Grieg Shipping Group AS
Financial statements 2011

Profit and loss statement

PARENT COMPANY 2011	PARENT COMPANY 2010	note	(Amounts in NOK 1 000)	GROUP 2011	GROUP 2010
			REVENUES		
76 065	72 129		Operating revenue	3 871 059	3 950 446
76 065	**72 129**		**Total revenues**	**3 871 059**	**3 950 446**
			OPERATING EXPENSES		
-	-		Vessel operating expenses	434 992	401 884
-	-		Voyage related expenses	2 099 615	1 892 402
-	-		TC hire	634 609	706 600
51 501	53 132	14	Payroll and social security expenses	210 367	275 371
27 022	17 442		Other operating expenses	92 977	90 757
606	185	3,4	Depreciation	272 743	266 870
-	-		Write-down newbuilding contract	43 796	-
79 129	**70 759**		**Total operating expenses**	**3 789 100**	**3 633 884**
(3 064)	**1 370**		**Operating profit**	**81 959**	**316 561**
			FINANCIAL ITEMS		
294	297		Interest income	9 356	15 849
474	835		Interest income group	-	-
-	-		Other financial income	1 585	-
-	32		Interest expenses	80 804	85 308
4 152	3 999		Interest expenses group	4 152	3 999
-	-		Result on investment in associated company	(5 455)	(2 231)
56 000	36 500		Dividend from subsidiaries	-	-
-	-		Change in value of financial investments	(58 654)	38 772
-	-		Realized return on market-based financial investments	**23 590**	**57 701**
(4)	1		Gain/loss on foreign exchange	(40 254)	748
52 611	**33 602**		**Net financial items**	**(154 788)**	**21 532**
49 547	**34 971**		**Profit before tax**	**(72 828)**	**338 094**
1 772	219	13	Tax	15 685	(190 968)
51 319	**35 190**		**PROFIT FOR THE YEAR**	**(57 145)**	**147 126**
51 319	**35 190**		**Disposal**	**(57 145)**	**147 126**
(20 000)	**(70 000)**		**Proposed dividend**	**(20 000)**	**(70 000)**
31 319	**(34 810)**		**To/from other equity**	**(77 145)**	**77 126**

Balance Sheet as of 31.12

PARENT COMPANY 2011	PARENT COMPANY 2010	note		GROUP 2011	GROUP 2010
(Amounts in NOK 1 000)					
			ASSETS		
			FIXED ASSETS		
			Intangible fixed assets		
-	-	3	Contracts	82 921	91 085
-	-	3	Goodwill	38 628	47 177
2 545	773	13	Deferred tax asset	-	-
2 545	**773**		**Total intangible assets**	**121 549**	**138 262**
			Tangible assets		
2 344	1 085	4	Fixtures and fittings, other equipment	24 262	25 267
-	-	4	Load/discharge equipment	46 872	39 585
-	-	4	Terminal and other property	81 014	84 678
-	-	4	Vessels	3 654 635	3 873 501
-	-	4	New building contracts	1 149 713	982 654
2 344	**1085**		**Total fixed tangible assets**	**4 956 496**	**5 005 685**
			Fixed financial assets		
2 723 949	2 693 914	5	Investments in subsidiaries	-	-
-	-		Share in associated company	-	2 789
1 605	2 051	15	Pension funds	10 607	13 607
-	-	7	Investments in stocks and shares	2 340	250
-	-	9	Long term receivables	2 953	2 189
2 725 554	**2 695 965**		**Total fixed financial assets**	**15 900**	**18 836**
2 730 443	**2 697 823**		**Total fixed assets**	**5 093 945**	**5 162 783**
			CURRENT ASSETS		
			Accounts receivable		
21 892	83 254	11	Receivables from group companies	234	103
-	-		Freight receivable	144 494	128 801
-	-		Bunkers	213 001	134 928
-	-	8	Market-based investments	1 227 860	1 398 720
766	87		Other receivables	75 059	88 442
22 660	**83 342**		**Total receivables**	**1 660 648**	**1 750 994**
17 073	**14 283**	**17**	**Bank deposits, cash in hand, etc.**	**135 848**	**184 167**
39 732	**97 624**		**Total current assets**	**1 796 496**	**1 935 161**
2 770 175	**2 795 447**		**TOTAL ASSETS**	**6 890 441**	**7 097 944**

Balance sheet as of 31.12

(Amounts in NOK 1 000)

PARENT COMPANY 2011	PARENT COMPANY 2010	note		GROUP 2011	GROUP 2010
			EQUITY AND LIABILITIES		
			EQUITY		
			Paid-in capital		
137 052	137 052	12	Share capital (1 370 523 shares à NOK 100)	137 052	137 052
1 945 108	1 965 108	2	Other paid-in capital	1 945 108	1 965 108
2 082 160	**2 102 160**		**Total paid-in capital**	**2 082 160**	**2 102 160**
			Retained earnings		
547 634	496 315	2	Other equity	1 352 888	1 410 497
547 634	**496 315**		**Total retained earnings**	**1 352 888**	**1 410 497**
2 629 794	**2 598 475**	**2**	**Total equity**	**3 435 049**	**3 512 657**
			LIABILITIES		
			Provisions		
9 070	4 898	15	Pension liabilities	37 710	34 939
-	-	13	Deferred tax	4 310	25 164
9 070	**4 898**		**Total provisions**	**42 020**	**60 103**
			Long-term liabilities		
-	-	10	Liabilities to financial institutions	2 642 347	2 677 528
-	-		Other long-term liabilities	18 720	1 486
95 892	95 892	11	Liability to group companies	95 892	95 892
-	-	13	Transition tax long-term	62 415	124 831
95 892	**95 892**		**Total long-term liabilities**	**2 819 374**	**2 899 737**
			Current liabilities		
4 297	5 922	11	Liabilities to group companies	4 785	6 245
928	157		Accounts payable	92 833	65 889
5 543	9 477		Public duties payable	13 930	18 283
20 000	70 000	2	Dividend	20 000	70 000
-	555	13	Taxes payable	71 534	98 873
-	-		Bank overdraft	20 448	703
4 652	10 071	10	Other short-term liabilities	370 469	365 454
35 419	**96 182**		**Total current liabilities**	**593 999**	**625 447**
140 381	**196 972**		**Total liabilities**	**3 455 392**	**3 585 287**
2 770 175	**2 795 447**		**TOTAL EQUITY AND LIABILITIES**	**6 890 441**	**7 097 944**

Oslo, 14th of March 2012
The Board of Directors Grieg Shipping Group AS

Elisabeth Grieg
Chair

Jarle K. Roth
Board Member

Bjørn Gabriel Reed
Board Member

Kai Grøtterud
Board Member

Camilla Grieg
Board Member

Cash flow statements

PARENT COMPANY 2011	PARENT COMPANY 2010	Amounts in NOK 1000	GROUP 2011	GROUP 2010
		Cash flow from operations		
49 546	34 971	Result before taxes	(72 828)	338 095
(555)	(1 176)	Taxes paid in the period	(93 526)	(11 732)
-	-	Gain/loss from sale of fixed assets	(24 982)	(57 701)
608	185	Ordinary depreciation (including dry dock)	319 334	312 452
-	-	Write down	43 796	-
-	-	Change in outstanding freights	(15 665)	(32 025)
(678)	(85)	Change in trade debtors	217	(34 700)
(8 583)	19 705	Change in trade creditors	19 082	22 063
-	-	Change in supplies	(78 072)	(34 685)
4 618	2 847	Pension costs without cash effect	5 772	40 941
-	-	Effect of exchange rate fluctuations	78 080	78 352
-	-	Change in public debt and other short term debt	(1 110)	212
-	-	Changes in other provisions	17 899	185 400
-	-	Items classified as investment or financial activities	23 634	(36 542)
44 956	**56 447**	**Net cash flow from operations**	**221 631**	**770 131**
		Cash flow from investments		
-	-	Proceeds from sale of fixed assets	3 344	955
(1 865)	(1 268)	Purchase of fixed assets	(298 259)	(1 290 070)
61 358	5 922	Proceeds from loans to other group companies	(131)	3 598
(1 625)	66 745	Proceeds of other loans	2 284	-
-	-	Proceeds from sale of market based investments	386 894	208 103
(30 035)	-	Purchase of market based investments	(208 956)	(37 703)
-	(4 000)	Purchase of shares in associated company	(2 487)	(5 020)
27 833	**67 399**	**Net cash flow from investments**	**(117 311)**	**(1 120 137)**
-		**Cash flow from financing**		
-	-	Change in exchange rates bank deposits, cash	902	-
-	-	Proceeds from loans to other group companies	(1 460)	-
-	-	Proceeds from long term loans	(41 152)	747 485
-	-	Repayment of long term loans	(40 928)	(222 055)
(70 000)	(113 000)	Payment of dividend	(70 000)	(113 000)
(70 000)	(113 000)	**Net cash flow from financing**	**(152 638)**	**412 430**
2 790	**10 846**	**Net change in cash and cash equivalents**	**(48 319)**	**62 424**
14 283	3 437	Cash and cash equivalents at the beginning of the period	184 167	121 744
17 073	**14 283**	**Cash and cash equivalents at the end of the period**	**135 848**	**184 167**
		Specification of cash and cash equivalents at the end of the period		
17 073	14 283	Bank deposits, cash, etc.	135 848	184 167

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 investment 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 and associated companies
Owner interests in joint ventures are stated applying the gross method. The shares of income, costs, assets and liabilities are incorporated in the accounts, line for line. The figures are specified for each main group in a note to the accounts. Assets in associated companies are stated in the group accounts according to the equity method.

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.

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 the docking fund is classified as an operating expense.

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

The groups vessels are sailing in a pool which are marketing and operated by the subsidiary Grieg Star Shipping AS. The fleet is valued as a portfolio with regards to write-down evaluations.

Newbuilding contracts
Shipyard instalments paid are posted as fixed assets in pace with the payment schedule.

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

Stocks of bunkers
Stocks of fuel and diesel are stated at cost on the basis of the FIFO method.

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 received and other distributions are entered as income under other financial income.

Foreign currency
Cash items denominated in foreign currency are valued at the year-end exchange rate (for USD: 5.9927). Currency gain or loss from operation and bank deposits in foreign currencies are posted at the exchange rate of the relevant date of balance. Transactions in foreign currencies are re-stated at the foreign transaction rate.

Foreign exchange and bunkers 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. See note 18.

The level of hedging is limited to the estimated need for foreign exchange over the next twelve to twenty-four months. For bunkers, the company uses derivative contracts to secure the bunker price. The exposure to bunkers is defined as the annual consumption of bunkers in contracts of affreightment with no bunkers clause.

Unrealized gain/loss on the hedging contracts is not posted on the balance sheet.

Interest rate hedging
Interest rate hedging contracts are recognised and classified in the

Note 1 Accounting Principles cont'd

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.

Unrealized gain/loss on the hedging contracts is not posted on the balance sheet.

Cargo hedging
The company uses FFA contracts to manage risk regarding the price of fixed contracts for the leasing of ships and the ships' market exposure. Gains and losses on cargo hedging contracts are classified as an adjustment to operating costs, and for fixed contracts, adjustments are made on an ongoing basis and accounted for with the transactions they secure.

Unrealized gain/loss on the hedging contracts is not posted on the balance sheet.

Pensions
The Group's main pension scheme is defined contribution based pension plan.

For the defined benefit pension plans which have been brought forward after the main pension scheme was changed in 2010, 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 scheme, the future return on pension fund assets and actuarial assumptions about mortality, voluntary withdrawals etc. Pension fund assets are recognised at fair value and deducted from net pension commitments in the balance sheet. Changes in commitments due to changes in pension plans are spread over the expected remaining period of service. The same applies to estimate deviations and changed circumstances in so far as they exceed 10% of the larger of the pension commitment and the pension fund assets (corridor). In the balance sheet, the schemes are treated separately with pension fund assets booked as a financial asset and pension commitments as a financial liability. Pension commitments in the balance sheet include Employers' National Insurance contribitions.

Remaining group companies have defined contribution based pension plans, where the companies make contributions to an insurance company. The companies have no further payment obligations once the contributions have been paid. Contributions are charged as payroll expenses. Any prepaid deposits are recorded as an asset in the balance sheet to the extent that the deposits can be offset against future payments.

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 relation to the transition to the new taxation regime for shipowning companies the company has chosen the settlement scheme.

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 cannot be assigned to specific assets are posted as goodwill and amortised over the expected lifetime of the asset. Intra-group transactions and balances are eliminated.

Grieg Sipowning AS, Grieg Shipping II AS, Grieg International II AS and Grieg Star Bulk are shipowning companies which are registered under the Norwegian tonnage tax system.

Note 1 Accounting Principles cont'd

COMPANY	REGISTERED OFFICE	OWNERSHIP
Grieg Shipowning AS - shipowning holdingcompany, tonnage taxed	Bergen	100,00 %
Grieg Shipping AS - technical managment and project development	Bergen	100,00 %
Grieg Star Shipping AS - marketing, chartering and operation	Bergen	100,00 %
Grieg Green AS - advisory within green recycling of vessels	Oslo	100,00 %
Grieg Star Bulk AS - shipowning company, tonnage taxed	Bergen	100,00 %
Grieg Shipowning is a group which comprises the following companies:		
Grieg Shipping II AS - shipowning company, tonnage taxed	Bergen	100,00 %
Grieg International II AS - shipowning company, tonnage taxed	Oslo	100,00 %
Grieg Star Shipping is a group which comprises the following companies		
Grieg Star Shipping (Canada) Ltd.*	Vancouver B.C., Canada	100,00 %
Grieg Star Shipping (USA) Inc.	Atlanta, USA	100,00 %
Grieg Star Shipping AB	Gothenburg, Sweden	100,00 %
Grieg Star Shipping SRLV	Livorno, Italy	100,00 %
Grieg Star Shipping Comercio Maritimo LTDA	Rio, Brasil	100,00 %
Grieg Star Shipping (Shanghai) Consulting Company Limited	Shanghai, China	100,00 %

* Grieg Star Shipping (Canada) Ltd. ownes 100% of the shares in Squamish Terminals Ltd. The property where the terminal is situated has been hired until 2067.

Note 2 Equity

PARENT COMPANY

(Amounts in NOK 1 000)

Equity movements	Share capital	Share premium reserve	Other paid-in equity	Other equity	Total
Equity at 01.01	137 052	-	1 965 108	496 315	2 598 475
Result of the year				51 319	51 319
Provision for dividends			(20 000)	-	(20 000)
Equity at 31.12	**137 052**	**-**	**1 945 108**	**547 634**	**2 629 794**

GROUP

Equity movements	Share capital	Share premium reserve	Other paid-in equity	Other equity	Total
Equity at 01.01	137 052	-	1 965 108	1 410 497	3 512 657
Conversion difference				(464)	(464)
Accounting result for the year				(57 145)	(57 145)
Provision for dividends			(20 000)		(20 000)
Equity at 31.12	**137 052**	**-**	**1 945 108**	**1 352 888**	**3 435 049**

Note 3 Intangible assets

GROUP

(Amounts in NOK 1 000)

Intangible assets	Goodwill	Contracts	Total
Purchase costs at 01.01	94 305	163 265	257 570
Additions	-	-	-
Disposals	-	-	-
Purchase cost at 31.12	94 305	163 265	257 570
Accumulated depreciation at 31.12	55 677	80 344	136 021
Book value at 31.12	38 628	82 921	121 549
Depreciation	8 442	8 163	16 605
Depreciation plan	Linear	Linear	
Depreciation period	5-20 years	20 years	

Contracts above represent excess values related to the vessels' contracts of affreightment through the participation in the Grieg Star Shipping pool.

Note 4 Fixed assets

PARENT COMPANY

(Amounts in NOK 1 000)

	Technical installations	Cars, machinery	Office machines	Total
Purchase costs at 01.01	27	1 044	199	1 270
Additions	-	92	1 773	1 865
Disposals	-	-	-	-
Purchase cost at 31.12	27	1 136	1 972	3 135
Accumulated depreciation at 31.12	4	267	520	791
Book value at 31.12	23	869	1 452	2 344
Depreciation	2	134	470	606
Depreciation plan	Linear	Linear	Linear	
Depreciation period	120 months	60 months	36 months	

GROUP

	Vessels	Docking	Newbuildings	Total
Purchase cost at 01.01	6 295 874	213 378	982 655	7 491 907
Additions	15 391	48 014	210 855	274 260
Disposals	-	32 428	-	32 428
Write-off	-	-	43 796	43 796
Cost price at 31.12	6 311 265	228 963	1 149 714	7 689 942
Accumulated depreciation at 31.12	2 786 332	99 262	-	2 885 594
Book value at 31.12	3 524 932	129 701	1 149 714	4 804 348
Depreciation charge for the year	235 681	46 591	-	282 272
Depreciation plan	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 as a joint venture.

As of 31.12.2011 the company has newbuildingcontracts for 12 vessels, whereof 10 with a size of 49 000 TDW and 2 of 57 000 TDW. Four of the vessels are to be delivered in 2012, five in 2013 and the last three in 2014. The remaining amount to be paid for the newbuildingcontracts amounts to MUSD 328.8.

Note 4 Fixed assets cont'd

	Terminals	Machinery, vehicles etc.	Loading & discharging equipment etc.	Other assets	Total
Purchase cost at 01.01	171 235	84 691	89 840	833	346 599
Additions	1 474	8 111	15 019	-	24 603
Disposals	-	3 467	1	-	3 468
Cost price at 31.12	172 709	89 334	104 858	833	367 735
Accumulated depreciation at 31.12	92 529	65 072	57 986	-	215 586
Book value at 31.12	80 180	24 262	46 872	833	152 148
Depreciation charge for the year	4 194	8 533	7 730	-	20 457
Depreciation plan	Linear	Linear	Linear		

Machinery, vehicles etc. have a depreciation period of 3-10 years. Squamish Terminals is depreciated over 30 years. Other assets are not depreciated.

The shipping activities have been subject to a write-down test, in accordance with good accounting practice. The test concluded that the utility value exceeds the book value. In calculating the utility value, a discount rate of 8.3 % has been used, after tax and the cashflows are based on the Group's long-term forecasts, and which naturally involve a degree of uncertainty.

Annual lease of fixed assets not posted in the balance sheet

Asset	Lease period	Annual lease
Vessels (vessels additional to those belonging to the Group)*	0-5 years	634 609
Containers and chassis	0-3 years	2 416
Office premises		7 316

* The lease cost is based on an average USD exchange rate in 2011 of NOK 5.607.

Future timecharter commitments related to long-term (more than 12 months) chartered vessels amounts to (USD 13.434):	75 325

Note 5 Subsidiaries

PARENT COMPANY

(Amounts in NOK 1 000)

Subsidiary	Registered office	Ownership / voting rights	Equity last year (100%)	Result last year (100%)	Book value (100%)
Grieg Shipowning AS*	Bergen	100 %	3 158 512	(7 802)	2 578 790
Grieg Shipping AS	Bergen	100 %	13 401	2 786	15 232
Grieg Star Shipping AS	Bergen	100 %	85 546	4 452	95 892
Grieg Star Bulk AS **	Bergen	100 %	29 573	(427)	30 035
Grieg Green	Oslo	100 %	3 892	(3 440)	4 000
Book value at 31.12					2 723 949

* The equity and results for the last year relate to the Group. Grieg Shipowning AS ownes 100 % of Grieg Shipping II AS and Grieg International II AS
** established in 2011

Note 6 Joint ventures

GROUP

(Amounts in NOK 1 000)

The Group has the following investments:

Company	Date of acquisition	Registered office	Ownership and voting rights	Joint and several liability*
ANS Billabong II	15.10.92	Bergen	50 %	2 646*

* The joint and several liability is booked as debt in ANS Billabong II as at 31.12.11.

	ANS Billabong II
Net value at 01.01	11 667
of which undepreciated excess value	-
Additions/disposals in period	-
Share of profit for the year	603
Depreciation of excess value	-
Transfers to/from the company	-
Other changes during the year	-
Net value at 31.12.	12 270
of which undepreciated excess value	-

Note 6 Joint ventures cont'd

GROUP

(Amounts in NOK 1 000)

The Group has the following investments:

Company	Date of acquisition	Registered office	Ownership and voting rights	Joint and several liability*
ANS Billabong II	15.10.92	Bergen	50 %	2 646*

* The joint and several liability is booked as debt in ANS Billabong II as at 31.12.11.

	ANS Billabong II
Net value at 01.01	11 667
of which undepreciated excess value	-
Additions/disposals in period	-
Share of profit for the year	603
Depreciation of excess value	-
Transfers to/from the company	-
Other changes during the year	-
Net value at 31.12.	12 270
of which undepreciated excess value	-

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

Company	ANS Billabong II
Share of operating revenues	8 554
Share of operating expenses	(8 301)
Share of depreciation	-
Depreciation of excess value	-
Share of net financial items	350
Share of tax expenses	-
Share of profit for the year	603
Share of fixed assets	5 137
Excess value pertaining to fixed assets	-
Share of current assets	8 455
Share of assets	13 592
Shares of long-term debt	-
Share of short-term debt	1 343
Share of debt	1 343
Share of equity	12 249
Share of debt and equity	13 592

Note 7 Investments in shares and mutual funds

GROUP

(Amounts in NOK 1 000)

	Registered office	Ownership	Book value
Incentra	Oslo	2,7 %	20
Seabound Maritime (to be disolved)	Manila	20,0 %	79
Grieg Philippines Inc.	Makati City	20,0 %	439
UACC Ross Tanker DIS	Oslo	3,0 %	1 802
Book value at 31.12			2 340

Incentra is a non-profit maritime purchasing organisation which seeks to ensure that the participants have the best possible suppliers of spare parts and consumer goods. Framework agreements have been made with various suppliers on behalf of the organisation and the Group currently has one person on the Board of Incentra.

Seabound Maritime was Grieg Shipping AS' manning agent in the Philippines until 2009.

Grieg Philippines has been Grieg Shipping AS' manning agent in the Philippines since 2009.

UACC Ross Tanker DIS is a part-owned company owned by Grieg Star Bulk AS. The total committment amount to USD 466.200, of which USD 346.200 is paid-in. Outstanding committment amounts to USD 120.000.

Investment in associated company

(Amounts in NOK 1 000)

Company	"Date of acquisition"	Office	Ownership and voting rights
Grieg Star Nortrans Pte Ltd (established in 2010)	18.05.10	Singapore	50 %

	Grieg Star Nortrans Pte Ltd
Analysis of excess value	
Equity on date of aquisitions	0,006
Goodwill on date of aquisition	2 054
Purchase price	2 054
Net value 01.01	2 789
of which non-depreciated excess value	2 054
Additions/disposals in period	-
Share of profit for the year	(2 494)
Depreciation excess values	(2 054)
Capital contribution	2 666
Other changes during the year	(907)
Total 31.12	-
of which non-depreciated excess value	-
Net value 31.12	-

The value of the company has been written down to zero as the capital is lost.

Note 8 Market-based investments

GROUP

(Amounts in NOK 1 000)

	Cost price 2011	Market value 2011	Cost price 2010	Market value 2010
Individual shareholdings	23 403	7 395	23 403	20 845
Mutual funds	466 862	516 136	488 922	574 821
Bonds	295 004	328 606	310 921	288 403
Money market funds	251 144	259 987	416 841	444 243
Hedge funds	119 215	115 736	71 726	70 408
Book value at 31.12	1 155 628	**1 227 860**	1 311 813	**1 398 720**

This years change in value of market-based investments amounts to: (58 654)

Note 9 Receivables maturing later than one year

GROUP

(Amounts in NOK 1 000)

	2011	2010
Employee loans	719	236
Deposit on officerent	2 234	1 953
Total	**2 953**	**2 189**

GROUP

(Amounts in NOK 1 000)

Mortgage loans

The Group finances new buildings with 70% mortgage loans and 30% equity. As of 31.12.11, the Group has six mortgage loans with DNB(as agent), two mortgage loans with Nordea and one mortgage loan with ABN Amro. The loans are denominated in USD, whereas the last have not been drawn on yet. The loans consist of both long-term financing of the Group's excisting vessels as well as loans for vessels under construction.

Loan covenants

A loan covenant common to both ship-owning companies Grieg Shipping II AS and Grieg International II AS is that the companies are required at all times to have liquid funds of at least MUSD 10. For four of the mortgage loans with an aggregated book value at 31.12.2011 of MUSD 97.5, the companies must have liquid funds of at least 5 % of total interest bearing debt, and a minimum of MUSD 10. A common covenant for all mortgage loans is that the Group must continue to be controlled by the Grieg familiy. The Group has met its loan covenant commitments throughout the year.

	2011	2010
Other long-term debt	18 720	1 486
Mortgage loans (1st priority)	2 642 347	2 677 528
Total	**2 661 067**	**2 679 014**

Of which long-term debt with maturity later than 5 years	**2011**	**2010**
Debt to credit institutions	1 697 470	1 761 078
Total	**1 697 470**	**1 761 078**

Balance value of morgaged assets	**2011**	**2010**
Vessels	3 348 569	3 344 616
Newbuilding contracts	905 328	795 663
Total	**4 253 897**	**4 140 279**

Squamish Terminals	**2011**	**2010**
DNB	17 600	23 442

The balance at 31.12.2011 is CAD 3 000. The loan is guaranteed by Grieg Star Shipping AS.

Note 9 Receivables maturing later than one year
cont'd

PARENT COMPANY

(Amounts in NOK 1 000)

	Other receivables	
	2011	2010
Grieg Shipowning AS	20 000	74 335
Grieg Green AS	48	-
Joachim Grieg AS	44	-
Grieg Star Bulk AS	159	-
Grieg Shipping AS	264	2 852
Grieg International AS	-	28
Grieg International II AS	-	1 100
Grieg Shipping II AS	-	1 650
Grieg Group Resources AS	14	12
Grieg Star Shippping AS	1 364	3 277
Total	**21 892**	**83 254**

	Other long-term liabilities	
	2011	2010
Grieg Property AS	95 892	95 892
Total	**95 892**	**95 892**

	Other current liabilities	
	2011	2010
Grieg Group Resources AS	1 551	862
Grieg International AS	89	432
Grieg Logistics AS	-	24
Grieg Shipping AS	1 019	-
Grieg Investor AS	8	-
Grieg Star Shipping AS	583	605
Grieg Property AS	1 046	3 999
Total	**4 297**	**5 922**

Transactions between related parties

There have been loans between Grieg Shipping Group AS and Grieg Property AS which has led to interest elements between the two companies.

	2011	2010
Grieg Property AS	4 152	3 999

GROUP

	Other receivables	
	2011	2010
Joachim Grieg AS	44	-
Grieg International AS	-	28
Grieg Group Resources AS	14	12
Grieg Logistics AS	-	63
Grieg Investor AS	176	-
Total	**234**	**103**

Note 9 Receivables maturing later than one year
cont'd

	Other long-term liabilities	
	2011	2010
Grieg Property AS	95 892	95 892
Total	**95 892**	**95 892**

	Other short-term liabilities	
	2011	2010
Grieg Group Resources AS	1 909	1 229
Grieg International AS	89	432
Grieg Property AS	1 046	3 999
Grieg Investor AS	8	-
Grieg Logistics AS	-	139
Maris AS	1 106	233
Joachim Grieg & Co.	625	213
Total	**4 785**	**6 245**

Related parties	**2011**	**2010**
Grieg Shipping Group AS buys various office services from Grieg Group Resources AS primarily related to IT-services, salary and other office services	9 039	8 957
Office and parking rental agreement between Grieg Shipping Group AS and the Grieg Gaarden	6 167	5 650
Commission agreement between Grieg Shipping Group AS and Joachim Grieg & Co	16 733	31 796

Note 10 Interest-bearing debt

GROUP

(Amounts in NOK 1 000)

Mortgage loans

The Group finances new buildings with 70% mortgage loans and 30% equity. As of 31.12.11, the Group has six mortgage loans with DNB(as agent), two mortgage loans with Nordea and one mortgage loan with ABN Amro. The loans are denominated in USD, whereas the last have not been drawn on yet. The loans consist of both long-term financing of the Group's excisting vessels as well as loans for vessels under construction.

Loan covenants

A loan covenant common to both ship-owning companies Grieg Shipping II AS and Grieg International II AS is that the companies are required at all times to have liquid funds of at least MUSD 10. For four of the mortgage loans with an aggregated book value at 31.12.2011 of MUSD 97.5, the companies must have liquid funds of at least 5 % of total interest bearing debt, and a minimum of MUSD 10. A common covenant for all mortgage loans is that the Group must continue to be controlled by the Grieg familiy. The Group has met its loan covenant commitments throughout the year.

	2011	**2010**
Other long-term debt	18 720	1 486
Mortgage loans (1st priority)	2 642 347	2 677 528
Total	**2 661 067**	**2 679 014**

Of which long-term debt with maturity later than 5 years	**2011**	**2010**
Debt to credit institutions	1 697 470	1 761 078
Total	**1 697 470**	**1 761 078**

Balance value of morgaged assets	**2011**	**2010**
Vessels	3 348 569	3 344 616
Newbuilding contracts	905 328	795 663
Total	**4 253 897**	**4 140 279**

Squamish Terminals	**2011**	**2010**
DNB	17 600	23 442

The balance at 31.12.2011 is CAD 3 000. The loan is guaranteed by Grieg Star Shipping AS.

Note 11 Inter company balances

PARENT COMPANY

(Amounts in NOK 1 000)

	Other receivables	
	2011	**2010**
Grieg Shipowning AS	20 000	74 335
Grieg Green AS	48	-
Joachim Grieg AS	44	-
Grieg Star Bulk AS	159	-
Grieg Shipping AS	264	2 852
Grieg International AS	-	28
Grieg International II AS	-	1 100
Grieg Shipping II AS	-	1 650
Grieg Group Resources AS	14	12
Grieg Star Shippping AS	1 364	3 277
Total	**21 892**	**83 254**

	Other long-term liabilities	
	2011	**2010**
Grieg Property AS	95 892	95 892
Total	**95 892**	**95 892**

	Other current liabilities	
	2011	**2010**
Grieg Group Resources AS	1 551	862
Grieg International AS	89	432
Grieg Logistics AS	-	24
Grieg Shipping AS	1 019	-
Grieg Investor AS	8	-
Grieg Star Shipping AS	583	605
Grieg Property AS	1 046	3 999
Total	**4 297**	**5 922**

Transactions between related parties

There have been loans between Grieg Shipping Group AS and Grieg Property AS which has led to interest elements between the two companies.

	2011	**2010**
Grieg Property AS	4 152	3 999

GROUP

	Other receivables	
	2011	**2010**
Joachim Grieg AS	44	-
Grieg International AS	-	28
Grieg Group Resources AS	14	12
Grieg Logistics AS	-	63
Grieg Investor AS	176	-
Total	**234**	**103**

Note 11 Inter company balances cont'd

	Other long-term liabilities 2011	Other long-term liabilities 2010
Grieg Property AS	95 892	95 892
Total	**95 892**	**95 892**

	Other short-term liabilities 2011	Other short-term liabilities 2010
Grieg Group Resources AS	1 909	1 229
Grieg International AS	89	432
Grieg Property AS	1 046	3 999
Grieg Investor AS	8	-
Grieg Logistics AS	-	139
Maris AS	1 106	233
Joachim Grieg & Co.	625	213
Total	**4 785**	**6 245**

Related parties	**2011**	**2010**
Grieg Shipping Group AS buys various office services from Grieg Group Resources AS primarily related to IT-services, salary and other office services	9 039	8 957
Office and parking rental agreement between Grieg Shipping Group AS and the Grieg Gaarden	6 167	5 650
Commission agreement between Grieg Shipping Group AS and Joachim Grieg & Co	16 733	31 796

Note 12 Share capital and shareholder information

PARENT COMPANY

(Amounts in NOK 1 000)

The share capital consists of	Number	Nominal amount	Value
A shares	1 035 835	100	103 584
B shares	334 688	100	33 469
Total	**1 370 523**		**137 052**

The A shares carry full rights. The B shares have no voting rights at general meetings.

Shareholders at 31.12	No. of A shares	No. of B shares	Total	Ownership
Grieg Maturitas AS	255 018		255 018	18,61 %
Grieg Ltd AS	412 378		412 378	30,09 %
Grieg International AS	334 104		334 104	24,38 %
Per Grieg sr.	34 335		34 335	2,51 %
Grieg Foundation		334 688	334 688	24,42 %
Total	**1 035 835**	**334 688**	**1 370 523**	**100 %**

Note 13 Taxes

PARENT COMPANY

(Amounts in NOK 1 000)

Tax charge and tax payable in the accounts	2011	2010
Temporary differences		
Fixed assets	233	86
Pension	(7 465)	(2 847)
Net temporary differences	(7 232)	(2 761)
Deficit and remuneration brought forward	(1 857)	-
Basis for deferred tax assets/deferred tax assets	**(9 089)**	**(2 761)**
Deferred tax/deferred tax assets	(2 545)	(773)
Deferred tax/deferred tax assets in the accounts	**(2 545)**	**(773)**

Note 13 Taxes cont'd

PARENT COMPANY

(Amounts in NOK 1 000)

Tax charge and tax payable in the accounts	**2011**	**2010**
Temporary differences		
Fixed assets	233	86
Pension	(7 465)	(2 847)
Net temporary differences	(7 232)	(2 761)
Deficit and remuneration brought forward	(1 857)	-
Basis for deferred tax assets/deferred tax assets	**(9 089)**	**(2 761)**
Deferred tax/deferred tax assets	(2 545)	(773)
Deferred tax/deferred tax assets in the accounts	**(2 545)**	**(773)**

Basis for taxation, change in deferred tax and tax payable

Profit before tax	49 547	34 971
Permanent differences	(55 875)	1 845
Basis of tax charge for the year	(6 328)	36 816
Change in temporary differences	4 471	(34 834)
Basis for tax payable in the accounts	(1 857)	1 982
Taxable income (basis for tax payable in the balance sheet)	**(1 857)**	**1 982**

Distribution of tax expenses

Total tax payable	-	555
Change in deferred tax	(1 772)	(774)
Tax charge / (tax income)	**(1 772)**	**(219)**

Tax payable in the accounts

Tax payable (28% of basis for taxes payable in the profit and loss account)	-	555
Under/over provision for tax payable	-	-
Tax payable in the accounts	**-**	**555**

GROUP

On 12 February 2010, the Supreme Court ruled that the transition rules for companies under the new tonnage tax regime were unconstitutional. Accordingly, new transition rules were introduced.

Under the new transition rules, a company under the tonnage tax scheme can choose to pay tax on untaxed capital, estimated on entry into the new tonnage tax regime in 2007, either as a final settlement tax ("settlement regime") or as a distribution tax ("basic regime") corresponding to the main principles in the old tonnage tax scheme.

The tonnage taxed companies in Grieg Shipping Group have selected the settlement regime, whereby untaxed capital from the pre-2007 shipping tax regime incurs 6.67% tax to be paid over a three year period, starting in 2010.

	2011	**2010**
Tax payable in the accounts		
Tax payable on taxable income	7 615	34 053
Change in deferred tax	(20 853)	(33 970)
Tax payable relating to changes in the tonnage tax scheme	-	187 246
Utilization of loss carry forward according to plan	-	-
Insufficient / excess provision for tax in previous years	(2 446)	3 638
Tax charge in the accounts	(15 684)	190 968

The tonnage tax for 2011 is booked under operating costs and consists of the following:	3 834	3 324

Note 13 Taxes cont'd

Deferred tax		
Revaluation account	26 205	64 321
Fixed assets	35 607	36 538
Pension	(9 627)	(9 483)
Other temporary differences	(9 159)	(2 847)
Temporary differences on taxable securities	38 755	3 355
Temporary differences on non-taxable securities (0.84 % deferred tax on positive differences)	-	83 341
Profit/loss account	29 593	36 991
Revaluation account	(79 405)	(23 61)
Basis for deferred tax/deferred tax assets	31 969	188 598
Deferred tax/deferred tax assets	4 310	25 164

Tax payable in the accounts		
Basis for deferred tax/deferred tax assets	-	3 292
Taxable financial income from shipping companies	7 398	57 041
Profit before tax from ordinary taxed companies	2 643	22 098
Permanent differences	5 141	2 320
Changes in differences included in the basis for deferred tax/deferred tax assets	9 350	193
Changes in deficit and remuneration brought forward	-	34 566
Basis of tax charge for the year	24 533	119 510
Current tax payable of net income	3 134	30 983
Tax payable presious years	2 150	2 150
Tonnage tax	3 834	3 324
Current tax payable from settlement account (1/3)	62 416	62 416
Tax payable in the accounts	71 534	98 873
Long term payable tax from settlement account (1/3)	62 415	124 830

Tax payable related to settlement regime		
Settlement account 01.01.07	1 872 461	
To taxation (settlement account divided by 2.8)	668 736	
Of which tax payable (28 %)	187 246	
Current shipping tax payable from settlement scheme (1/3) paid in 2010		62 416
Current shipping tax payable from settlement scheme (1/3) paid in 2011		62 416
Long-term shipping tax payable from settlement scheme (1/3) payable in 2012		62 415

Note 14 Payroll expenses, number of employees, remuneration etc.

PARENT COMPANY

(Amounts in NOK 1 000)

Payroll expenses	2011	2010
Salaries	36 397	39 777
Employers' national insurance contributions	5 788	6 560
Pension costs	7 660	4 774
Other remuneration	1 656	2 021
Total	**51 501**	**53 132**
The average number of employees over the year was	45	47

The bonus scheme of Grieg Shipping Group is based on profit sharing in relation to financial performance requirements for the Group as a whole. The treshold for payment is determined by the Board, and may vary from year to year. The bonus is paid as part of monthly salaries, and scaled according to approved fixed levels. The scheme covers all employees, and is differentiated on the basis of position/pay grade.

Remuneration to senior personnel	CEO	Board
Salary	2 945	1 400
Pension costs	542	-
Other remuneration	170	-

No loans or loan security have been given to the managing director, 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.

GROUP

Payroll expenses	2011	2010
Salaries	154 202	166 795
Employer's national insurance contributions	21 329	23 858
Pension costs	18 655	70 753
Other remuneration	16 182	13 964
Total	**210 369**	**275 370**
The average number of employees over the year was	230	222
Average number of sailing personnel over the year was	637	625

Salary costs related to sailing personnel totalled MNOK 128 and were directly debited to the shipping companies (2010: MNOK 125). The payroll expenses are included in ships' operating costs.

Note 15 Pensions

PARENT COMPANY

(Amounts in NOK 1 000)

The company has a defined contribution pension scheme for its employees. Premiums are paid monthly to a life insurance company. Grieg Shipping Group also has defined benefit pension schemes for certain employees with salaries in excess of 12G. The schemes, which give rights to future beenfits, are accounted for in the parent company from 2010, following the transfer of employees from Grieg Star Shipping AS. Pension costs and commitments depend principally on length of service, salary at retirement and level of National Insurance benefits. The scheme covers two individuals. There is also an early retirement scheme for these individuals, ref. note below for the Group.

	2011	**2010**
Net present value of pension entitlements	1 098	2 441
Interest expenses on pension commitments	816	1 905
Expected return on pension fund assets	(457)	(1 289)
Estimate changes posted in the profit and loss account	205	431
Administration charges	139	197
Effect of the change to a contribution based pension scheme	4 019	298
Payments to the contribution based pension scheme	1 841	781
Net pension expenses	**7 660**	**4 764**

Assumptions are the same as for the group, see below.

Specification of pension assets and liabilities:

	Funded	**Unfunded**	**Secured**	**Total**
Distribution by scheme as at 31.12.11	**Supplementary pensions**	**Aged 65-67**	**Committed pensions**	
Calculated pension commitments	3 738	4 697	10 351	18 786
Pension fund assets (fair value)	2 515	-	6 575	9 090
Pre-paid pensions (net pension commitments)	(1 223)	(4 697)	(3 776)	(9 696)
Estimate changes not posted in the profit and loss account	3 000	(491)	1 088	3 597
Employers' National Insurance contributions	(172)	(662)	(532)	(1 366)
Book value of pension fund assets/commitments	**1 605**	**(5 850)**	**(3 220)**	**(7 465)**

Specification of pension assets and liabilities:

	Funded	**Unfunded**	**Total**
Distribution by scheme as at 31.12.10	**Supplementary pensions**	**Aged 65-67**	
Calculated pension commitments	2 536	6 146	8 682
Pension fund assets (fair value)	1 580	-	1 580
Pre-paid pensions (net pension commitments)	(956)	(6 146)	(7 102)
Estimate changes not posted in the profit and loss account	3 142	2 114	5 256
Employers' National Insurance contributions	(135)	(866)	(1 001)
Book value of pension fund assets/commitments	**2 051**	**(4 898)**	**(2 847)**

Note 15 Pensions cont'd

GROUP

Effective from 01.01.09 the Group changed to a contribution based pension scheme. Grieg Star Shipping, which was acquired with effect from 31.12.09, wound up its main defined benefits pension scheme from 01.01.2011 and changed to a contribution based scheme for all employees. The liquidation costs, consisting of changes in estimates and plan changes are included in payroll costs.

Grieg Star Shipping AS and Grieg Shipping Group AS also have pension commitments to certain employees with salaries in excess of 12G. The pension gives the right to future defined benefits. These are primarily dependent on years of service, salary at retirement and level of national insurance benefits. The scheme covers eight individuals.

Grieg Star Shipping AS and Grieg Shipping Group AS have an early retirement scheme for employees who were in the main pension plan until the decision was made to phase it out. The early retirement scheme pays 70 % of salary on reaching the age of 65 until 67 years. This scheme is not funded. Pension liabilities in the balance sheet relate entirely to Grieg Star Shipping AS and Grieg Shipping Group AS. The pension scheme covered 95 people as at 31.12.2011, of whom 41 received a pension in 2011.

All of the pension schemes comply with the Norwegian Accoutning Standard for pension costs (NRS 6). When unamortised divergences exceed 10 % of the higher of the calculated pension commitment, including Employers' National Insurance contributions and pension fund assets, the excess amount is amortised over the remaining pension qualifying period.

	2011	**2010**
Net present value of pension entitlements	6 165	11 304
Interest expenses on pension commitments	4 625	9 179
Expected return on pension fund assets	(4 525)	(7 935)
Employers National Insurance	883	1 769
Administration charges	730	1 231
Plan changes	-	(29 589)
Changes in estimates	5 238	77 745
Payments to the contribution based pension scheme	5 539	7 050
Net pension expenses	**18 655**	**70 753**

	2011	**2010**
Pension commitments at 31.12	(135 363)	(118 669)
Pension fund assets (fair value) at 31.12	90 466	81 346
Changes in estimates/plan changes not recorded in the accounts	22 131	19 695
Employers' National Insurance contributions	(4 338)	(3 704)
Net pension fund assets at 31.12	**(27 103)**	**(21 332)**

Economic assumptions:

	2011 Norway	**2011 Canada**	**2010 Norway**	**2010 Canada**
Discount rate	3.80 %	5.30 %	4.60 %	6.10 %
Anticipated rise in salaries	3.50 %	3.00 %	3.50 %	3.25 %
Anticipated return on pension fund assets	4.10 %		5.40 %	
Anticipated increase in National Insurance base rate	3.25 %		3.25 %	
Anticipated rise in salaries	3.25 %		3.25 %	

The actuarial assumptions for 2011 are based on assumptions generally applied within the insurance industry relating to demographic factors.

Note 15 Pensions cont'd

Specification of pension fund assets:

	Funded		Unfunded		Total Norway
Distribution by scheme as at 31.12.10	**Funded**	**Supplementary pensions**	**Aged 65-67**	**Other pensions**	**Total**
Calculated pension commitments	67 125	14 517	16 627	4 791	103 060
Pension fund assets (fair value)	66 275	10 611	-	-	76 886
Pre-paid pensions (net pension commitments)	(850)	(3 906)	(16 627)	(4 791)	(26 175)
Estimate changes not posted in the profit and loss account	-	18 065	(516)	-	17 549
Employers' National Insurance contributions	(134)	(551)	(2344)	(676)	(3 704)
Book value of pension fund assets/commitments	**(984)**	**13 607**	**(19 487)**	**(5 467)**	**(12 330)**

	Grieg Star Shipping Italy Unfunded	Grieg Star Shipping Canada Funded	Grieg Star Shipping Japan Unfunded	Consolidated
Distribution by scheme as at 31.12.10				**Total**
Calculated pension commitments	117	11 336	4 155	118 669
Pension fund assets (fair value)		4 461	-	81 346
Pre-paid pensions (net pension commitments)	(117)	(6 876)	(4 155)	(37 322)
Estimate changes not posted in the profit and loss account		2 146	-	19 695
Employers' National Insurance contributions		-	-	(3 704)
Book value of pension fund assets/commitments	**(117)**	**(4 73)**	**(4 155)**	**(21 332)**

	Funded		Unfunded		Total Norway
Distribution by scheme as at 31.12.11	**Funded**	**Supplementary pensions**	**Aged 65-67**	**Other pensions**	**Total**
Calculated pension commitments	78 634	18 106	18 254	2 370	117 364
Pension fund assets (fair value)	71 412	15 174	-	-	86 586
Pre-paid pensions (net pension commitments)	(7 222)	(2 932)	(18 254)	(2 370)	(30 778)
Estimate changes not posted in the profit and loss account	5 305	13 952	(841)	-	18 416
Employers' National Insurance contributions	(1 017)	(413)	(2 574)	(334)	(4 338)
Book value of pension fund assets/commitments	**(2 934)**	**10 607**	**(21 669)**	**(2 704)**	**(16 700)**

	Grieg Star Shipping Italy Unfunded	Grieg Star Shipping Canada Funded	Grieg Star Shipping Japan Unfunded	Consolidated
Distribution by scheme as at 31.12.11				**Total**
Calculated pension commitments	276	13 228	4 495	135 363
Pension fund assets (fair value)	0	3 880	-	90 466
Pre-paid pensions (net pension commitments)	(276)	(9 348)	(4 495)	(44 897)
Estimate changes not posted in the profit and loss account	-	3 715	-	22 131
Employers' National Insurance contributions	-	-	-	(4 338)
Book value of pension fund assets/commitments	**(276)**	**(5 633)**	**(4 495)**	**(27 103)**

Asset Allocation in Norway as of 30.09:	**2011**	**2010**
Shares	11.90 %	17.20 %
Bonds	48.70 %	49.10 %
Property	18.00 %	16.90 %
Money market	21.40 %	16.80 %

Note 16 Auditor's fee

PARENT COMPANY

(Amounts in NOK 1 000)

Auditor's fee	**2011**	**2010**
Statutory audit	50	79
Technical assistance accounting	25	50
Other confirmatory services	5	30
Taxation advice	8	14
Other non-audit services	17	25
Total fee to auditor excl. v.a.t.	**105**	**198**

GROUP

Auditor's fee	**2011 Norway**	**2011 Abroad**	**2011 Total**	**2010 Total**
Group auditor				
Statutory audit	635	297	932	1 113
Technical assistance accounting	134	0	134	262
Other confirmatory services	12	0	12	80
Taxation advice	400	215	615	246
Other non-audit services	120	478	598	104
Total fee to Group auditor excl. v.a.t.	**1 301**	**990**	**2 291**	**1 805**

Other non-audit services relate mainly to technical assistance concerning the preparation of accounts, notes and reconciliations.

GROUP

(Amounts in NOK 1 000)

	2011	**2010**
Restricted deposits on the tax deduction account	6 238	9 628
Unused overdraft facility in Grieg Shipping II AS	0	100 000

The Group Grieg Star Shipping AS has an overdraft facility of a total of MUSD 15 in Nordea. As per 31.12.2011, the facility was drawn with MNOK 20.

Note 17 Restricted bank deposits

GROUP

(Amounts in NOK 1 000)

	2011	**2010**
Restricted deposits on the tax deduction account	6 238	9 628
Unused overdraft facility in Grieg Shipping II AS	0	100 000

The Group Grieg Star Shipping AS has an overdraft facility of a total of MUSD 15 in Nordea. As per 31.12.2011, the facility was drawn with MNOK 20.

Note 18 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 (cash flow hedging). 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 interest-bearing financial instruments, but it should also have a certain level of hedging (at least 30%) 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 31.12.11 the Group had signed interest rate swap agreements totalling MUSD 242.75 (including forward interest rate swap agreements), directly hedging 43% (2011) of the Group's future interest rate risk. At the same date, the unrealised loss attached to these agreements, and not posted in the balance sheet, was a loss of MNOK 28, with an average period of maturity of 5.7 years.

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, followed by EUR and CAD 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. Non-USD denominated 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.

The foreign exchange hedging result for 2011 showed a positive result of MUSD 1,7. At 31.12.11 the Group had entered into forward contracts to hedge a total of MUSD 8.15 at the average rate of NOK 6.76 and EUR 1.369. In addition, the Group had entered into a foreign exchange accumulator of a total of MUSD 1.2. The contracts had a unrealized, not posted in the balance sheet, of MUSD 0.4.

Freight rate risk
The shipping industry is very cyclical and characterised by large and unforeseeable fluctuations in freight rates and furthermore revenues. As part of the Group's risk management, Forward Freight Agreements (FFA) are from time to time used as a risk managment instrument.

Gain or loss on the FFA contracts are classified as an adjustment of operating costs and are settled on an ongoing basis. The result from freight rate risk hedging by using financial derivatives ended in 2011 with a loss of MUSD 1.3, which was taken into the balance throughout the year. As of 31.12.11, there was an unrealized, not posted in the balance sheet, loss from FFA hedging of MUSD 1.5.

Bunker prices
The Group uses derivative contracts to hedge bunker prices related to freight agreements without bunker clauses. The result of the hedging contracts is classified as an adjustment of operating costs and is posted in the hedging period.

In 2011 the company had a gain on the swap agreements of MUSD 1.67. As of 31.12.11, the Group had made derivative contracts to hedge bunker prices for a total of 8,100 mt bunkers. Included bunker clauses, this gives a hedging rate of 59 % of budgeted bunker consumption for 2012. As of 31.12.2011, unrealized, not posted, gain on financial bunkers hedging was MUSD 0.37.

Options
As at 31.12.11 the Group held no options.

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To the Annual Shareholders' Meeting of Grieg Shipping Group AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Grieg Shipping Group AS, which comprise the financial statements of the parent company, showing a profit of NOK 51 319 000, and the financial statements of the group, showing a loss of NOK 57 145 000. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2011, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the parent company and the group Grieg Shipping Group AS as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 14 March 2012
PricewaterhouseCoopers AS