the purchase of Grieg Poseidon AS.

There have already been a number of recycling transactions, and in February this year, the Group sold M/V Star Dover, built in 1977, for recycling. On the other hand, the open hatch companies also have around 35 vessels on order that will be more efficient than the older vessels which are now being taken out of production.

With a dry bulk order book accounting for as much as 50% of the existing dry bulk fleet, a market downturn have been expected, but not to the extent now being witnessed. Many shipyards are experiencing customers walking away from or cancelling orders, and some speculate that one may see up to 50% of the vessels on order being cancelled. It is still too early to say if this is going to happen, as there are also elements that favour the shipyards to arrive at solutions which can safeguard employment. For the Group as owner of purpose built tonnage, the present situation could also present scope for building ships at considerably better prices than have been seen for a long time.

Historically, there is a high degree of correlation between global industrial production and the development of dry bulk rates, and between the production, consumption and transportation of pulp and paper. With expectations of industrial production of minus 8-10% in the OECD area in the first quarter of 2009, it is likely that there will be fewer shipments of all kinds of raw materials between the continents. This situation, in conjunction with the large order books in the dry bulk and container markets, makes it less likely that the general bulk market will be a good alternative area of employment for the open hatch fleet in 2009. With stagnation of the paper industry in North America, and prospect of future growth taking place in South America, the participants engaged in the transportation of forestry products are likely to compete fiercely for all new cargo contracts.

Bjørn Gabriel Reed (50)
Board member

Mr. Reed is a partner in the law firm BA-HR and member of the company's M&A and Finance Practice Group. His experience from legal work is broad, with specialisation in mergers and acquisitions, business restructuring, corporate law, as well as securities and exchange law. Mr. Reed was Chairman of the Board of Directors of Star Shipping AS through the demerger in 2008 and has previously held board positions with, among others, Aker, Aker Maritime and Pareto.

RISK

The management of risk is important for value creation, and it is an integrated part of our overall management and governing model. The key risk factors relate to market operations, financial management, operations and the regulatory framework. The development of strategies and procedures as well as actions to reduce risk, play a vital role in the risk management and contribute to safeguard quality and controls.

Marked risk

The Group is exposed to considerable market risk related to the development of freight rates, second hand ship values, and newbuilding prices. As regards to earnings and ship values, the risk is largely described in the section above dealing with market conditions. However, even in falling markets with resulting expectations of lower freight rates as in 2009, it must be borne in mind that the Group's activities are industrial. The fleet's earnings, through Grieg Star Shipping AS, are largely related to long-term freight contracts. This means that the revenues are less volatile than in the general dry bulk market and are generally have a delayed effect on profits. Nevertheless, weak international demand for paper products will impact negatively on the Group's earnings since the implementation of cargo contracts depends on real demand for transportation. The portfolio of vessels and cargoes is adjusted continuously to take account of the current perception of rates and vessel capacity. The Group also uses Forward Freight Agreements (FFAs) to hedge the vessels' market exposure.

The Group has a financial investment portfolio, and changes in the value of international securities directly affect the financial result. The investments are managed under a long-term strategy which reflects the Group's business principles and long-term perspective which seeks to ensure that the Group can withstand major and lasting market fluctuations, while simultaneously maintaining ability to grow and renew the shipping business. The financial management activities have a defined mandate and are conducted within adopted risk parameters. Other things being equal, 40% of managed funds are invested in listed international equities and equity funds.

Financial risk

The Group's financial department coordinates and deals with the financial risk related to foreign currency, interest rates and liquidity. The Group's revenues, as well as the majority of assets and liabilities, are denominated in USD. The foreign exchange risk therefore relates mainly to the Group's administrative activities in Norway, local taxes and dues, as well as some purchases related to the technical operation of the fleet. However, since the accounts are presented in NOK they are naturally affected by changes in the USD/NOK exchange rate. The Group is exposed to interest rate risk through loan financing and income from the financial portfolio related to bond and money market investments. The foreign exchange and interest rate risk is managed under adopted strategies, with currency forwards, interest rate swap agreements and forward interest rate agreements as the main instruments.

The Group assumes direct counterparty risk through the investment of surplus liquidity and through entering into FFAs and indirectly through the vessels' earnings from Grieg Star Shipping's clients. Before agreements are made, the creditworthiness of the counterparty is assessed. Grieg Star Shipping has a diversified international client portfolio, but in the challenging market situation currently confronting several paper producers, the likelihood of insolvencies cannot be ruled out.

In the light of the Group's strong financial position, the liquidity risk is less critical.

The market risk and the other financial risks are reported regularly to the management and the Board.

Operational risk

Several of the processes related to value creation within the Group entail operational risk. The main areas of exposure relate to the risk of injury or loss of life of own or third party employees, and the risk of the damage or loss of own or third party vessels and other assets. Insurance schemes have been established which cover all main types of damages. The operational risk is managed on the basis of detailed procedures provided for in the Group's quality assurance system and various contingency plans. Systems have been established for recording and reporting hazardous situations, undesired events and damages. Reports of this kind are analysed in order to limit possible consequences and ensure that causal links are followed up and necessary actions taken.

The Group's position in relation to threats to safety is reviewed regularly in order to provide a basis for establishing contingency plans and taking action to minimise risk. In this connection the increased pirate activity in the Gulf of Aden has presented new challenges. Although the situation appears to be calmer as 2009 starts, partly because several countries have sent military vessels to the area and common transit schemes have been arranged, the situation is being evaluated thoroughly by the Group from time to time. On several occasions, the Group has chosen to let vessels sail round the cape of Africa, but the Group also have vessels sailing through the Gulf of Aden.

Other risks

Changes in the regulatory framework and political decisions affect the Group's freedom of action and constitute a major part of our risk exposure, as exemplified in the above remarks on the new shipping tax regime. Changes are subject to continuous assessment, and it is strived to have an open dialogue with decision-makers in all relevant arenas. The Group also seeks to have a good relationship with interested parties in the society.

GOING CONCERN

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

PROFIT FOR THE YEAR AND ALLOCATIONS

The Group's financial situation is good and the Board believes that the submitted annual accounts give a correct picture of the Group's results, cash flows and economic situation. The Board recommends that the profit for the year after tax for Grieg Shipping Group Holding AS (parent company), of NOK 312 419 000, is allocated as follows:

Dividend:	NOK 288 000 000
To other equity:	NOK 24 419 000
Total allocations:	NOK 312 419 000
Distributable equity:	NOK 1.925.432.019

The Board of Directors of
Grieg Shipping Group Holding AS

Elisabeth Grieg	Cato A. Holmsen Sr.	Camilla Grieg	Bjørn Gabriel Reed	Jarle K. Roth
Chair	*Deputy Chair*	*CEO/Board member*	*Board member*	*Board member*

Management review:

Management Group

Eli Vassenden (46)
Eli joined the Grieg Shipping Group in 1982 and has subsequently worked in various departments; ship management, crewing, technical and purchasing. She became Purchasing Manager in 1991 and in 2004 was appointed COO. Eli is a board member of GS Hydro OY, Incentra and Grieg Philippines Inc.

Halvor Sveen (48)
Halvor graduated as a Master of Law from the University of Oslo and took a degree in business economics at the Norwegian School of Management. He started in the shipping industry in 1986 focusing on banking and went on to hold various management positions in shipowning and shipbroking. Before taking up his present position with the Grieg Shipping Group in 1999 he was a partner in P.F. Bassoe Shipbrokers. Halvor is chairman of the board of Maris AS as well as being the Grieg Shipping Group's representative in the Norwegian Shipowners' Association and a member of the Nor-Shipping Advisory Board.

Annicken G. Kildahl (40)
Annicken has been working in the maritime industry since 1992, both in relation to commercial ship management and derivatives trading in The Torvald Klaveness Group as well as in finance and banking in Union Bank of Norway. Annicken is a graduate Master of Business and Economics from the Norwegian School of Management and is a Certified Financial Analyst (AFA). She is a board member of Grieg Group Resources AS, Holmen Industri Invest 1 AS, Grieg Investor AS, Norwegian Shipowners' Social Security Fund and Menerga AS as well as a deputy board member of the Norwegian Shipowners' Association's Pension Fund, as well as being a member of the Nomination Committee of Silver Pensjonsforsikring AS and a member of the Norwegian Shipowners' Association's Tax and Capital Group. Annicken joined the Grieg Shipping Group in 2000.

Camilla Grieg
Chief Executive Officer

Ole Steinar Mjell	Eli Vassenden	Halvor Sveen	Annicken G. Kildahl	Henry Svendsen
Human Resources Director	Chief Operating Officer	Director Business Development & Market	Chief Financial Officer	Director Technical & Project Deveopment

Ole Steinar Mjell (51)
Over the last 20 years Ole Steinar has held several leading positions in the field of human resource development in international businesses. His background comprises public as well as governmental companies. He joined the Grieg Shipping Group in 2007 after 9 years as Vice President HR with Norske Skog. He holds a degree in social sciences from the University of Bergen and has taken courses at Master of Management level held by the Norwegian School of Management.

Camilla Grieg (45)
Camilla is co-owner of the Grieg Group and a member of the founding family. She has an MBA with a major in finance from the University of San Francisco and is a Certified Financial Analyst (AFA). She is Chair of Bergen Rederiforening and a member of the Board of Directors of GC Rieber AS and Storebrand ASA.

Henry Svendsen (55)
Henry is a Naval Architect and has broad experience from project development, technical/ship management and operations from various leading companies in the shipping industry in Norway. He came to Grieg Shipping Group in 1998 from Jo Tankers AS where he spent 7 years as Ship Management Director. Henry is Chairman of the Norwegian Shipowners' Tank and Bulk Carrier Group, as well as being a member of the technical committee (CASTEC) of Intercargo and a member of the DNV Nordic Safety Committee.

Management Review:

Key figures in USD

	Figures in	2008	2007	2006	2005	2004	2003
From Profit and Loss Statement							
Gross Revenue	Mill.	208	204	127	158	148	93
EBITDA (1)	Mill.	134	96	70	109	105	54
Operating Result	Mill.	114	117	51	90	87	39
Net Financial Items	Mill.	-36	-1	12	8	4	-3
Result before Tax	Mill.	78	116	62	98	90	36
From Balance Sheet							
Ships and other fixed assets	Mill.	481	445	469	341	347	286
Current assets	Mill.	330	355	218	191	175	117
Shareholder's equity at book value	Mill.	442	377	391	339	285	233
Long term liabilities	Mill.	321	331	248	154	174	130
Current liabilities	Mill.	49	93	48	39	65	42
Total assets	Mill.	811	800	687	532	524	405
Profitability and Financial Ratios							
Return on total assets (2)	%	11.6	17.4	12.6	19.8	21	10.6
Return on equity (3)	%	19.0	30.1	17.1	31.3	34.9	15.3
Cash flow (4)	Mill.	98	137	82	116	108	51
Interest bearing debt	Mill.	273	233	242	146	164	125
Liquid assets (5)	Mill.	284	331	206	184	169	114
Debt repayment capability (6)	Years	-	-	0.4	-	-	0.2
Current ratio (7)		6.7	3.8	4,5	4.9	2.7	2.8
Equity ratio (8)	%	54.5	47.1	56.9	63.8	54.4	57.5
USD/NOK per 31.12		7.00	5.41	6.26	6.77	6.04	6.68
Average USD/NOK		5.64	5.86	6.42	6.45	6.74	7.08

1. Operating result before depreciation and gain (loss) on sale of fixed assets
2. Net result before tax plus financial expenses divided by average total assets
3. Net result before tax divided by average book shareholder's equity
4. Net result before tax plus depreciation
5. Bank deposit and securities
6. Interest bearing debt less liquid assets, divided by net cash-flow (4) before gain (loss) on sale of fixed assets
7. Current assets divided by current liabilities
8. Book shareholder's equity as percentage of total asset

COMMENTS

In the table above the Grieg Shipping Group's main Profit&Loss and Balance Sheet items as well as key financial figures and ratios are presented.

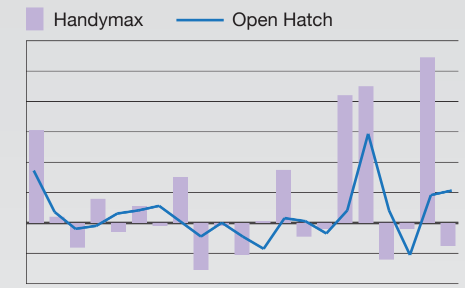
Based on the fact that the all revenues and the majority of expenses as well as assets and liabilities are USD based, the key figures are presented in USD. Thus, we display figures with genuine comparability over time without being influenced by currency fluctuations.

Given various changes that have taken place in Group's legal corporate structure over the last years, we choose to present figures in USD summed up for the shipowning companies only, versus using consolidated figures that constitute the basis for the official Norwegian consolidated accounts for the entire Grieg Shipping Group Holding AS concern (as presented in the Directors' Report on page 20 and the Consolidated Accounts on page 38 of the Annual Report). This way, we are able to present figures that are historically comparable for the shipping activities. The shipowning companies in the Group comprise Grieg Shipping AS, Grieg International II AS, Grieg Maritime AS and a 50% share in the general partnership ANS Billabong II. Companies not included in the USD figures appear in Note 5 of the consolidated accounts of the Group.

When presenting the USD figures for the shipowning companies only, key figures and ratios will in general appear more improved than if we had been displaying same for the entire consolidated Group. In approximate numbers, the combined result of the shipowning companies for 2008 is about USD 15.4m higher than the result of the consolidated accounts of Grieg Shipping Group Holding AS. There are mainly three causes for this difference; On a consolidated Group level about USD 6.7m is charged as depreciation on intangible assets such as goodwill and contracts (ref. Note 3 of the consolidated accounts). Furthermore, net financial income and expenses is about USD 2.3m higher for the shipowning companies than for the Group due to lack of elimination of intra company items as well as negative net financial income and expenses related to the non shipowning companies. Finally, the shipowning companies has accounted for dividends received from daughter companies of about USD 6.3m which is eliminated in the Group' consolidated accounts.

ANALYTICAL INFORMATION

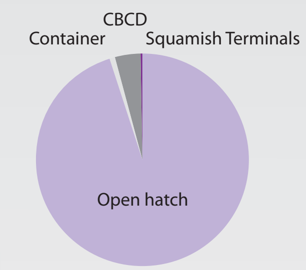
ANNUAL CHANGE IN HANDYMAX EARNINGS VS. OPEN HATCH EARNINGS



The graph illustrates the nature of industrial shipping in terms of revealing that changes in general dry bulk handymax earnings are far more volatile than freight earings in the open hatch segment. Holding a considerable portfolio of cargo contracts, freight income for open hacth gantry craned vessels have over time resulted in lower dips and highs and thus smoothened out annual profits and risk compared to general commodity shipping such as dry bulk.

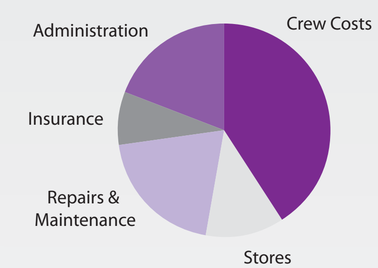
Note:The dry bulk handymax earnings are based on Clarksons tripcharter index for a standard 42,000 dwt. handymax vessel while the open hatch earnings are based on a mid 1990 built 46,000 dwt. open hatch vessel regarded as being representative for Grieg Shipping Group's fleet.

INCOME DISTRIBUTED BY ACTIVITY



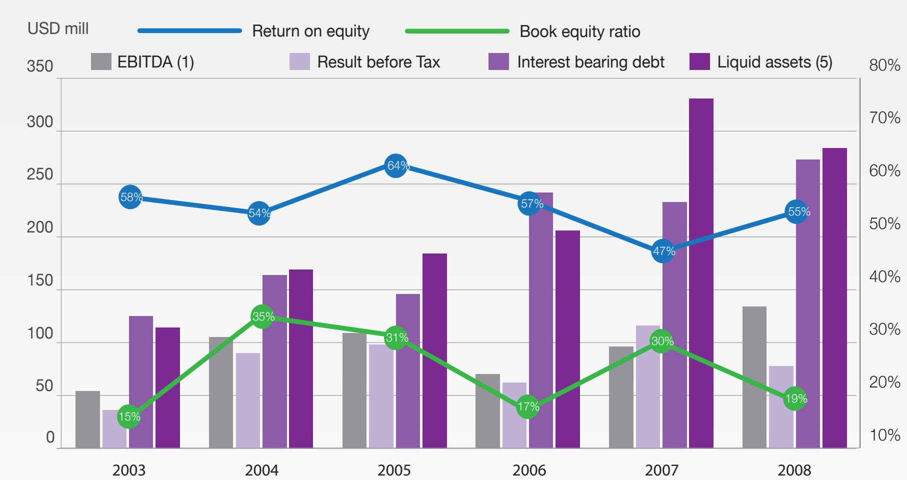
As appear from the graph, open hatch is the Group's core business and main source of income. The container service and terminal operation is closely connected to the open hatch activity, though organized as subsidiaries. In 2008, the container service contributed relatively less than the year before, and Squamish Terminals contributed relatively more due to increased cargo volumes in and out of the terminal. CBCD is a separate business area, but the activity has clear synergies with the open hatch operation. Revenues from CBCD has varied over the years due to both varying size of the operation and market conditions.

ELEMENTS OPERATIONAL EXPENSES



The graph shows the main cost elements of the Group's operational expenses. The major element is personnel cost. Due to a considerable fleet growth in international shipping and hence shortage of seamen, this cost element has nearly doubled over the last four years. 2008 was in several ways distinguished by shortages, leading to high prices on goods and services in general. Further, insurance costs increased last year as a result of higher premiums in general, but also because the Group's vessels had been exposed to various incidents in the last couple of years. Administration costs, relative to total operational expenses, vary over the years due to currency fluctuations, mainly between NOK and USD.

KEY FIGURES 2003-2008



Management Review: Corporate Responsibility

In our vision we draw attention to value creation and how we intend to achieve this working together with our stakeholders. By doing this, we contribute to economic and social development. It is our aim to realize value creation without jeopardizing the scope for future generations to grow and prosper.

Likewise, our company culture is defined by our values:
Solid, Proud, Open, Committed.

They are the cornerstones of our attitudes, behavior and actions, and they guide the way we do our business and how we measure our success.

We strongly believe that taking corporate responsibility is a long term success criteria in all businesses. Consequently we aim to achieve full integration of environmental, social and ethical concerns in our business strategies and daily operations. We also strive to ensure transparent communication on our objectives and results for our stakeholders.

In order to drive us in this direction we have drawn up a separate corporate responsibility report presenting further details of our objectives and achievements in 2008. Included in the CR-report, is our first step towards reporting progress in accordance with the Global Reporting Initiative (GRI).

One main focus has been to engage selected stakeholders in the process of increasing the commitment to our environmental vision and activities related to the exercise of social responsibility. These stakeholders are our employees, our suppliers and the environment in which we operate.

Environment

The Grieg Shipping Group has high ambitions concerning environmental performance. Our long term vision is to have no harmful emissions into the air and sea. As well as complying with both national and international rules and legislation, the Group takes a proactive role in implementing environmental procedures and approved technology to reduce the harmful effects of our business.

We seek solutions through innovation and technological development within the industry, such that a reduction of CO2, NO2 and SO2 can be achieved. The most effective way to reduce future CO2 emissions is to reduce the vessels' total energy consumption, i.e. reduce fuel consumption. We have therefore started a number of development projects which are expected to result in an upgrading of our fleet to reduce fuel consumption.

In 2008 five vessels achieved Green Passport Certification which is given to vessels which have made an inventory of all hazardous materials that can be found on board. Identification procedures of this kind are instrumental in ensuring the best possible future handling of these materials during operations, maintenance and the final recycling of the ship.

We have worked intensively throughout 2008 to prepare for ISO 14001 certification and have cooperated closely with the certification authority Det norske Veritas (DNV). The internal audit is performed at our headquarters and onboard the vessels Star Evviva and Star Eagle and we will be certified by the end of first quarter of 2009.

Employees

During 2008 the Group worked persistently on developing the skills of our employees and the way we work together. We have established several arenas for learning and knowledge sharing, and deepened the communication between our seafarers and office personnel.

The establishment of cooperation with a new manning office and training centre in Manila marks a new era in our long and successful history of recruiting Filipino seafarers. We are now in a position where we can make an even stronger impact on the scope and quality of training and competence development activities.

The demands on maritime officers are strong and challenging. Our main source for recruiting and developing future officers is the cadet programme. We are taking part in the Norwegian Shipowners' Association's cadet project in the Philippines, as well as using other channels for selecting and educating our cadets. On a yearly basis about 50 cadets are graduated, well prepared and in possession of the skills needed to embark on an exciting career on board our vessels.

Through quality system and work onboard, the Grieg Shipping Group maintains a focus on health and safety. At the same time we recognize that it is critical for our seafarers to know that their families at home are safe. Our "Family Medical Plan" is an important contribution in this respect, which covers both seafarers and their families in case they have to undergo long and extensive medical treatment.

Health and safety is an integral part of our Safety, Security and Quality Management System, certified by DNV. It is a main principle that our operations shall not cause any harm to personnel, the environment or property. This principle guides our improvement efforts as well as our focus on personal awareness and responsibility. Furthermore, we strive to achieve a holistic perspective on lifestyle, wellbeing, nutrition, leadership, motivation and other factors vital to the development of a health and safety culture.

Both onboard and shore-based training, information, exercising and initiatives to build motivation are high on the agenda, in combination with a strong focus on the working environment in general.

"Grieg Counts 4 Safety" was one such initiative, urging the seafarers to pay attention to incidents and accidents and reflect upon how the working environment could be even safer. Two measures were established; human injury and other incidents, followed up by counting the days since last undesired event.

On August 18, 2008 we had a fatal accident involving one of our crew members and his life could not be saved. His family was immediately notified through our manning agency and offered all assistance and support. Assistance and support were also offered to the onboard staff, and a mass was held prior to the vessel's departure. In such a tragic situation it is vital to have routines and close partners giving all the assistance and help required to lessen the burden for family and friends as far as possible. The family has received compensation for the economic loss they have experienced, and our heartfelt compassion goes out to all of them.

This tragic accident was reported to the Norwegian authorities and they carried out an investigation on board, interviewing all personnel involved, evaluating the routines and the scene of the accident. On completion of the investigation, a report was submitted and a total of four recommendations were given; one to the manufacturer of the equipment, two to the Norwegian Maritime Directorate and one related to us as shipowner. Immediately after the accident a report was sent to all vessels. Preventive measures were implemented on vessels with this design to ensure that this kind of accident will not happen again.

Social responsibility

Our focus on corporate responsibility was strengthened in 2008, and we will continue to maintain a worldwide focus on the way we exercise our social responsibility.

Our major concern is our employees at sea and ashore, but our responsibilities and commitments to the communities where our activities are located is also a serious matter for us.

We were proud to see that our employees felt strongly about our commitment to Nowegian Shipowner's Association's initiative to support the SOS Children's Village in Cebu, Philippines. We, as a company, had committed ourselves to cover operating costs for one of the houses in the SOS Children's Village. This commitment is now fully financed by our employees.

The Group emphasizes a high ethical standard, and we are proud of the way we are doing business. We cannot fight unethical behavior alone, but we will be clear about what is not acceptable, and the war on corruption will have our open and vociferous support. Our ethical guidelines underline the responsibility we have for an ethical and conscientious relationship with our colleagues, our customers, suppliers and co-operators, our owners, competitors, the public sector, society at large and the local and global environment.

The Grieg Shipping Group operates in many countries with diverse cultures and economies. Around the world we have many suppliers and contractors to provide a wide range of goods and services. We therefore make efforts to establish close co-operation in order to assist the supplier and contractor to improve business standards and employee welfare. In 2008 we developed and implemented our Suppliers Code of Conduct (SCC) as our platform for developing close co-operation with all suppliers and contractors doing business with us.

The Grieg Shipping Group committed to the UN Global Compact ten principles in 2008. The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of

PROFIT AND LOSS STATEMENT

GRIEG SHIPPING GROUP HOLDING AS (Figures in NOK 1 000) — **GRIEG SHIPPING GROUP HOLDING GROUP** (Figures in NOK 1 000)

2008	2007	Note		Note	2008	2007
			REVENUES			
-	-		Operating revenues		1 167 611	922 769
-	-		Gain from sale of vessel		-	230 770
-	**-**		**TOTAL REVENUES**		**1 167 611**	**1 153 539**
			OPERATING EXPENSES			
-	-		Vessels operating expenses		334 608	272 398
-	-		Bare boat hire		-	29 334
-	-		Tonnage Tax		1 591	1 424
-	-		Payroll and social security expenses	14	47 777	42 532
741	-		Other operating expenses		47 640	38 735
-	63		Depreciation		189 848	175 286
741	**63**		**Total operating expenses**		**621 465**	**559 708**
- 741	**- 63**		**Operating profit**		**546 146**	**593 831**
			FINANCIAL ITEMS			
988	3		Interest income		16 967	6 601
123	-		Interest income from group companies		123	- 23
-	-		Other financial income		212	1 343
-	-		Interest expenses		-66 210	- 72 719
-541	- 23		Interest to group companies		-1 635	91
-	-		Imputed interest transition tax	13	-26 349	-
-	-		Other financial expenses		-581	- 2 028
312 543	-		Dividend from subsidiaries		-	-
-	-		Change in value of market-based financial investments		-271 392	- 8 549
-	-		Realized return on market-based financial investments		45 140	76 104
-	-		Gain/loss on foreign exchange		-43 335	68 264
313 113	**- 20**		**Net financial items**		**-347 060**	**69 084**
312 372	**- 83**		**Profit before tax**		**199 086**	**662 915**
47	**24**	**13**	**Tax**	**13**	**193 897**	**- 636 119**
312 419	**- 59**		**PROFIT FOR THE YEAR**		**392 983**	**26 796**
-	-		Minority interest		106 563	7 242
312 419	- 59		Majority interest		286 420	19 554
-288 000	-		Proposed dividend		-369 179	- 169 668
24 419	- 59		To/from other equity		23 804	- 142 872

BALANCE SHEET AS OF 31.12.2008

GRIEG SHIPPING GROUP HOLDING AS (Figures in NOK 1 000) — **GRIEG SHIPPING GROUP HOLDING GROUP** (Figures in NOK 1 000)

2008	2007	Note		Note	2008	2007
			ASSETS			
			FIXED ASSETS			
			Intangible fixed assets			
-	-		Contracts	3	107 411	115 574
-	-		Goodwill	3	64 276	69 296
72	24	13	Deferred tax assets	13	-	-
72	**24**		**Total intangible assets**		**171 687**	**184 870**
			Tangible assets			
-	-		Fixtures and fittings, other equipment		4 575	2 632
-	-		Vessels		2 608 917	2 688 915
-	-		New building contracts		658 217	658 217
-	**-**		**Total fixed tangible assets**	4	**3 271 709**	**3 349 765**
			Fixed financial assets			
2 006 777	2 307 342	5	Investments in subsidiaries		-	-
-	-		Investments in shares	7	99	99
-	-		Long term receivables	9	729	311
2 006 777	**2 307 342**		**Total fixed financial assets**		**827**	**409**
2 006 849	**2 307 366**		**Total fixed assets**		**3 444 223**	**3 535 045**
			CURRENTS ASSETS			
			Receivables			
286 862	-	11	Receivables from group companies	11	52 881	248
-	-		Market-based investments	8	1 818 753	1 429 076
44	-		Other receivables		53 275	39 138
286 907	**-**		**Total receivables**		**1 924 909**	**1 468 462**
4 655	**103**		**Bank deposits, cash in hand, etc.**	17	**201 138**	**401 949**
291 561	**103**		**Total current assets**		**2 126 047**	**1 870 411**
2 298 411	**2 307 469**		**TOTAL ASSETS**		**5 570 270**	**5 405 456**

BALANCE SHEET AS OF 31.12.2008

GRIEG SHIPPING GROUP HOLDING AS (Figures in NOK 1 000) — **GRIEG SHIPPING GROUP HOLDING GROUP** (Figures in NOK 1 000)

2008	2007	Note		Note	2008	2007
			EQUITY AND LIABILITIES			
			EQUITY			
			Paid-in capital			
100 150	100 150	12	Share capital (1.001.500 shares à kr 100)	12	100 150	100 150
	-		Share premium reserve		-	-
1 597 765	2 030 704		Other paid-in capital		1 597 765	2 030 704
1 697 915	**2 130 854**		**Total paid-in capital**		**1 697 915**	**2 130 854**
			Retained earnings			
-	-		Revaluation reserve		15 192	3 809
312 419	-		Other equity		288 369	13 334
-	-		Minority interest		733 854	869 227
312 419	**-**		**Total retained earnings**		**1 037 415**	**886 371**
2 010 334	**2 130 854**	2	**Total equity**	2	**2 735 330**	**3 017 225**
			LIABILITIES			
			Provisions			
-	-		Pension liabilities	15	-	1 084
-	-		Deferred tax	13	38 699	71 203
-	**-**		**Total provisions**		**38 699**	**72 288**
			Other long-term liabilities			
-	-		Mortgage loans	10	1 912 699	1 258 815
-	-		Transition tax long-term	13	341 633	547 841
-	**-**		**Total long-term liabilities**		**2 254 333**	**1 806 656**
			Current liabilities			
54	10 185	11	Liabilities to group companies	11	658	184 190
-	-		Accounts payable		57 983	37 591
-	-		Public duties payable		4 245	4 053
288 000	166 430		Dividend		369 179	169 668
-	-		Taxes payable	13	74 882	63 583
23	-		Other short-term liabilities		34 960	50 202
288 076	**176 615**		**Total current liabilities**		**541 908**	**509 287**
288 076	**176 615**		**Total liabilities**		**2 834 940**	**2 388 231**
2 298 411	**2 307 469**		**TOTAL EQUITY AND LIABILITIES**		**5 570 270**	**5 405 456**

Oslo/Bergen, March 12th. 2009

The Board of Directors of Grieg Shipping Group Holding AS

Elisabeth Grieg	Cato A. Holmsen	Camilla M. Grieg	Jarle Roth	Bjørn Gabriel Reed
Chair	*Deputy Chair*	*CEO/Board Member*	*Board Member*	*Board Member*

CASH FLOW ANALYSIS

PARENT COMPANY
(Figures in NOK 1 000)

GROUP
(Figures in NOK 1 000)

2008	**2007**		**2008**	**2007**
		CASH FLOW FROM OPERATIONS		
312 372	-83	Profit before tax	199 086	662 915
-	-	Taxes paid in the period	-61 455	-23 532
-	-	Gain/loss from sale of assets	66 133	-271 186
-	-	Ordinary depreciation (including dry dock)	219 059	198 499
-	-	Change in trade debtors	-8 327	-
-	-	Change in trade creditors	24 014	-6 464
-	-	Difference between expensed pensions and payments in/out of the pension scheme	-1 084	-3 437
-	-	Effect of exchange rate fluctuations	410 989	-187 683
-22	-	Changes in other provisions	7 507	-2 863
-	-	Items classified as investment or financial activities	-124 042	88 962
300 565	-	Dividends from group companies without result effect		-
612 915	**-83**	**Net cash flow from operations**	**731 880**	**455 212**
		CASH FLOW FROM INVESTMENTS		
-	-	Proceeds from sale of fixed assets	0	335 414
-	-	Purchase of fixed assets	-123 359	-139 803
-	-	Proceeds from loans to other group companies	0	431
-286 862	-	Repayment of loans from other group companies	-52 633	-
-	-	Repayment of other loans	-418	-
-	-	Proceeds from sale of market based investments	580 204	380 000
-	-	Purchase of market based investments	-911 999	-847 726
	-2 307 342	Purchase of shares in subsidiaries	-35 308	-3 590 726
-286 862	**-2 307 342**	**Net cash flow from investments**	**-543 512**	**-3 862 410**
		CASH FLOW FROM FINANCING		
-10 132		Proceeds from loans to other group companies	-183 532	-
-	10 185	Proceeds from long term loans	343 713	108 888
-	-	Repayment of long term loans	-105 772	-49 275
-	2 297 343	New equity received	-	3 484 805
-	-	Repayment of equity	-	-
-311 369	-	Payment of dividend	-443 588	-56 823
-321 501	**2 307 528**	**Net cash flow from financing**	**-389 179**	**3 487 595**
4 552	**103**	**Net change in cash and cash equivalents**	**-200 811**	**80 396**
103	-	Cash and cash equivalents at the beginning of the period	401 949	321 552
4 655	**103**	**Cash and cash equivalents at the end of the period**	**201 138**	**401 949**
		SPECIFICATION OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
4 655	**103**	**Bank deposits, cash in hand**	**201 138**	**401 949**

NOTE 1 ACCOUNTING PRINCIPLES

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

SUBSIDIARIES
Subsidiaries are posted in the company accounts applying the cost method. The investments is stated at historical cost of the shares unless a write-down has been necessary. The investment is written down to fair value when the impaired value is due to causes which are not deemed to be temporary and are considered to be necessary in accordance with good accounting practice. Write-downs are reversed when the grounds for the write-down no longer exist.

Dividends and other distributions are recognised in the year in which they are provided for in the accounts of the subsidiary. If the dividend exceeds the profit after the acquisition, the surplus amount represents repayment of the capital investment and the distributions are deducted from the amount of the investment in the balance sheet.

INVESTMENT IN JOINT VENTURES
Owner interests in joint ventures are stated applying the gross method. The shares of income, costs, assets and liabilities is incorporated in the accounts, line for line. The figures are specified for each main group in a note to the accounts.

OPERATING REVENUES
Operating revenues are entered as income at the time of delivery. The time of delivery is understood to mean the time of transfer of risk and control related to the delivery. Freight revenues from voyages are recognised on the basis of the number of days the voyage lasts.

CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS
Current assets and current liabilities relate to items which mature within one year from the date of purchase. Other items are classified as fixed assets / long-term liabilities.

Current assets are valued at the lower of historical cost and fair value. Current liabilities are carried at nominal value at the date of issue.

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

INTANGIBLE ASSETS
The cost of intangible assets is posted in the balance sheet if it is considered likely that the future economic benefits related to the assets will accrue to the company and a reliable measurement of the historical cost of the asset in question has been established.

FIXED ASSETS
Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is charged on a straight line basis over the remaining economic lifetime of each asset adjusted for the residual value. The estimated economic lifetime of the vessels is 27 years.

Maintenance and improvements are capitalised and depreciated in pace with the asset involved. Docking costs are capitalised and depreciated over the period to the next scheduled dry-docking. Depreciation of docking is classified as an operating expense.

The recoverable amount of an asset is measured whenever there is an indication that an asset may be impaired. The asset is stated at the lower of the recoverable amount and the cost price less depreciation and any write-down. The write-down is reversed when the grounds for the write-down no longer exist.

NEWBUILDING CONTRACTS
Shipyard instalments paid are posted as fixed assets in pace with the payment schedule.

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

SHORT-TERM INVESTMENTS
Short-term investments in shares and mutual funds are regarded as part of the trading portfolio and are stated at fair value at year-end. Dividends and other distributions received are entered as income under other financial income.

FOREIGN CURRENCY
Assets and liabilities denominated in foreign currencies are stated at the year-end exchange rate.

FOREIGN EXCHANGE HEDGING
Derivatives purchased in order to reduce currency risk are treated as hedging transactions for accounting purposes. Gains and losses on foreign exchange contracts are therefore recognised in the same period as the hedged transactions.

INTEREST RATE HEDGING
Interest rate hedging contracts are recognised and classified in the same way as the related mortgage loan. The interest received/paid under the contract is therefore recognised in the interest period in question and is included in interest expenses for the period.

PENSIONS
Pension costs and pension commitments are calculated on a straight line earnings profile basis, based on assumptions related to the discount rate, future salary regulation, pensions and benefits under the National Insurance, the future return on pension fund assets and actuarial assumptions about mortality, voluntary withdrawals etc. Pension fund assets are recognised at fair value and are deducted from net pension commitments in the balance sheet. Changes in commitments due to changes in pension plans are divided over the expected remaining period of service. The same applies to estimate deviations in so far as they exceed 10% of the larger of the pension commitment and pension fund assets (corridor). Employer's national insurance contributions are charged based on the paid in pension premium for insured (group) pension schemes, but are accrued in conformity with changes in the pension commitment for uninsured pensions.

Effective from 01.01.09 the company has switched to a contribution-based pension scheme. Costs in connection with the termination of the benefits-based scheme are charged in the accounts for 2008.

TAXES
The tax charge in the profit and loss account includes taxes payable for the period and changes in deferred tax. Deferred tax is calculated at 28%, based on the temporary differences that exist between accounting and tax values, and taking account of the tax loss carried forward at the end of the financial year. Tax enhancing and tax reducing temporary differences which are reversed or can be reversed in the same period have been set off. The net deferred tax advantage is posted in the balance sheet where it is expected that this can be utilised.

Some of the companies of the Group are subject to the taxation regime for shipowning companies pursuant to chapter 8 of the Taxation Act. In connection with the transition to the new taxation regime, long-term tax payable and the fund for environmental initiatives are stated at their discounted present value. For other information, please refer to note 13.

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

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

CASH FLOW STATEMENT
Cash flow statements are prepared according to the indirect method. Accordingly, the cash flows from investment and financing activities are reported gross, while the accounting result is reconciled against the net cash flow from operations. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments that can immediately and with no major exchange rate risk be converted into a known amount and maturing less than three months from the transaction date.

CONSOLIDATION
The consolidated accounts include the subsidiaries specified below and show the parent company and subsidiaries as a single enterprise. Shares in subsidiaries are eliminated using the purchase method. Shares in subsidiaries are set off in an amount corresponding to the book value of equity attributable to the shares at the date of purchase. Any difference arising on elimination is assigned to specific assets. Excess values that can not be assigned to specific assets are posted as goodwill and amortised over the expected lifetime. Intra-group transactions and balances are eliminated.

COMPANY	REGISTERED OFFICE	OWNERSHIP
Grieg Shipowning AS	Bergen	74,61 %
Grieg Shipping Group AS	Bergen	100 %

Grieg Shipowning is a group which comprises the following companies:

Grieg Shipping AS	Bergen	97,32 %
Grieg International II AS	Oslo	100 %
Grieg Maritime AS	Oslo	100 %

Grieg Poseidon AS and Grieg International II AS merged with accounting effect from 1.1.2008.

NOTE 2 EQUITY
(Figures in NOK 1 000)

PARENT COMPANY

Equity movements	Share capital	Other paid-up equity	Share premium reserve	Other equity	Total
Equity at 01.01	100 150	2 030 704	0	0	2 130 854
Accounting result for the year				312 419	312 419
Extraordinary dividend		-144 939			-144 939
Provision for dividends		-288 000			-288 000
Equity at 31.12	**100 150**	**1 597 765**	**0**	**312 419**	**2 010 334**

GROUP

Equity movements	Share capital	Other paid-up equity	Share premium reserve	Other equity	Total
Equity at 01.01	100 150	2 030 704	0	886 371	3 017 225
Acquisition of minority interest in Grieg Poseidon AS				-31 778	-31 778
Profit for the year				392 983	392 983
Extraordinary dividend		-273 920			-273 920
Provision for dividends		-367 660		-1 519	-369 179
Equity at 31.12	**100 150**	**1 389 124**	**0**	**1 246 057**	**2 735 330**

Other equity includes the reserve for valuation variances related to ANS Billabong II.

Minority interests consist of the following:

	Ownership	Equity	Profit
Grieg Shipowning AS	25,39%	674 344	97 371
Grieg Shipping AS	2,68%	59 510	9 192
Total - Group		**733 854**	**106 563**

NOTE 3 INTANGIBLE ASSETS
(Figures in NOK 1 000)

GROUP

Intangible assets	Goodwill	Contracts	Total
Purchase costs at 01.01	90 776	163 265	254 041
Additions	3 529	-	3 529
Disposals	-	-	-
Purchase cost at 31.12	94 305	163 265	257 570
Accumulated depreciation at 31.12	30 029	55 854	85 883
Book value at 31.12	**64 276**	**107 411**	**171 688**
Depreciation charge for the year	**8 549**	**8 163**	**16 713**
Depreciation period	5-20 år	20 år	
Depreciation plan	Linear	Linear	

Contracts represent excess values related to the vessels' contracts of affreightment. Parts of goodwill relate to the companies' right to renominate tonnage in Grieg Star Shipping (formerly Star Shipping).

NOTE 4 FIXED ASSETS

(Figures in NOK 1 000)

GROUP

	Vessels	Docking	Newbuildings	Machinery, vehicles etc.	Total
Purchase cost at 01.01	4 613 273	129 413	658 217	3 411	5 404 315
Additions	31 225	89 346	-	2 788	123 359
Disposals	-	42 795	-	-	42 795
Cost price at 31.12	4 644 498	175 964	658 217	6 200	5 484 879
Accumulated depreciation at 31.12	2 136 752	74 793	-	1 625	2 213 170
Book value at 31.12	**2 507 746**	**101 171**	**658 217**	**4 575**	**3 271 708**
Depreciation charge for the year	172 309	29 210	-	826	202 346
Depreciation plan	Linear	Linear		Linear	

Depreciation of the vessels is based on an expected economic lifetime of 27 years and a residual value equal to the estimated scrap value.

Capitalised docking costs are depreciated on a linear basis over the period between two drydockings and debited to operating expenses.

Vessels includes 50% ownership of Star Eviva from the company ANS Billabong II which is included in joint ventures.

The remaining contract amounts to be paid for newbuildings totals USD 157.2m.

The depreciation period for machinery, vehicles etc. is from three to ten years.

NOTE 5 SUBSIDIARIES

(Figures in NOK 1 000)

PARENT COMPANY

Subsidiary	Registered office	Ownership / voting rights	Equity 2008 (100%)	Result 2008 (100%)	Book value (100%)
Grieg Shipowning AS *)	Bergen	74,61%	2 715 479	392 697	2 292 110
Grieg Shipping Group AS	Bergen	100%	9 748	2 593	15 232
Book value at 31.12					2 307 342

*) The equity and results for 2008 are for the Grieg Shipowning AS Group (including Grieg Shipping AS, Grieg Maritime AS and Grieg International II AS).

NOTE 6 JOINT VENTURES

(Figures in NOK 1 000)

THE GROUP HAS THE FOLLOWING INVESTMENTS:

Company	Date of acquisition	Registered office	Ownership and voting rights	Joint & several liability*
ANS Billabong II	15.10.1992	Bergen	50%	3 271

* The joint and several liability relates to book debt for ANS Billabong II as at 31.12.08.

Excess value - vessels	7 891
Net value at 01.01	**6 598**
of which undepreciated excess value	535
Additions/disposals in period	-
Share of profit for the year	8 417
Depreciation of excess value	-338
Transfers to/from the company	-936
Other changes during the year	-
Net value at 31.12.	**13 742**
of which undepreciated excess value	197

The main figures included in the accounts in accordance with the gross method are specified below:

	ANS Billabong II
Share of operating revenues	15 603
Share of operating expenses	-7 989
Share of depreciation	-338
Depreciation of excess value	-338
Share of net financial items	1 141
Share of tax expenses	-
Share of profit for the year	**8 080**
Share of fixed assets	5 185
Excess value pertaining to fixed assets	197
Share of current assets	9 994
Share of assets	**15 377**
Shares of long-term debt	-
Share of short-term debt	1 635
Share of debt	**1 635**
Share of equity	13 742

NOTE 7 INVESTMENTS IN SHARES ETC.

(Figures in NOK 1 000)

GROUP

	Registered office	Ownership	Book value
Incentra	Oslo	2,7 %	20
Seabound Maritime	Manila	20,0 %	79
Book value at 31.12			**99**

NOTE 8 MARKET-BASED INVESTMENTS

(Figures in NOK 1 000)

GROUP

	Cost price	Market value
Individual shareholdings	35 353	8 715
Mutual funds	607 601	489 811
Bonds	315 354	437 295
Money market funds	571 378	691 648
Hedge funds	172 106	191 282
Book value at 31.12	**1 701 793**	**1 818 753**

NOTE 9 RECEIVABLES MATURING LATER THAN ONE YEAR

(Figures in NOK 1 000)

GROUP

	2008	2007
Employee loans	275	311
Deposit on new office in Shanghai	454	-
Total	**729**	**311**

NOTE 10 INTEREST-BEARING DEBT

(Figures in NOK 1 000)

GROUP

Mortgage loans	Borrower	Exchange rate	USD	NOK
I. DnB NOR as agent for a syndicate of banks	Grieg Shipping AS	6,9989	142 800	999 443
II. DnB NOR as agent for a syndicate of banks	Grieg Shipping AS	6,9989	26 200	183 371
III. DnB NOR as agent for a syndicate of banks	Grieg International II AS	6,9989	76 300	534 016
IV. DnB NOR as agent for a syndicate of banks	Grieg International II AS	6,9989	26 200	183 371
V. DnB NOR	Grieg Maritime AS	6,9989	1 786	12 498
Total mortgage loans			**273 286**	**1 912 699**

Structure of maturity	Exchange rate	USD	NOK
Instalments due in 2009	6,9989	20 114	140 778
Mortgage debt maturing later than five years after year-end	6,9989	116 200	813 272

Instalments in 2008	USD	NOK
Grieg Shipping AS	7 000	42 060
Grieg International II AS	2 900	15 010
Grieg Maritime AS	714	3 762
Total instalments	**10 614**	**60 832**

Book value of mortgaged assets	Book value
Loan I: Star Istind, Star Isfjord, Star Japan, Star Java, Star Hansa, Star Herdla and Star Hidra	1 416 249
Loan II: Grieg Shipping AS has given its newbuilding contracts as security	329 156
Loan III: The vessels Star Harmonia, Star Ismene and Star Juventas have been given as security	854 332
Loan IV: Grieg International II AS has given its newbuilding contracts as security	329 062
Loan VI: The lender has a first preferred mortgage on the vessel Star Atlantic	34 455

Loan covenants

The main covenants are as follows:

- Grieg Shipping AS is required at all times to have liquid funds of USD 10 million.
- Grieg Maritime AS is required at all times to have liquid funds of USD 1 million.
- Grieg International II AS is required at all time to have liquid funds of USD 10 million.
- The Group must continue to be controlled by the Grieg family.

The Group has met its loan covenant throughout the year.

NOTE 11 INTRA-GROUP ACCOUNTS

(Figures in NOK 1 000)

PARENT COMPANY

Other receivables	2008	2007
Grieg Shipowning AS	234 090	-
Grieg Holdings AS	52 773	-
Total	**286 862**	**-**

Other current liabilities	2008	2007
Grieg Shipping Group AS	-	63
Grieg Shipping II AS	54	10 123
Total	**54**	**10 186**

GROUP

Other receivables	2008	2007
Grieg Holdings AS	52 773	-
Grieg Investor AS	108	232
Grieg Group Resources AS	-	16
Total	**52 881**	**248**

Other current liabilities	2008	2007
Grieg Group Resources AS	437	-
Grieg Athena AS	-	46 700
Grieg International AS	10	127 368
Grieg Shipping II AS	54	10 123
Grieg Logistics AS	157	-
Total	**658**	**184 191**

NOTE 12 SHARE CAPITAL AND SHAREHOLDER INFORMATION

PARENT COMPANY

The share capital of NOK 100 150 000 consists of 1 001 500 shares of NOK 100. All of the shares carry the same rights.

Shareholders at 31.12	No. of shares	Ownership
Grieg Maturitas AS	255 018	25,46%
Grieg Ltd AS	412 378	41,18%
Grieg International AS	334 104	33,36%
Total	**1 001 500**	**100%**

NOTE 13 TAXES

(Figures in NOK 1 000)

PARENT COMPANY

Tax charge and tax payable in the accounts	2008	2007
Taxable result	-171	-86
Tax payable (28% of taxable basis of tax payable in profit and loss account)	-	-
Excessive/insufficient tax provision in previous years	-	-
Total tax payable	-	-
Change in deferred tax	-48	-24
Tax charge	**-48**	**-24**
Deferred tax assets	72	24

GROUP

The shipowning companies of the Group comply with the new shipping tax regime which was adopted in 2007.

These companies have contested the tax assessment for 2007 on the grounds that the transitional rules under the new taxation regime conflict with article 97 of the Norwegian Constitution which prohibits laws from being given retroactive effect. The Central Tax Office for Large Enterprises has confirmed that the appeals will be dealt with once a final court ruling has been made in the cases that have been brought directly before the courts.

The Group accounts for 2007 includes 100% of the tax arising on the transition to the new taxation regime as there was great uncertainty as to whether 1/3 of the transitional tax was to be posted as debt or equity. In a government press release on 20.1.2009 it was stated that the Ministry of Finance had lifted the deadline for utilising allocations to the environment fund. This means that the present value of these allocations can be set at zero. Taken separately, this entails a negative tax charge of NOK 180,1m for financial year 2008, with a corresponding positive effect for equity.

	2008	2007
Tax charge in the accounts		
Tax payable on taxable income	18 689	1 123
Change in deferred tax	-32 500	38 283
Tax payable on gain arising on transition to new shipping taxation as at 1.1.2007	-	52 452
Long-term shipping tax	-	547 841
Write-back of previous balance sheet item	-	-12
Change in estimated present value of fund for environmental initiatives*	-180 104	-
Excessive/insufficient tax provision in previous years	20	-3 568
Tax charge in the accounts	**-193 897**	**636 119**

* The change in estimated present value of the fund for environmental initiatives is equal to the sum of the interest charge on fund for environmental initiatives and the present value of the allocation to the fund for environmental initiatives as at 31.12.2007.

	2008	2007
The tonnage tax for 2008 is booked under operating costs and consists of the following:	1 591	1 597
Imputed interest charge on long-term shipping tax		
Interest charge on the fund for environmental initiatives	8 265	-
Interest charge on tax payable in the period 2008 - 2016	18 084	-
Imputed interest charge in the accounts	**26 349**	**-**

Deferred tax	2008	2007
Revaluation account	65	258 524
Net temporary differences	247 995	-54 490
Temporary differences on tax-free securities (0.84% deferred tax on positive difference)	-144 898	-
Profit/loss account	57 799	72 258
Financial tax loss carried forward	-167 648	-21 995
Basis for deferred tax/deferred tax assets	**-6 687**	**254 296**
Deferred tax/deferred tax assets*	**38 699**	**71 203**

NOTE 13 TAXES (CONTINUED)

(Figures in NOK 1 000)

	2008	2007
Tax payable in the accounts		
Taken to income from profit and loss account	14 458	-
Taxable financial income from shipping companies	54 586	8 307
Pre-tax profit from normally taxed companies	3 613	4 080
Permanent differences	29	374
Change in differences included in the basis for deferred tax/deferred tax assets	-1 385	-3 336
Change in loss and tax credit carried forward	-4 556	-1 118
Basis for tax	**66 746**	**8 307**
Tax payable on profit for the year	18 689	2 326
Tax payable on transition to new shipping tax	52 452	52 452
Tax payable from previous years	2 150	2 150
Tonnage tax	1 591	1 597
Tax payable on transition to new shipping tax (Grieg Poseidon AS)	-	5 058
Tax payable in the accounts	**74 882**	**63 583**

Long-term shipping tax payable in the accounts		
Provision for tax payable in period 2009 - 2016 (present value)*	341 633	376 001
Allocation to the fund for environmental initiatives (present value)*	-	171 840
Long-term shipping tax payable in the accounts	**341 633**	**547 841**

* The estimated gain arising on transition to new shipping tax at 1.1.2007 has been discounted using a discount rate of 4.81%. Tax due is payable over ten years with 1/10 each year effective from and including financial year 2007. The balance on the fund for environmental initiatives is set at a net present value of zero as the deadline for uitlisation of the fund has been lifted.

	2008	2007
Fund for environmental initiatives		
Fund for environmental initiatives (nominal value) 1.1	276 283	276 283
Investments in environmental initiatives	-	-
Fund for environmental initiatives (nominal value) 31.12	276 283	276 283

Provided that the required approval of environmental initiatives implemented in 2007 and 2008 is given by Det Norske Veritas, the Group's fund for environmental initiatives will be reduced by NOK 6.6m.

NOTE 14 PAYROLL EXPENSES, NUMBER OF EMPLOYEES, REMUNERATION ETC.

(Figures in NOK 1 000)

PARENT COMPANY

The parent company has no employees of its own, and no remuneration has been paid to the managing director or the Board. Nor have any loans/guarantees been given to the managing director, chairman or other related parties.

GROUP

Payroll expenses	**2008**	**2007**
Salaries	33 664	31 968
Employer's national insurance contributions	6 213	5 717
Pension costs	3 752	2 316
Other remuneration	4 147	2 532
Total	**47 777**	**42 532**

The average number of employees over the year was	48	43
The average number of sailing personnel was	568	556

Salary costs related to sailing personnel totalled NOK 97m and were directly debited to the shipping companies (2007: NOK 81m).

Remuneration to senior personnel	**CEO**	**Board of Directors**
Salary	2 590	2 150
Pension costs	-	-
Other remuneration	45	-

No loans or loan security has been given to the CEO, the chairman of the board of directors or any related parties.
No loans or loan security has been given which individually correspond to more than 5% of the company's equity.

NOTE 15 PENSIONS

(Figures in NOK 1 000)

GROUP

Effective from 01.01.09 the company switched to a contribution-based pension scheme and the employees received a paid-up policy in connection with the termination of the benefits-based pension scheme. They also received compensation for any difference that was expected to arise between the scheme that was terminated and the new scheme. Income related to termination of the benefits based scheme is included in the accounts for 2008. Consequently, no pension commitments appear in the balance sheet at the end of 2008.

	2008	2007
Net present value of pension entitlements	4 163	2 336
Interest expenses on pension commitments	1 705	1 419
Expected return on pension fund assets	-1 482	-1 504
Estimate changes posted in the profit and loss account	166	-
Administration charges	50	65
Effect of transition to contribution-based pension scheme	-850	-
Net pension expenses	**3 752**	**2 316**

Employer's National Insurance contributions for the pension premium paid is regarded as part of the pension cost for the year.

	2008	2007
Pension commitments at 31.12	-	31 496
Pension fund assets (fair value) at 31.12	-	24 600
Changes in estimates/plan changes not recorded in the accounts	-	-5 812
Net pension fund assets at 31.12	**-**	**1 084**

Economic assumptions:		
Discount rate	n.a.	5,50%
Anticipated rise in salaries	n.a.	5,00%
Anticipated return on pension fund assets	n.a.	5,75%
Anticipated increase in National Insurance base rate	n.a.	4,25%

The actuarial assumptions relating to demographic factors are based on assumptions generally applied within the insurance industry.

NOTE 16 AUDITOR'S FEE

(Figures in NOK 1 000)

PARENT COMPANY

Auditor's fee	**2008**	**2007**
Statutory audit	85	63
Other confirmatory services	25	-
Taxation advice	-	-
Other non-audit services	124	-
Total fee to auditor excl. vat	**234**	**63**

GROUP

Auditor's fee	**2008**	**2007**
Statutory audit	487	577
Other confirmatory services	119	-
Taxation advice	-	36
Other non-audit services	823	252
Total fee to auditor excl. vat	**1 430**	**865**

Other non services are primarily related to technical assistance.

NOTE 17 RESTRICTED BANK DEPOSITS

(Figures in NOK 1 000)

GROUP

	2008	2007
Restricted deposits (tax deduction account)	**2 672**	**1 705**

NOTE 18 GUARANTEE COMMITMENTS

(Figures in NOK 1 000)

PARENT COMPANY

In connection with the demerger of Grieg Star Shipping AS, Grieg Shipping Group Holding AS has guaranteed that Grieg Star Shipping AS will meet its commitments under the demerger plan.

GROUP

Apart from the above, no guarantees have been given by the Group for external commitments.

NOTE 19 FINANCIAL MARKET RISK

GROUP

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

Interest rate risk
Interest rate risk arises in the short and long term when parts of the Group's debt are at a floating rate of interest. The Group's strategy is to hedge the company's net interest rate exposure. Non-interest bearing financial instruments are regarded as natural hedging which reduces the need for direct hedging of interest rates. In principle, the Group should be at least 100% covered, including non-interest-bearing instruments, but it should also have a certain level of hedging using market-based hedging instruments. In this case, interest rate swap agreements are mainly used. The interest rate hedging agreements are recognised and classified in the same way as the related mortgage loan.

At 31.12.08 the Group was party to interest rate swap agreements totalling USD 179m. At the same date, the unrealised loss attached to these agreements totalled NOK 159.7m (USD 22.8m), and is not recognised in the balance sheet.

Foreign exchange risk
The Group's main focus in relation to foreign exchange hedging is to ensure that costs and liabilities are denominated in the same currency as revenues and assets. As the Group's basic currency is the USD, its strategy is to ensure that it covers its currency exposure related to administration costs, operating costs, tax and dividend payments that are denominated in another currency than USD. In this connection, the Group is mainly exposed to NOK, and this exposure is largely covered through forward foreign exchange contracts. Gains/losses on foreign exchange contracts are booked in the same period as the period when the hedged transactions are settled. NOK-based financial investments which are part of the Group's financial investment portfolio are also taken into consideration when the Group's net foreign exchange exposure is assessed.

At 31.12.08 the Group had entered into forward contracts to hedge a total of NOK 103m. At the same time, the unrealised gain on these contracts amounted to NOK 0.9m, and is not recognised in the balance sheet.

Freight rate risk
The shipping industry is very cyclical and characterised by large and unforeseeable fluctuations in freight rates. The Group's shipping activities are of an industrial nature which makes it possible to cover exposure to spot rates by entering into long-term time-charter contracts for the vessels. As a result, the Group's revenues fluctuate less than is the case with spot rates in the general dry bulk market. The Group also uses FFA-contracts as a risk management instrument. The FFA contracts are settled on an ongoing basis.

As at 31.12.08 the Group had one FFA contract which runs from 1.1.2010 to 31.12.2010. As this is an OTC (over-the-counter) contract, there is a credit risk attached to settlement of the contract. The estimated value of the contract at 31.12.08 was approximately NOK 69.5m, and is not recognised in the balance sheet.

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To the Annual Shareholder's Meeting of Grieg Shipping Group Holding AS

AUDITOR'S REPORT FOR 2008

We have audited the annual financial statements of Grieg Shipping Group Holding AS as of December 31, 2008, showing a profit of NOK 312 419 000 for the parent company and a profit of NOK 392 983 000 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the company and of the group and as of December 31, 2008, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information given in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Bergen, March 12 2009
PricewaterhouseCoopers AS
Jon Haugervåg
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes

Nyhetstjenester as

Photos by Hung Ngo

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