GRIEG STAR

FINANCIAL STATEMENTS

2012

Contents

Directors report

2012 ended up far better than expected, given a lacklustre shipping market and a fragile global economy. Grieg Star's pre-tax result of NOK 225m includes healthy results from the shipping activities with an EBITDA of NOK 390m as well as sound returns on the financial investment portfolio of NOK 72m. Although the market continues to be under pressure, Grieg Star remains solid and equipped for grasping opportunities that will occur in today's business climate.

BUSINESS AREAS

Grieg Star, which is the new unifying brand name of the consolidated group of companies controlled by Grieg Star Group AS, is a fully integrated shipping organisation and owner of one of the world's largest open hatch fleets employed in international transport of forestry products and other parcel cargo trades. In addition, the Group operates a fleet of conventional dry bulk carriers as well as owns and manages a financial investment portfolio. Operating worldwide, Grieg Star has offices in USA, Canada, Europe, Far East and S. America, in addition to its headquarters in Norway.

Areas of operation

Open hatch forestry and other parcel cargo trades

Grieg Star's fleet of 32 open hatch vessels, are operated in a pool where contracts of affreightment, with one to five years duration, are entered into with major international pulp and paper producers as well as with other cargo owners. The ability to establish optimal sailing patterns with various cargo combinations and simultaneously adjust to changing market conditions is the operations' main success criteria. Today's trading pattern is primarily built up around exports for the N. American pulp and paper industry, with various sailings to and from Europe and the Far East, but the vessels are also engaged in trades in and out of S. America.

The nature of industrial shipping usually allows for a long-term operating philosophy, as the vessels normally are contracted, operated and owned by the same company throughout their life. While the average age of Grieg Star's fleet, which has a life expectancy of at least 30 years, is presently 17 years, this is about to decrease significantly as the Group is in the middle of renewing its fleet, taking delivery of ten vessels from Hyundai Mipo, S. Korea. The new vessels, of which two were delivered second half 2012, have specialised swing cranes. In combination with the existing fleet with gantry cranes, the fleet renewal will also result in a more diversified fleet, thus enabling a further broadening of Grieg Star's specialized parcel cargo carrier concept.

Dry bulk operation

In 2012, Grieg Star took delivery of two new supramax vessels from Dayang, China. These vessels, which are owned by the Group, mark the strategy to grow this business, which up until now has been acting as an operator only, chartering in vessels from the market as well as entering into dry bulk cargo transportation contracts. During 2012, the dry bulk operation, which had an annualized activity level of 13 vessels, both managed to secure long term strategic cargo contracts as well as charter in long term time charter tonnage with forward delivery and purchase options.

Financial asset management

Grieg Star owns and manages a financial investment portfolio, amounting to NOK 1.15bn at year-end. The portfolio has been consciously built up over time, and is actively managed within the limits set forth by the Norwegian tonnage tax regime. The main objective of the portfolio is to provide overall financial stability and solidity to the Group as well as generate adequate risk adjusted returns. The investment policy is long-term and follows a traditional asset allocation model, with funds allocated to various asset classes, primarily through fund instruments.

ANNUAL ACCOUNTS

Results, earnings and operations

Both Grieg Star's open hatch and dry bulk operations contributed positively to the 2012 result, both relative to the general shipping market and in absolute terms, given each segment's ability to benefit from solid cargo bases that have been built up over the years. Given this as well as strong results on the financial investment portfolio and gain on foreign exchange, but on the other hand a write-down on the two supramax new buildings, Grieg Star delivered a pre-tax profit of NOK 225m in 2012 vs. a negative result of NOK 73m in 2011.

Grieg Star operated fewer vessels in 2012, compared to 2011, going from 48 to 45. The reduction was in dry bulk, which also carried less cargo than in the previous year. All in all, Grieg Star's income came out at NOK 3.80bn, NOK 69m less than in 2011. The 2012 income figure includes in addition to regular freight income and income from the Group's ship terminal in Canada also a net profit of NOK 16m from an open hatch vessel that was sold for green recirculation in China.

Total operating costs decreased slightly in 2012, down to NOK 3.70bn compared to NOK 3.79bn in 2011. In terms of the vessels' voyage expenses of NOK 2.17bn, there was still an increase, of NOK 71m compared to 2011. The majority of voyage related expenses are fuel oil costs, with a 48% share. While fuel oil costs decreased in 2012, in line with lower oil prices, together with commissions, transhipment, stevedore and pilot costs, cost items which witnessed noteworthy increases were harbour dues, cargo handling costs in general, and costs related to securing cargo during transportation in particular. On the other hand, the cost of hiring vessels from the market decreased, amounting to 467m in 2012 vs. NOK 635m in 2011. Technical operating costs, at NOK 452m in 2012, remain high, which seems unavoidable in order to run a safe operation and well maintained fleet. While upgrading of navigation equipment and installation of broad band on board are examples of investments, other items where costs were still on the rise, despite a slow world economy, were manning costs, provisions, lubricating oil and insurance, with the latter influenced by a few incidents. However, the majority of the 4% increase in costs from 2011 to 2012 is explained by more vessels being technically managed by the Group, up from 26 to 28, and the project costs related to the new building program as e.g. the site team looking after the construction of the new vessels. Two dry dockings were carried out in 2012, with costs within budget. Administration costs, including personnel costs, developed in line with inflationary expectations and increases due to employment of additional staff in the commercial unit. The Group's depreciation charges decreased in 2012, despite the increased number of vessels owned, as depreciations on most of the open hatch vessels were adjusted to better reflect their actual economic life, extending their depreciation plan from 27 to 30 years. Compared to the previous plan, this reduced depreciation costs with NOK 26m. Finally, the Group carried out a write down on the two supramax new buildings of NOK 32m.

Despite slightly lower freight earnings and total operating costs, the Group's operating profit increased from NOK 82m in 2011, to NOK 98m in 2012.

Net financial items gave a solid contribution of NOK 127m in 2012, significantly above the 2011 result of minus NOK 155m. The 2012 figure includes, however, NOK 139m in net gain on foreign exchange, vs. a net loss of NOK 40m in 2011. Grieg Star's financial investment portfolio retained an underweight to equities for most parts of 2012, while at the same time being over-weighted in bonds, and credit bonds in particular. The positive effect from this strategy could be regarded as the most important cause for the portfolio ending up with a net result of NOK 72m, which is in line with overall market performance and slightly above long term expectations. Interest rates continued to be at historic lows and are expected to remain low going forward. The Group made only minor changes in its fixed interest rate coverage in 2012. At year end, it had a 49% interest rate hedge ratio, based on swap agreements with a weighted duration of 5 years. The Group's interest expenses, at NOK 81m in 2012, are unchanged compared to 2011. Although more loans are drawn upon as the new building program evolves, the Group decided to capitalize all pre-delivery financing costs related to the new buildings, which had a NOK 36m result effect. Long-term financing has been secured for all the remaining new buildings to be delivered in 2013-2014, either through traditional ship finance loans or export credit arrangements.

Balance sheet, financial situation and cash flow

Based on higher operating income, positive financial returns, and a higher investment level, the Group's cash flow from operations at year-end totalled NOK 312m, while net change in liquid funds was NOK 124m, after payment of dividends. Long-term interest bearing debt increased from NOK 2.64bn to NOK 3.06bn due to increased borrowings related to the new building program, although part of the increase was offset by a weaker USD as the loans are denominated in USD. At year-end, Group book equity was NOK 3.60bn, while distributable equity in the mother company Grieg Star Group AS was NOK 2,352,889m.

At the end of 2012, the Group had total assets of NOK 7.34bn, with current assets accounting for NOK 1.62bn, of which the financial investment portfolio accounted for 71%. Liquidity in the form of bank deposits and cash at year-end totalled NOK 124m. The Board of Directors considers Grieg Star's financial situation to be solid.

WORKING ENVIRONMENT AND OCCUPATIONAL HEALT

Grieg Star's policy is to provide a positive, challenging, safe and secure working environment with competitive terms and high standards on board and ashore. To achieve this, the Group strives to create a workplace and culture where people enjoy working. The Board considers the working environment to be good. Main indicators, as absence rates, injuries and turnover on shore are all very low and the crews' return rate on board are high. There is a strong and continuous focus on matters concerning health and safety in the organisation.

At year-end, Grieg Star had 987 employees, of which 261 were shore-based and 726 at sea. For shore-based personnel, 123 were employed in Norway and 138 in the offices abroad. The vessels have a full complement of Philippine crew.

Health, environment and safety

Grieg Star maintains an overview of sick leave in accordance with current laws and regulations. In 2012, the general sick leave for Norwegian based employees was 4.4 %, of which 3.3% was long term leave. Besides organising medical follow-ups, the Group encourages and facilitates participation in physical activities for all personnel to stay fit. There were no injuries or accidents reported ashore, while records show 12 cases of sign-off due to illness, and 8 due to accidents for the seafarers.

Given a few fatal accidents on board the vessels related to sub-contractors in previous years, Grieg Star used 2012 to look into how to implement preventive measures. Better sign-posting and physical hindrances related to dangerous areas is one example of initiatives, while stricter follow up of sub-contractors' compliance with the Group's safety rules is another.

Throughout the Group there are on-going training and learning activities, taking place in various formats and contexts. In 2012, Grieg Star started a tailored-made management program for shore based managers "Leading into the future", with the aim to developing management skills, increase cooperation between units and to inspire more visionary thinking. For the seafarers, the Group developed among others training modules building knowledge of the environmental effects of shipping operations, thus increasing the ability to identify ways of improving energy efficiency.

Equal opportunities

Grieg Star does not accept discrimination in any form. The business operations are to be conducted based on the principles of equality and respect. At year-end 2012, the land based workforce reflected a distribution between the genders of 40 % women and 60 % men. There are about one third females, both within the top management team and at middle management level. 2012 mark the year when Grieg Star recruited its first group of female cadets. These women will be trained for future officer positions on board the Group's vessel.

EXTERNAL ENVIRONMENT

Shipment by sea is the most environmentally friendly way of transporting goods from one place to another. Nevertheless, shipping operations entail the discharge of harmful emissions. Grieg Star's environmental vision is: 'No harmful emissions to air, sea and land'. The most effective way of reducing CO_2 emissions is to reduce the fleet's total energy consumption. Grieg Star's total environmental footprint is dependent on technical development as well as commercial initiatives, and the Group is working systematically to improve in both areas. In addition, the Group works through various decision making bodies to establish common legislation, to push for changes. Grieg Star is also involved in several projects across the shipping industry as "Working Group 5", which consists of five ship owners wishing to cooperate on environmental shipping in a systematic way. While a range of thematic areas have been identified, each participating company is responsible to share knowledge and experience in their chosen field, where Grieg Star is responsible for energy efficiency and measuring of such.

As part of the "WG5" project "Energy Management In Practice", Grieg Star has installed advanced measurement systems on board more than half of its fleet. This makes it possible to carry out better performance monitoring, following up various energy reducing initiatives and investments as well as increase general awareness of energy consumption. In 2012, ballast water treatment systems were installed on the Group's two new built open hatch vessels, in order to prevent unwanted organisms moving from one ecosystem to another. Implementing "Ship Energy Efficiency Management Plans" on board all vessels was also an important milestone last year, as it engaged Grieg Star's seagoing personnel in making a plan on how to reduce energy consumption, with the effect being documented going forward. Last, but not least, analysis has been conducted on all operational and technical energy reducing efforts implemented on the open hatch fleet during 2007-2012; The use of economic speed vs. full speed has during this period contributed to energy savings of about 10%, with particularly strong effects in 2011 and 2012. Technical and other operational measures also show savings around 10%. All in all, total energy reduction initiatives are measured to 18%, making Grieg Star's 2015 goal to have a 20% reduction in energy consumption, compared to 2006, in reach.

INTEGRITY AND TRANSPERANCY

Grieg Star is committed to implement UN Global Compact's ten principles on human rights, working conditions, the environment and anti-corruption in its strategies and business operations as well as report on progress. The reporting is done in accordance with the Global Reporting Initiative (GRI), an international recognised standard for triple-bottom line reporting. This is the fifth year of reporting. Description of the Group's work on integrity and transparency in general is presented on Grieg Star's Web page. In respect of 2012 activities, the Group's participation in the newly established Maritime Anti-Corruption Network, where working against corruption in ports is one of the targeted areas, is worth to take notice of.

CONTINUOUS IMPROVEMENT

Through active participation, within the Group and in the maritime industry, the organisation seeks to find innovative solutions to improve its performance. In order to stay ahead of competition, it is not sufficient to renew the Group's fleet only; Grieg Star's strategic position, organisation and competence also needs to be reviewed, revised and renewed, which is why Grieg Star has launched a strategic position project involving both its internal and external surroundings in order to make sure that the Group makes necessary adjustments where needed. One example is the establishing of Grieg Star's leadership principles which states what to expect and require from a leader in Grieg Star. Implementing a common brand name for the entire Group – Grieg Star, is another. Good operational practice and attention to details are, however, fundamental for improvement work on a daily basis. An effective reporting regime to monitor and follow up performance is further critical for success. Hences, new Key Performance Indicators and its reporting were established in 2012.

RISK

The management of risk is important for value creation and is an integrated part of the overall management and governing model. Grieg Star's key risk factors relate to market operations, financial management, operations and regulatory framework. The development of strategies and policies as well as actions, play a vital role in managing and reducing these risks and contribute to the safeguarding of quality and controls.

Grieg Star's financial and market risk is mainly composed by risks related to the development of freight rates, bunker prices, ship values, currency and interest rates as well as stock prices. The fleet's earnings are largely related to long-term cargo contracts as the bulk of the Group's business activities are of an industrial character. This means that the revenues are less volatile than the spot dry bulk market and that changing market conditions generally have a delayed effect on the results.

Most of Grieg Star's revenues, assets and liabilities are denominated in USD, hence the operational currency is in reality USD. Consequently, currency risk is considered to be mainly related to the purchase of administrative services in Norway and abroad, local taxes and some purchases related to the operation of the fleet. The Group has clear defined strategies and policies that reduce both the interest rate, currency and bunker price risk. Exposure, hedging activities and its results are reported frequently to the Board.

Grieg Star has a substantial financial investment portfolio, and changes in the value of international securities and interest rates directly affect its result. The financial investments are managed under a long-term strategy which reflects the Group's business principles and long-term perspective. This ensures that Grieg Star can withstand major and lasting market fluctuations while maintaining ability to renew its shipping business.

Grieg Star assumes direct counterparty risk through all parts of its business activities as e.g. investment of surplus liquidity, purchasing goods, and freight payments from customers. Before entering into agreements, the creditworthiness and other counterparty related risk issues are assessed. The Group has a diversified international customer base, but in challenging market situations, the likelihood of a customer becoming insolvent cannot be ruled out. In the light of the Group's strong financial and liquid position, the liquidity risk is, however, considered minor.

CORPORANCE GOVERNANCE

Considerable efforts have been made in recent years to ensure that the division of tasks and roles between the administration, the Board of Directors and the General Meeting is based on sound practice. The Norwegian Recommendation on Corporate Governance is applied insofar as appropriate. Divergence from the recommendation arises from the fact that Grieg Star is a privately-owned business. How corporate governance issues are performed is described on the Group's Web page. A relevant event to report from 2012 is the resignation of one board member and the following engagement of a new director.

THE MARKET

The Group had very modest expectations going into 2012. Uncertainty regarding global economic outlook, combined with high growth in the supply of tonnage, have placed pressure on both end-user demand and charter rates. As an example trip charter rates for supramax dry bulk carriers averaged USD 9,000 per day in 2012, compared to USD 14,000 per day in 2011 and USD 23,000 per day in 2010. However, both Grieg Star's open hatch and bulk operations enjoyed solid contract coverage in 2012, which also enabled chartering in vessels at low rates. This had significant positive impact on the bottom line, compared to operating in the spot market only.

Grieg Star's open hatch fleet transported 3% more cargo (measured in MT) in 2012 compared to 2011, of which forestry related products contributed with almost two thirds of all cargo transported. Besides experiencing an increase in lumber and wood pellets, the volume increase was mainly due to carrying more steel and project cargoes, particularly related to N. American infrastructure projects. Trade wise, the Group experienced a slight rebalancing of previous year's situation, as the amount of cargoes going from the Far East to the western world improved somewhat, as a result of slower Chinese domestic growth as well as a slightly improved economic situation in the US. The Group's cargo volumes out of S. America also increased in 2012. For general dry bulk, Grieg Star's transport volumes were down, which were mainly due to a workers' strike at one customer and rescheduling of shipments under contract from 2012 into 2013.

Having entered 2013, the situation in the dry bulk market has not changed significantly as the supply side continues to weigh on the market. Although the world economy is not as strong, in terms of growth in GDP, growth in dry bulk cargo transported by sea is actually quite good. The problem still is, that there are too many, and too large, dry bulk ships out there. Consequently, Grieg Star expects that at least 12-18 more months will have to pass before seeing clear signs of a dry bulk freight market improvement. In the meantime, the Group's dry bulk operation should continue to benefit from its significant share of previously entered into cargo contracts.

The open hatch fleet is also facing supply side challenges going forward. While some operators are renewing their fleet, as Grieg Star is doing, the segment is also faced with a new entrant having a sizeable fleet. This is anticipated to have negative influence on freight rates and earnings over the next years, as growth in seaborne demand for pulp in particular, may not be sufficient to fill all available open hatch vessel capacity. Grieg Star has, however, positioned itself for this, having systematically increased the open hatch vessels' cargo base with longer term contracts at acceptable rate levels. The current new building programme shows that the Group remains positive and confident in the open hatch segment's longer term outlook.

Summing up, Grieg Star expects to achieve a positive pre-tax result also for 2013. Being financially sound as well as having a strong liquid position, Grieg Star is also prepared to take advantage of opportunities that will appear in the current market.

GOING CONCERN

The Board of Directors confirms that the annual accounts have been prepared on the basis of the going concern assumption and that this assumption is valid. The consideration is based on the Group's solid financial position and expectations of future earnings. The Board believes that the submitted annual accounts give a correct picture of the results, cash flows and economic situation.

The Board of Directors are content with the results in 2012, given the state of the market, and would like to thank all employees ashore and on board for their great efforts throughout the year.

Oslo/Bergen, 12 March 2013

The Board of Directors of Grieg Star Group AS

Elisabeth Grieg
Chair

Didrik Munch
Board Member

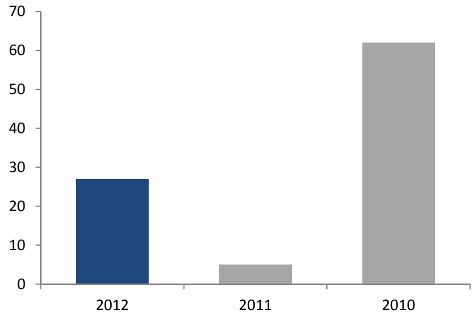
Bjørn Gabriel Reed
Board Member

Kai Grøtterud
Board Member

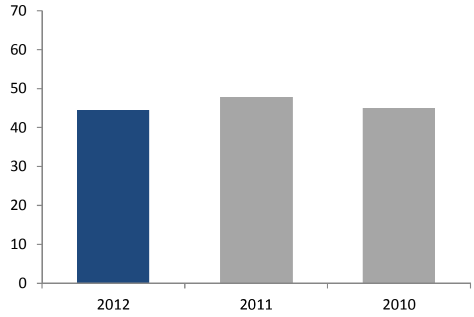
Camilla Grieg
Board Member

Key Figures

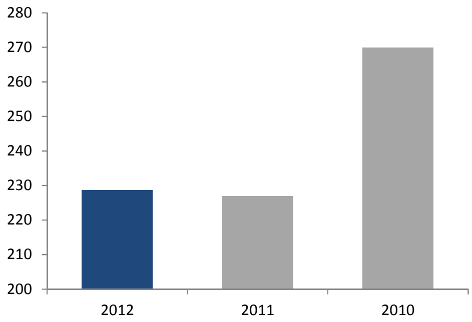
Profit before tax 27 USD million



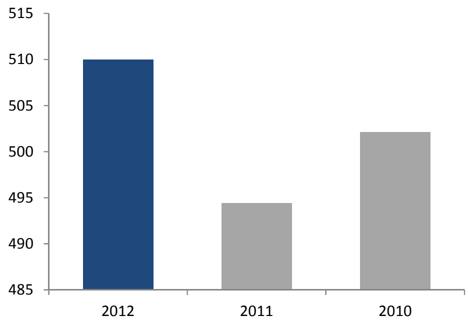
Number of ships 44 ships



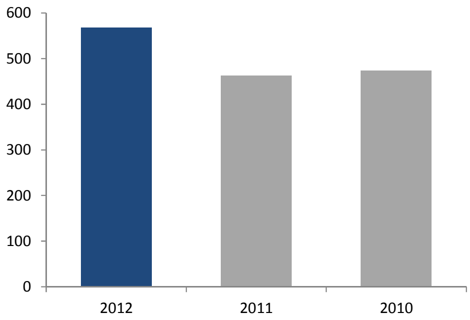
Liquid assets 229 USD million



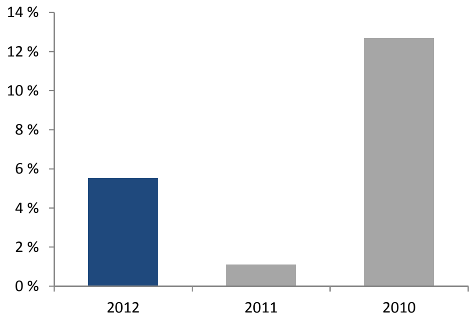
Total book equity 510 USD million



Interest bearing debt 568 USD million



Return on equity 5,5 percent



Key Figures

Grieg Star Group - Key Figures in USD

USD million	Figures in	2012	2011	2010	2009*	2008	2007
From Profit and Loss Statement							
Gross Revenue	Mill. USD	642	759	686	560	208	204
EBITDA	Mill. USD	67	72	96	50	134	138
EBIT (operating result)	Mill. USD	25	26	59	20	114	117
Profit / (loss) before tax	Mill. USD	27	5	62	23	-36	-1
Profit / (loss) after tax	Mill. USD	27	4	61	43	78	116
From Balance Sheet							
Ships and other fixed assets	Mill. USD	890	771	783	619	481	455
Total assets	Mill. USD	1182	1071	1108	969	811	800
Cash and liquid assets	Mill. USD	229	227	270	285	284	331
Total book equity	Mill. USD	510	494	502	483	442	377
Interest bearing debt	Mill. USD	568	463	474	386	273	233
Total liabilities	Mill. USD	672	576	605	486	370	424
Profitability and Financial Ratios							
Return on equity	%	6 %	1 %	13 %	9 %	19 %	30 %
Cash flow	Mill. USD	0	-9	10	73	98	137
NIBD/EBITDA	Ratio	1,9	1,6	1,1	0,3	-0,5	-1,1
Equity ratio	%	43 %	46 %	45 %	50 %	55 %	47 %
Fleet							
Average number of ships operated		44	48	45	n.a.	n.a.	n.a.
- Open Hatch		32	31	30	n.a.	n.a.	n.a.
- Dry Bulk		13	17	15	n.a.	n.a.	n.a.
USD/NOK per 31.12		5,57	5,99	5,79	5,78	7,00	5,41
Average USD/NOK		5,82	5,61	6,05	6,28	5,64	5,86

*During 2009, the Grieg Shipping Group was reorganized. The 2009 USD key figures are pro forma figures.
Ref. further description in the Annual Accounts.

Definitions

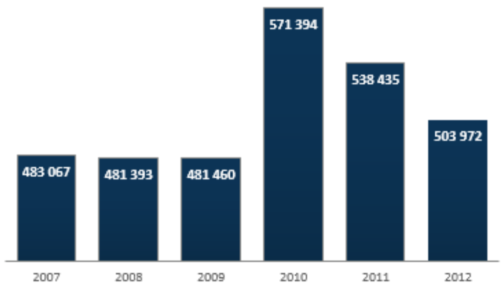
EBITDA: Operating result before depreciation and amortisation
Return on Equity: Net result divided by average book shareholder's equity
Cash flow: Net cash flow from operating activities, investments and financing activities
Cash and liquid assets: Bank deposits and securities
Equity ratio: Shareholder's book equity as percentage of total assets
NIBD: Net Interest Bearing Debt
NIBD/EBITDA: Adjusted for debt related to newbuildings, i.e. debt accumulated on vessels under construction or on vessels delivered during the year.

Environment

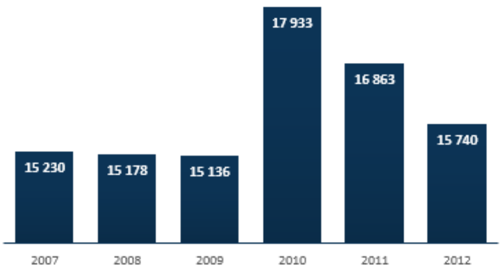
There has been a positive trend in energy consumption per nautical mile over the past years. Technical improvements on existing vessels, combined with optimal use of slow speed are key contributors to improved energy efficiency. In 2012, slow speed was the single most important contributor. However, slow speed is sensitive to market developments and may vary accordingly.

Our goal is to reduce energy consumption by 20% in 2015 compared to 2006 levels. A combination of several technical energy saving solutions and commercial initiatives have been taken in order to achieve this goal.

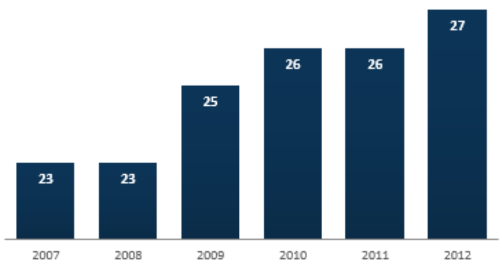
CO2 (ton)



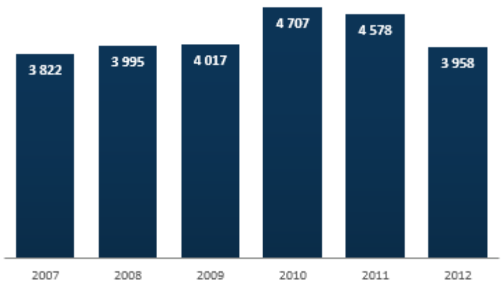
Nox (ton)



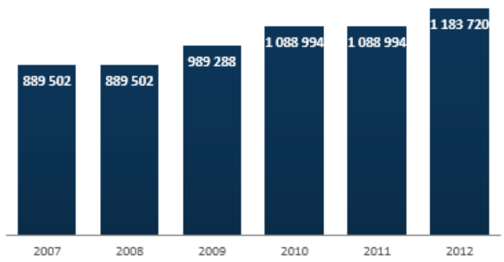
Number of ships



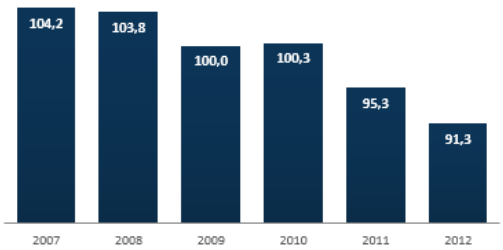
SOx (ton)



DWT



Fuel/nm (kg)



Employees

Number of employees	2012	2011	2010	2009
HQ/Branch offices	261	252	224	206
Crew	726	637	625	593
Total	987	889	849	799

Gender	2012	2011	2010	2009
Male	883	782	756	710
Female	104	107	93	89

Geographical diversity	2012	2011	2010	2009
Europe	141	n.a.	n.a.	n.a.
North and South America	69	n.a.	n.a.	n.a.
Asia	777	n.a.	n.a.	n.a.

Health and safety figures

Health and Safety performance	Goal	2012	2011	2010	2009
No. of casualties leading to repatriation pr year	Zero	8,0	4,0	3,0	4,0
Number of 'near casualties' reported	Increasing		11,0	18,0	10,0
Lost time injury (LTI) frequencies	Below prev. yr	2,7	2,0	1,7	2,4
Total Reportable cases Frequencies	Below prev. yr	5,6	7,9	8,3	8,1
Fatalities:					
Crew	Zero	0	0	0	n.a.
Shore workers	Zero	0	2	2	n.a.

Absent rate / return rate	2012	2011	2010	2009
Absent rate - Norway	4,4 %	3,0 %	2,1 %	2,0 %
Return rate - Crew				
Capt./Ch.eng	99 %	100 %	100 %	100 %
Ch.off/1st. Eng	90 %	100 %	100 %	98 %
Jr. Off.	85 %	97 %	94 %	97 %
Crew	92 %	92 %	90 %	84 %

Profit and loss statement

GRIEG STAR GROUP AS Amounts in NOK 1 000					GRIEG STAR GROUP CONSOLIDATED Amounts in NOK 1 000	
2012	2011	Note		Note	2012	2011
			REVENUES			
77 739	**76 064**		Operating revenue		**3 786 797**	**3 871 059**
-	-		Gain from sale of vessel	4	15 508	-
77 739	**76 064**		**Total revenues**		**3 802 305**	**3 871 059**
			Operating expenses			
-	-		Vessel operating expenses		451 938	434 992
-	-		Voyage related expenses		2 171 675	2 099 615
-	-		TC hire		466 819	634 609
50 074	51 501		Payroll and social security expenses	14	263 373	210 367
29 754	27 021		Other operating expenses		58 854	92 977
843	606		Depreciation	3,4	259 131	272 743
-	-		Write-downs	3,4	32 117	43 796
80 670	**79 128**		**Total operating expenses**		**3 703 907**	**3 789 099**
-2 931	**-3 064**		**Operating profit**		**98 398**	**81 959**
			FINANCIAL ITEMS			
338	293		Interest income		5 937	9 356
192	474		Interest income group		-	-
-	-		Other financial income		162	1 585
-135	-		Interest expenses		-80 925	-80 804
-5 500	-4 152		Interest expenses group	11	-5 500	-4 152
-	-		Result on investment in associated company		-	-5 455
66 520	56 000		Dividend from subsidiaries		-	-
-	-		Change in value of financial investments	8	54 740	-58 654
-	-		Realized return on market-based fin. Investm.	8	13 197	23 590
-1	-4		Gain/loss on foreign exchange		138 925	-40 254
61 415	**52 611**		**Net financial items**		**126 537**	**-154 788**
58 483	**49 546**		**Profit before tax**		**224 935**	**-72 828**
997	**1 772**		**Tax**	13	**2 032**	**15 684**
59 480	**51 318**		**PROFIT FOR THE YEAR**		**226 966**	**-57 145**
59 480	51 318		Profit for the year		226 966	-57 145
-55 000	-20 000		Proposed dividend		-55 000	-20 000
4 480	31 318		To / (from) other equity		171 966	-77 145

Balance as of 31.12

GRIEG STAR GROUP AS
Amounts in NOK 1 000

GRIEG STAR GROUP CONSOLIDATED
Amounts in NOK 1 000

2012	2011	Note		Note	2012	2011
			ASSETS			
			FIXED ASSETS			
			Intangible fixed assets			
-	-	3	Contracts		74 758	82 921
-	-	3	Goodwill		32 368	38 628
3 542	2 545	13	Deferred tax asset		1 362	-
3 542	**2 545**		**Total intangible assets**		**108 488**	**121 549**
			Tangible assets			
1 605	2 344	4	Fixtures and fittings, other equipment		26 951	24 262
0	-	4	Load/discharge equipment		59 026	46 872
4 462	-	4	Terminal and other property		79 934	81 014
-	-	4	Vessels		4 296 427	3 654 635
-	-	4	New building contracts		1 134 516	1 149 713
6 067	**2344**		**Total fixed tangible assets**		**5 596 854**	**4 956 496**
			Fixed financial assets			
2 724 943	2 723 949	5	Investments in subsidiaries		-	-
-	-		Share in associated company		-	-
1 151	1 605	15	Pension funds		7 938	10 607
-	-	7	Investments in shares		2 070	2 340
-	-	9	Long term receivables		3 122	2 953
2 726 094	**2 725 554**		**Total fixed financial assets**		**13 130**	**15 900**
2 735 703	**2 730 443**		**Total fixed assets**		**5 718 472**	**5 093 945**
			CURRENT ASSETS			
			Accounts receivable			
68 586	21 892	11	Receivables from group companies		338	234
-	-		Freight receivables		107 190	144 494
336	766		Other receivables		72 179	75 059
68 923	**22 659**		**Total receivables**		**179 706**	**219 787**
-	**-**		**Inventory of bunkers**		**171 945**	**213 001**
		8	**Market-based investments**		**1 149 024**	**1 227 860**
9 221	**17 073**	17	**Bank deposits, cash in hand, etc**		**123 831**	**135 848**
78 143	**39 732**		**Total current assets**		**1 624 507**	**1 796 496**
2 813 847	**2 770 175**		**TOTAL ASSETS**		**7 342 979**	**6 890 441**

Balance as of 31.12

GRIEG STAR GROUP AS
Amounts in NOK 1 000

GRIEG STAR GROUP CONSOLIDATED
Amounts in NOK 1 000

2012	2011	Note		Note	2012	2011
			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
1 890 108	1 945 108	2	Other paid-in capital		1 890 108	1 945 108
2 027 160	**2 082 160**		**Total paid-in capital**		**2 027 160**	**2 082 160**
			Retained earnings			
607 114	547 634	2	Other equity		1 575 212	1 352 888
607 114	**547 634**		**Total retained earnings**		**1 575 212**	**1 352 888**
2 634 274	**2 629 794**	2	**Total equity**		**3 602 372**	**3 435 049**
			LIABILITIES			
			Provisions			
9 346	9 070	15	Pension liabilities		40 162	37 710
-	-	13	Deferred tax		-	4 310
9 346	**9 070**		**Total provisions**		**40 162**	**42 020**
			Long-term debt			
3 430	-	10	Liabilities to financial institutions		3 055 755	2 642 347
-	-		Other long-term liabilities		-	18 720
95 892	95 892	11	Liability to group companies		95 892	95 892
-	-	13	Transition tax, long-term		-	62 415
99 322	**95 892**		**Total long-term liabilities**		**3 151 647**	**2 819 374**
			Current liabilities			
3 661	4 297	11	Liabilities to group companies		2 310	4 785
814	928		Accounts payable		76 358	92 833
5 389	5 543		Public duties payable		21 057	13 930
55 000	20 000	2	Dividend		55 000	20 000
-	-	13	Taxes payable		68 297	71 534
-	-		Bank overdraft		10 942	20 448
6 041	4 652	10	Other short-term liabilities		314 835	370 469
70 904	**35 420**		**Total current liabilities**		**548 798**	**593 999**
179 572	**140 382**		**Total liabilities**		**3 740 607**	**3 455 393**
2 813 847	**2 770 175**		**TOTAL EQUITY AND LIABILITIES**		**7 342 979**	**6 890 441**

Oslo, 12th of March 2013
The Board of Directors Grieg Star Group AS

Elisabeth Grieg
Chair

Didrik Munch
Board Member

Bjørn Gabriel Reed
Board Member

Kai Grøtterud
Board Member

Camilla Grieg
Board Member

Cash flow statement

GRIEG STAR GROUP AS Amounts in NOK 1 000			**GRIEG STAR GROUP CONSOLIDATED** Amounts in NOK 1 000	
2012	2011		2012	2011
		CASH FLOW FROM OPERATIONS		
58 483	49 546	Profit before income taxes	224 935	-72 828
0	-555	Taxes paid in the period	-65 770	-93 526
-	-	Gain/loss from sale of fixed assets	-29 455	-24 982
843	608	Depreciation (including dry dock)	305 818	319 334
-	-	Write down	32 117	43 796
427	-678	Change in trade debtors	64 521	-15 448
-66 520	-	Dividends/group contribution received	-	-
-113	-8 583	Change in trade creditors	-15 959	19 082
-	-	Change in supplies	39 475	-78 072
729	4 618	Pension costs without cash effect	5 118	5 772
-	-	Effect of exchange fluctuations	-182 991	78 080
-	-	Change in public debt and other short term debt	2 456	-1 110
1 236	-	Changes in other provisions	-934	17 899
-	-	Items classified as investment or financial activities	-67 413	23 634
-4 915	**44 956**	**Net cash flow from operations**	**311 918**	**221 631**
		CASH FLOW FROM INVESTMENTS		
-	-	Proceeds from sale of fixed assets	25 488	3 344
-4 565	-1 865	Purchase of fixed assets	-990 227	-298 259
19 829	61 358	Proceeds from loans to other group companies	4 230	-131
0	-1 625	Repayment of loans to other group companies	-2 475	2 284
-	-	Repayment of other loans	-9 468	-
-	-	Proceeds from sale of market based investments	346 196	386 894
0	-30 035	Purchase of market based investments	-257 572	-208 956
-	-	Purchase of shares in associated company	-67	-2 487
15 264	**27 833**	**Net cash flow from investments**	**-883 895**	**-117 311**
		CASH FLOW FROM FINANCING		
-	-	Change in exchange rates bank deposits	0	902
-1 632	-	Proceeds from loans to other group companies	0	-1 460
3 430	-	Proceeds from long term loans	779 665	-41 152
-	-	Repayment of long term loans	-199 703	-40 928
-20 000	-70 000	Payment of dividend	-20 000	-70 000
-18 202	**-70 000**	**Net cash flow from financing**	**559 962**	**-152 638**
-7 852	**2 790**	**Net change in cash and cash equivalents**	**-12 016**	**-48 319**
17 073	14 283	Cash and cash equivalents at the beginning of the period	135 848	184 167
9 221	**17 073**	**Cash and cash equivalents at the end of the period**	**123 831**	**135 848**
		Specification of cash and cash equivalents at the end of the period		
9 221	17 073	Bank deposits, cash, etc.	123 831	135 848

Notes

Note 1 Accounting principles

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 reduced value is due to causes which are not deemed to be temporary. 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. Investments in associated companies are stated according to the cost method in the company accounts and according to the equity method in the group 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 recoverable amount 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.

ASSET IMPAIRMENTS

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognisedfor the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). The Group's open hatch vessels are sailing in a pool which is marketed and operated by Grieg Star Shipping AS. This means that the operational use of the vessels, including optimization of routes, is combined for the fleet. Earnings of each individual vessel is therefore affected by the earnings of other vessels in the pool. The fleet is therefore considered to be the cash-generating unit.

Vessels, other than open hatch vessels, are managed in the same manner as a "pool" within the Group's bulk activities. Thus the dry bulk vessels are considered to be one cash generating unit.
New building contracts are included in the open hatch fleet impairment and unpaid installments are deducted.
Non-financial assets other than goodwill which have been impaired are reviewed for possible reversal of the impairment at each date

FIXED ASSETS

Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is charged on a straight line basis over the remaining expected useful life of each asset adjusted for the residual value. If chanes in the depreciation plan occur the effect is ditributed over the remaining depreciation period.

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, written-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.

NEWBUILDING CONTRACTS

Instalments on new building contracts are capitalised as new buildings as they are paid. Capitalised value is reclassified from new buildings to vessels upon delivery from the yard. Borrowing costs that are attributable to the construction of the vessel are capitalized as part of the vessel.

The recoverable amount of an asset is measured whenever there is an indication that an asset may be impaired, written-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.

STOCK 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 financial 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

Monetary items denominated in foreign currency are valued at the year-end exchange rate (for USD: 5.5664). 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.

Financial statements denominated in foreign currencies are translated to NOK using the average currency rate for profit and loss and the year end for the balance sheet.

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 currency over the next twelve to twenty-four months. For bunkers, the group 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 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.

FREIGHT HEDGING

The group uses FFA contracts to manage freight risk. Gains and losses on freight hedging contracts are classified as an adjustment to operating income and accounted for with the transaction 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. Moreover, the Group has continued some defined benefit plans.

For the defined benefit pension plans, 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.

For the defined contribution plans, the Group makes contributions to an insurance company. The Group has 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.

OPERATING LEASES

The company differentiates between financial leasing and operational leasing based on anevalutation of the lease contract at the time of inspection. A lease contract is calssified as a financial lease when the terms of the lease transfer substantially all the risk and reward of ownership to the lessee. All other leases are classified as operational leases.

When a lease contract is classified as a financial lease where the company is the lessee, the rights and obligations relating to the leasing contracts are recognised in the balance sheet as assets and liabilities. The interest element in the lease payment is included in the interest costs and the capital amount of the lease payment is recorded as repayment of debt. The lease liability is remaining part of the principal. For operational leases, the rental amount is recorded as an operating cost.

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.

CHANGE IN ACCOUNTING PRINCIPLES

The Group changed its accounting principles regarding the treatment of borrowing costs related to to vessels under contruction. Previously all borrowing cost were recongised as an operating expense. From 2012 the borrowing costs that are attributable to the construction of the vessel are capitalised as a part of the vessel. The effect in the profit and loss statement in 2012 from the change in principle is a net gain of NOK 35.6 mill.

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.

COMPANY	REGISTERED OFFICE	OWNERSHIP
Grieg Shipowning AS – shipowning holdingcompany, tonnage taxed	Bergen	100.00%
Grieg Star AS – technical managment and project development	Bergen	100.00%
Grieg Star Shipping AS – marketing, chartering and operation company	Bergen	100.00%
Grieg Green AS – green recycling of vessels	Oslo	100.00%
Grieg Star Bulk AS – shipowning company, tonnage taxed	Bergen	100.00%
Grieg Green is a group which comprises the following companies:		
Grieg Green AS – green recycling of vessels	Oslo	100.00%
Grieg Consulting and Advisory Company Ltd	Shanghai, China	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 de Janeiro, Brasil	100.00%
Grieg Star Shipping Consulting Ltd	Shanghai, China	100.00%
Grieg Star Shanghai Company	Shanghai, China	100.00%

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

Note 2 Equity

Amounts in NOK 1 000

PARENT COMPANY

Changes in equity	Share capital	Other paid-up equity	Other equity	Total
Equity at 01.01	137 052	1 945 108	547 633	2 629 793
Profit for the year			59 481	59 481
Provision for dividends		-55 000	0	-55 000
Equity at 31.12	**137 052**	**1 890 108**	**607 114**	**2 634 274**

GROUP

Changes in equity	Share capital	Other paid-up equity	Other equity	Total
Equity at 01.01	137 052	1 945 108	1 352 888	3 435 048
Profit for the year			226 966	226 966
Provision for dividends		-55 000	0	-55 000
Currency translation differences			-4 643	-4 643
Equity at 31.12	**137 052**	**1 890 108**	**1 575 212**	**3 602 372**

Accumulated currency translation differences per 31.12.2012 is NOK -5.0 million.

Note 3 Intangible assets

Amounts in NOK 1 000

GROUP

Intangible assets	Goodwill	Contracts	Total
Purchase costs at 01.01	94 305	163 265	257 570
Additions	0	0	0
Disposals	0	0	0
Purchase cost at 31.12	94 305	163 265	257 570
Purchase cost at 31.12	61 937	88 507	150 444
Book value at 31.12	32 368	74 758	**107 126**
Depreciation	6 260	8 163	14 422
Depreciation period	5-20 years	20 years	
Depreciation plan	Straight-line	Straight-line	

The goodwill is related to the purchase of Grieg International II AS and is depreciated over the expected useful life of the company's vessels. The above represent excess values related to the open hatch vessels' contracts of affreightment through the participation in the Grieg Star Shipping pool.

Note 4 Fixed assets

Amounts in NOK 1 000

PARENT COMPANY

	Property	Cars, machinery	Office machines	Total
Purchase costs at 01.01	0	1 136	1 999	3 135
Additions	4 462	0	103	4 565
Disposals	0	0	0	0
Purchase cost at 31.12	4 462	1 136	2 102	7 700
Accumulated depreciation at 31.12	0	400	1 233	1 633
Book value at 31.12	4 462	736	869	6 067
Depreciation	0	134	709	843
Depreciation plan	None	Straight-line	Straight-line	
Depreciation period		5 years	3 years	

GROUP

	Vessels	Docking	Newbuildings	Total
Purchase cost at 01.01	6 311 264	228 963	1 193 509	7 733 736
Additions *	29 123	25 033	887 319	941 475
Transferred from newbuildings	932 471	13 842	-946 312	0
Disposals	81 919	12 987	0	94 906
Purchase cost at 31.12	7 190 938	254 851	1 134 516	8 580 305
Accumulated depreciation at 31.12	2 935 885	137 565	0	3 073 451
Acumulated write-downs	75 913	0	0	75 913
Book value at 31.12	4 179 140	117 286	1 134 516	**5 430 941**
Depreciation charge for the year	221 357	46 448	0	267 805
Write-down in the year**	32 117			32 117
Depreciation plan	Straight-line	Straight-line	None	
Deprecition period	25-30 years	5-7.5 years		

*) Capitalised borrowing costs in 2012 were NOK 35.6m and is included under the line "Additions" in the column new buildings.

**) The Group recognised an impairment-loss on the supramax vessels during the construction period. There has not been any write-downs of the vessels after delivery.

From 2012 the expected economic lifetime for the Group's 14 open hatch vessels purchased in 1994 or later is increased from 27 to 30 years, which reduces the depreciation of the vessels in a total of NOK 25.9m in the profit and loss statement for the year. The change in estimates is based of the Group's experience with the useful life of open hatch vessels.

In 2012, the Group took delivery of four new vessels, Star Eracle in June, Star Lima, Star Laguna and Star Athena in September. The two supramax vessels, Star Eracle and Star Athena, are utilized as part of Grieg Star Bulk's operating bulk fleet. The expected economic lifetime for the two supramax vessels is 25 years, and are then depreciated down to estimated scrap value over 25 years. In addition the Group acquired Star Evviva from its joint venture company ANS Billabong II. The purchase cost of Star Evviva was NOK 29m which has been reduced by NOK 9.3m representing internal sales.

As of 31.12.2012 the Group has new building contracts for 8 vessels, each with a size of 49 000 TDW. Six of the vessels are to be delivered in 2013, and the last two in 2014. The remaining amount to be paid for the new building contracts amounts to USD 202m.

One of the Group's open hatch vessels, Star Derby, was sold for scrapping in the year with a net gain of NOK 15.5m.

The open hatch vessels have been subject to an impairment test, in accordance with good accounting practice. The test concluded that the value in use exceeds the book value.

In calculating the value in use, a discount rate of 6.7 % (post tax) has been used for the period 2013-2017, and for the period thereafter 8.3%. Cash flows are in accordance with the Group's long-term forecasts, and which naturally involve a degree of uncertainty.

The bulk vessels have been subject to an impairment test, in accordance with good accounting practice. The test concluded that the value in use exceeds the book value. In calculating the value in use, a discount rate of 6.7 % (post tax) has been used for the period 2013-2017, and for the period thereafter 8.3%. Cash flows are based on estimated cash flow from a combination of cargo contracts and market rates, and which naturally involve a degree of uncertainty.

	Terminals	**Machinery, vehicles etc.**	**Loading & discharging equipment etc.**	**Other property**	**Total**
Purchase cost at 01.01	172 709	89 334	104 858	833	367 735
Additions	0	11 114	21 901	4 462	37 477
Disposals	4 576	7 270	0	0	11 846
Cost price at 31.12	168 134	93 178	126 759	5 295	393 366
Accumulated depreciation at 31.12	93 495	66 227	67 733	0	227 455
Book value at 31.12	74 638	26 951	59 026	5 295	**165 911**
Depreciation charge for the year	4 699	8 904	9 747	0	23 350
Depreciation plan	Straight-line	Straight-line	Straight-line		

Machinery, vehicles etc. have a depreciation period of 3-10 years. Squamish Terminals is depreciated over 30 years.

Note 5 Subsidiaries

Amounts in NOK 1 000

PARENT COMPANY

Subsidiary	**Registered office**	**Ownership / voting rights**	**Equity last year (100%)**	**Result last year (100%)**	**Book value (100%)**
Grieg Shipping II AS	Bergen	100 %	2 275 581	213 337	
Grieg International II AS	Oslo	100 %	1 105 754	116 419	
Grieg Shipowning AS	Bergen	100 %	3 126 701	29 189	2 578 790
Grieg Star AS	Bergen	100 %	11 987	2 909	15 232
Grieg Star Shipping AS*	Bergen	100 %	97 400	13 549	95 892
GriegStar Bulk AS	Bergen	100 %	33 402	6 200	30 035
Grieg Green	Bergen	100 %	2 634	-2 887	4 994
Book value at 31.12					2 724 943

* Consolidated figures for the Grieg Star Shipping Group

Grieg Shipowning AS owns 100 % of Grieg Shipping II AS and Grieg International II AS
Grieg Star Group AS has given a group contribution to the subsidiary Grieg Green AS of NOK 1.0m that has increased the book value of the investment accordingly.

Note 6 Joint ventures

Amounts in NOK 1 000

GROUP

As per 31.10.2012 the Group's investment in ANS Billabong II was liquidated.

Company	Date of acquisition	Registered office	Ownership and voting rights	Joint and several liability
ANS Billabong II	10/15/1992	Bergen	50 %	0

	ANS Billabong II
Net value at 01.01	12 270
of which undepreciated excess value	0
Additions/disposals in period	0
Share of profit for the year	10 542
Dividends	-22 812
Net value at 31.12.	0

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

	ANS Billabong II
Share of operating revenues	3 250
Share of operating expenses	-1 731
Share of depreciation	0
Share of net financial items	-338
Share of tax expenses	0
Share of profit for the year *	1 181

*) Of the share of profit, NOK 9.3m has been eliminated against the puchase price for the vessel Star Evviva

Note 7 Investments in shares

Amounts in NOK 1 000

GROUP

	Registered office	Ownership	Book value
Incentra (co-operative)	Oslo	0.0 %	20
Seabound Maritime (to be disolved)	Manila	0.2 %	79
Grieg Philippines Inc.	Makati City	0.2 %	439
UACC Ross Tanker DIS	Oslo	0.0 %	1 532
Book value at 31.12			2 070

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 Group's manning agent in the Philippines until 2009.

Grieg Philippines has been Group's 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. Outstaning committment amounts to USD 120.000.

Note 8 Market-based investments

Amounts in NOK 1 000

GROUP

	Purchase cost	Market value	Purchase cost	Market value
	2012	**2012**	**2011**	**2011**
Individual shareholdings	23 403	13 647	23 403	7 395
Mutual funds	332 217	378 028	466 862	516 136
Bonds	319 517	367 035	295 004	328 606
Money market funds	287 441	278 829	251 144	259 987
Hedge funds	119 561	111 485	119 215	115 736
Book value at 31.12	1 082 139	**1 149 024**	1 155 628	**1 227 860**

		2012	
	Realised	**Unrealised**	**Total profit/loss**
Listed shares	0	6 252	6 252
Mutual funds	14 462	8 586	23 048
Bonds	0	36 042	36 042
Money market funds	-103	204	101
Hedge funds	-1 161	3 656	2 495
Proft/loss from market-based investments	13 198	54 740	67 938

Note 9 Receivables maturing later than one year

Amounts in NOK 1 000

GROUP	**2012**	**2011**
Employee loans	288	719
Other loans	839	0
Deposit on office rent	1 995	2 234
Total	**3 122**	**2 953**

Note 10 Interest-bearing debt

Amounts in NOK 1 000

GROUP

Mortgage loans

The Group generally finances new buildings with 70% mortgage loans and 30% equity. As of 31.12.12, the Group has nine mortgage loans with DNBNOR (as agent), two mortgage loans with Nordea, one mortgage loan with ABN Amro and one mortgage loan with Handelsbanken. The loans are denominated in USD, except the one in Handelsbanken, which is in NOK and related to the Group's cabin. The USD loans consist of both long-term financing of the Group's excisting vessels as well as loans for vessels under construction.

Loan covenants

The Group is required to have liquid funds of USD 25m at all times. For seven of the mortgage loans with an aggregated book value at 31.12.2012 of USD 230m, the Group's shipowning companies must have liquid funds of at least 5 % of total interest bearing debt, and a minimum of USD 10m. 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.

	2012	**2011**
Other long-term debt *	18 656	18 720
Mortgage loans (1st priority)	3 037 099	2 642 347
Total	**3 055 755**	**2 661 067**

Of which long -term debt with maturity later than 5 years	**2012**	**2011**
Debt to credit institutions	1 768 078	1 697 470
Total	**1 768 078**	**1 697 470**

Balance value of morgaged assets	**2012**	**2011**
Vessels	4 043 754	3 348 569
Newbuilding contracts	1 134 516	905 328
Total	**5 178 270**	**4 253 897**

Undrawn borrowing facilities			
Grieg Shipping II AS	floating rate	40 000 000	0
Grieg International II AS	floating rate	10 000 000	0
Grieg Star Shipping AS (bank overdraft)	floating rate	8 034 339	11 662 606

The facilities in Grieg Shipping II AS and Grieg International II AS expire in 2015.

***) Squamish Terminals**
The balance at 31.12.2012 is CAD 2 932 845. The loan is guaranteed by Grieg Star Shipping AS.

Note 11 Related parties

Amounts in NOK 1 000

PARENT COMPANY

Company	Relation	2012	2011
Other receivables			
Grieg Shipowning AS	Group company – Grieg Star Group	61 000	20 000
Grieg Green AS	Group company – Grieg Star Group	85	48
KS Joachim Grieg & Co.	Group company – Grieg Maturitas II Group	0	44
Grieg Star Bulk AS	Group company – Grieg Star Group	192	159
Grieg Star AS	Group company – Grieg Star Group	5 831	264
Grieg International AS	Group company – Grieg Maturitas II Group	48	0
Grieg Investor AS	Group company – Grieg Maturitas II Group	61	0
Grieg Athena AS	Group company – Grieg Maturitas II Group	0	0
Grieg International II AS	Group company – Grieg Star Group	100	0
Grieg Shipping II AS	Group company – Grieg Star Group	150	0
Grieg Group Resources AS	Group company – Grieg Maturitas II Group	0	14
Grieg Star Shipping AS	Group company – Grieg Star Group	1 119	1 364
Total		**68 586**	**21 892**

Other long-term liabilities		2012	2011
Grieg Property AS	Group company – Grieg Maturitas II Group	95 892	95 892
Total		**95 892**	**95 892**

Other current liabilities		**2012**	**2011**
Grieg Group Resources AS	Group company – Grieg Maturitas II Group	294	1 551
Grieg International AS	Group company – Grieg Maturitas II Group	233	89
Grieg Green AS	Group company – Grieg Star Group	994	0
Grieg Star AS	Group company – Grieg Star Group	34	1 019
Grieg Investor AS	Group company – Grieg Maturitas II Group	0	8
Grieg Star Shipping AS	Group company – Grieg Star Group	723	583
Grieg Property AS	Group company – Grieg Maturitas II Group	1 383	1 046
Total		**3 661**	**4 297**

Transactions with related parties

There is a loan between Grieg Star Group AS and Grieg Property AS which has led to interest elements between the two companies.

		2012	2011
Grieg Property AS	Group company – Grieg Maturitas II Group	5 500	4 152

GROUP

Company Relation		**2012**	**2011**
Other receivables			
KS Joachim Grieg & Co.	Group company – Grieg Maturitas II Group	80	44
Grieg International AS	Group company – Grieg Maturitas II Group	47	0
Grieg Group Resources AS	Group company – Grieg Maturitas II Group	0	14
Grieg Athena AS	Group company – Grieg Maturitas II Group	2	0
Grieg Investor AS	Group company – Grieg Maturitas II Group	210	176
Total		**338**	**234**

Other long-term liabilities		**2012**	**2012**
Grieg Property AS	Group company – Grieg Maturitas II Group	95 892	95 892
Total		**95 892**	**95 892**

Other short-term liablilities		**2012**	**2011**
Grieg Group Resources AS	Group company – Grieg Maturitas II Group	419	1 909
Grieg International AS	Group company – Grieg Maturitas II Group	234	89
Grieg Property AS	Group company – Grieg Maturitas II Group	1 383	1 046
Grieg Investor AS	Group company – Grieg Maturitas II Group	4	8
Grieg Logistics AS	Group company – Grieg Maturitas II Group	0	0
Maris AS	Related	223	1 106
KS Joachim Grieg & Co.	Group company – Grieg Maturitas II Group	47	625
Total		**2 310**	**4 785**

Transactions with related parties	**2012**	**2011**
Office services from Grieg Group Resources AS primarily related to branding, communication, salary and other	6 145	9 039
Office and parking rental agreement between the Group and Grieg Gaarden KS	6 214	6 167
Commission agreement between the Group and KS Joachim Grieg & Co.	26 042	16 733

Note 12 Share Capital

PARENT COMPANY

The share capital consists of	**Number of shares**	**Nominal value**	**Book value in NOK 1 000**
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 II AS	289 353	334 688	624 041	45.53 %
Grieg Ltd AS	412 378		412 378	30.09 %
Grieg International AS	334 104		334 104	24.38 %
Total	**1 035 835**	**334 688**	**1 370 523**	**100 %**

Note 13 Taxes

Amounts in NOK 1 000

PARENT COMPANY

Tax charge and tax payable in the accounts

Temporary differences	**2012**	**2011**
Fixed assets	-33	233
Pension	-8 195	-7 465
Net temporary differences	**-8 228**	**-7 232**
Tax losses carried forward	-4 422	-1 857
Basis for deferred tax/(deferred tax assets)	**-12 650**	**-9 089**
Deferred tax/deferred tax assets	-3 542	-2 545
Deferred tax/(deferred tax assets) in the balance sheet	**-3 542**	**-2 545**

Basis for taxation, change in deferred tax and tax payable

Profit before tax	58 483	49 547
Permanent differences	-66 319	-55 875
Basis of tax charge for the year	**-7 836**	**-6 328**
Change in temporary differences	996	4 471
Basis for payable taxes in the income statement	**-6 840**	**-1 857**
+/- Group contribution received/given	4 275	
Taxable income (basis for tax payable in the balance sheet)	**-2 565**	**-1 857**

Tax expense consists of

Change in deferred tax	-997	-1 772
Tax charge / (tax income)	**-997**	**-1 772**

Tax payable in the balance sheet

Tax payable (28% of basis for taxes payable in the profit and loss account)		
Under/over provision for tax payable		
Tax payable in the balance sheet		

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 the 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.

	2012	**2011**
Tax expenses consists of:		
Tax payable on taxable income	6 028	7 615
Change in deferred tax	-10 468	-20 853
Deferred tax benefit not shown in the balance sheet	4 483	0
Currency translation differences	22	0
Adjustment with respect of prior years	-2 097	-2 446
Tax expense	-2 032	-15 684
The tonnage tax for 2012 is recognised in the income statement as an operating expense and consists of the following:	3 558	3 834
Deferred tax:		
Long-term debt	64 254	26 205
Fixed assets	36 570	35 607
Shares in subsidiaries	-391	
Pension	-19 096	-9 627
Other temporary differences	-9 968	-9 159
Financial instruments and other short-term investments	30 619	38 755
Profit/loss account	23 674	29 593
Tax loss carry forwards	-138 534	-79 405
Basis for deferred tax/(deferred tax assets)	-12 873	31 969
Deferred tax/(deferred tax assets)	-7 854	4 310
Deferred tax assets not recognised in the balance sheet	6 492	
Deferred tax/(deferred tax assets) recognised in the balance sheet	-1 362	4 310

Tax payable consists of:		
Taxable financial income for companies under Chapter 8 of Taxation Act	5 919	7 398
Profit before tax subject to ordinary income tax	74 725	2 643
Permanent differences	-67 096	5 141
Changes in differences included in the basis for deferred tax/deferred tax assets	3 583	9 350
Changes in deficit and remuneration brought forward	4 275	
Basis of tax charge for the year	21 406	24 532
Current tax payable of net income	5 906	3 134
Adjustment with respect of prior years	-3 583	2 150
Tonnage tax	3 558	3 834
Current tax payable from settlement account (1/3)	62 415	62 416
Tax payable in the accounts	68 297	71 534
Long term payable tax from settlement account (1/3)		62 415

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 2011	62 416
Current shipping tax payable from settlement scheme (1/3) paid in 2012	62 416
Current shipping tax payable from settlement scheme (1/3) per 31.12.2012	62 415

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

Amounts in NOK 1 000

PARENT COMPANY

Payroll expenses	**2012**	**2011**
Salaries*	40 072	36 397
Employers' national insurance contributions	4 594	5 788
Pension costs	3 808	7 660
Other remuneration	1 600	1 656
Total	**50 074**	**51 501**
The average number of employees over the year was	42	45

The bonus scheme of Grieg StarGroup 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 management	**CEO**	**Board**
Salary	2 510	1 600
Pension costs	392	0
Other remuneration	200	0

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	**2012**	**2011**
Salaries*	194 649	154 202
Employer's national insurance contributions	28 473	21 329
Pension costs	34 241	18 655
Other remuneration	6 011	16 182
Total	**263 373**	**210 368**

* Including bonuses of NOK 9.7m in 2012

The average number of employees over the year was	246	242
Average number of sailing personnel over the year was	726	637

Salary costs related to sailing personnel (employed by Grieg Philippines) totalled NOK 141m and the payroll expenses are recognised in the P&L as vessel operating expenses. (2011: NOK 128m).

Note 15 Pensions

Amounts in NOK 1 000

PARENT COMPANY

The company has a defined contribution pension scheme for its employees. Premiums are paid monthly to a life insurance company. Grieg Star Group has also defined benefit pension schemes for certain employees with salaries over 12G. Pension costs and commitments depend principally on length of service, salary at retirement and level of National Insurance benefits. This scheme covers two individuals. There is also an early retirement scheme for these individuals, ref. note below for the Group.

Defined benebit pension scheme	2012	2011
Current service cost	1 168	1 098
Interest cost	701	816
Expected return on plan assets	-419	-457
Social security cost	204	205
Administrative expenses	161	139
Actuarial (gains) losses	224	4 019
Net pension expenses	**2 039**	**5 819**

Assumptions are the same as for the group, see next page.

Contribution based pension scheme	2012	2011
Payments to the contribution based pension	1 790	1 841

Specification of pension assets and liabilities:

	Funded		Unfunded	Total
		Supplementary		
Distribution by scheme as at 31.12.12	**Committed pensions**	**pensions**	**Aged 65-67**	
Present value of obligations	10 254	4 709	7 131	22 094
Fair value of plan assets	7 159	3 585		10 744
Surplus (deficit) of pension plans	-3 095	-1 124	-7 131	-11 350
Actuarial (gains)/losses	243	2 433	2 078	4 754
Social security	-436	-158	-1 005	-1 599
Liability in the balance sheet	**-3 287**	**1 151**	**-6 058**	**-8 195**

Specification of pension assets and liabilities:

	Funded		Unfunded	Total
		Supplementary		
Distribution by scheme as at 31.12.11	**Committed pensions**	**pensions**	**Aged 65-67**	
Present value of obligations	10 351	3 738	4 697	18 786
Fair value of plan assets	6 575	2 515		9 090
Surplus (deficit) of pension plans	-3 776	-1 223	-4 697	-9 696
Actuarial (gains)/losses not recognised	1 088	3 000	-491	3 597
Social security	-532	-172	-662	-1 366
Liability in the balance sheet	**-3 220**	**1 605**	**-5 850**	**-7 465**

GROUP

Grieg Star Group has both defined benefit and defined contribution pension schemes. The Group has also pension schemes for certain employees with salaries in excess of 12G. This pension gives the right to future defined benefits and the obligations are primarily dependent on years of service, salary at retirement and level of national insurance benefits. The scheme covers eight individuals.

Grieg Star Shipping AS and Grieg Star Group AS have an early retirement scheme for employees who were in the main pension plan until the decision was made to liquidate it. The early retirement scheme pays 70 % of salary on reaching the age of 65 until 67 years. This scheme is not funded but is financed through operations. Pension liabilities in the balance sheet relate entirely to Grieg Star Shipping AS and Grieg Star Group AS.

The pension scheme covered 92 people as at 31.12.2012, of whom 9 persons are members of the supplementary and unfunded scheme, 42 persons are members of only the unfunded scheme and 41 received pension in 2012.

All of the pension schemes comply with the Norwegian Accounting Standard for pension costs (NRS 6). When actuarial estimat differences 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 earning period.

	2012	2011
Defined benefit pension scheme		
Current service cost	5 692	6 165
Interest cost	4 259	4 625
Expected return on plan assets	-3 279	-4 525
Social security	736	883
Administrative expenses	798	730
Actuarial (gains) / losses	1 634	5 238
Net pension expenses	**9 840**	**13 115**

Contribution based pension scheme

Payments to the contribution based pension scheme (Norway)	5 781	5 539
Pension abroad	5 155	44
Branch offices	7 735	6 655
Sum	18 671	12 238

Total pension cost	28 511	25 353

	2012	**2011**
Present value of obligations at 31.12.	-136 921	-135 363
Fair value of plan assets at 31.12.	85 050	90 466
Actuarial (gains) / losses not recognised	24 749	22 131
Social security	-5 101	-4 338
Net pension fund assets at 31.12	**-32 223**	**-27 103**

Economic assumptions:

	2012 Norway	**2012 Canada**	**2011 Norway**	**2011 Canada**
Discount rate	3.90 %	5.30 %	3.80 %	5.30 %
Anticipated rise in salaries	3.50 %	3.00 %	3.50 %	3.00 %
Anticipated return on pension fund assets	4.0 %		4.10 %	
Anticipated increase in National Insurance base rate	3.25 %		3.25 %	
Anticipated rise in pensions paid	3.5 %		3.25 %	

The actuarial assumptions for 2012 are based on assumptions generally applied within the insurance industry relating to demographic factors.

Specification of pension fund assets:

	Funded		**Unfunded**		**Total Norway**
Distribution by scheme as at 31.12.12	**Committed pensions**	**Supplementary pensions**	**Aged 65-67**	**Other pensions**	**Total**
Present value of obligations	71 673	23 454	21 127	1 719	117 973
Fair value of plan assets	63 855	17 930			81 785
Surplus (deficit) of pension plans	-7 818	-5 524	-21 127	-1 719	-36 188
Actuarial (gains)/losses not recognised	5 244	14 241	1 120		20 606
Social security	-1 102	-778	-2 978	-242	-5 101
Liability in the balance sheet	**-3 676**	**7 938**	**-22 985**	**-1 961**	**-20 684**

	Grieg Star Shipping Italy Unfunded	**Grieg Star Shipping Canada Funded**	**Grieg Star Shipping Japan Unfunded**	**Consolidated**
Distribution by scheme as at 31.12.12				**Total**
Present value of obligations	415	14 015	4 518	136 921
Fair value of plan assets		3 265		85 050
Surplus (deficit) of pension plans	-415	-10 750	-4 518	-51 871
Actuarial (gains)/losses not recognised		4 143		24 749
Social security				-5 101
Liability in the balance sheet	**-415**	**-6 606**	**-4 518**	**-32 223**

	Funded		**Unfunded**		**Total Norway**
Distribution by scheme as at 31.12.11	**Committed pensions**	**Supplementary pensions**	**Aged 65-67**	**Other pensions**	**Total**
Present value of obligations	78 634	18 106	18 254	2 370	117 364
Fair value of plan assets	71 412	15 174			86 586
Surplus (deficit) of pension plans	-7 222	-2 932	-18 254	-2 370	-30 778
Actuarial (gains)/losses not recognised	5 305	13 952	-841		18 416
Social security	-1 017	-413	-2 574	-334	-4 338
Liability in the balance sheet	**-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				**Sum**
Present value of obligations	276	13 228	4 495	135 363
Fair value of plan assets		3 880		90 466
Surplus (deficit) of pension plans	-276	-9 348	-4 495	-44 897
Actuarial (gains)/losses not recognised		3 715		22 131
Social security				-4 338
Liability in the balance sheet	**-276**	**-5 633**	**-4 495**	**-27 103**

Asset Allocation in Norway as of 30.09:	**2012**	**2011**
Shares	7.1%	8.2%
Bonds	56.1%	50.2%
Property	20.2%	17.8%
Money market	16.6%	23.8%

Note 16 Auditor´s fee

Amounts in NOK 1 000

PARENT COMPANY

Auditor's fee	**2012**	**2011**
Statutory audit (incl. techincal assistance with financial statements)	216	75
Fees for further assurance services	0	5
Tax advisory fee (incl. techincal assistance with tax return)	0	8
Other non-audit services	0	25
Total fee to auditor excl. v.a.t.	216	113

GROUP

Auditor's fee	**2012 Norway**	**2012 Abroad**	**2012 Total**	**2011 Total**
Group auditor				
Statutory audit (incl. techincal assistance)	832	342	1 174	1 066
Fees for further assurance services	0	8	8	12
Tax advisory fee (incl. techincal assistance with tax return)	5	0	5	615
Other non-audit services	22	0	22	598
Total fee to Group auditor excl. v.a.t.	859	350	1 209	2 291

In addition the Group has expensed NOK 0.2m in fees to Advokatfirmaet PricewaterhouseCoopers AS.

Note 17 Restricted bank deposits

Amounts in NOK 1 000

PARENT COMPANY

	2012	**2011**
Restricted deposits on the tax deduction account	2 105	2 119

GROUP

	2012	**2011**
Restricted deposits on the tax deduction account	10 439	6 238

Note 18 Financial market risk

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 as 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). A change in interest rates will result in either an increase or a reduction of the financing cost. If certain interest rate derivatives are applied then the predictability of the financing cost will increase due to a limitation of the net effect of a change in interest rates. In addition a change in interest rates will affect the returns on the investment portfolio and the rates on cash deposits. As a principle, the company has a certain level of hedging (at least 30%) using market-based hedging instruments. In this case, interest rate swap agreements are mainly used. Gains and losses arising from interest rate swaps are recognised in the same period as the related interest expense.

At 31.12.12 the Group had signed interest rate swap agreements totalling USD 264.49m (including forward interest rate swap agreements), directly hedging 49% (2012) 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 NOK 31.4m with an average period of maturity of 5.1 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.

At 31.12.12 the Group had entered into forward contracts to hedge a total of USD 8.75m. In addition, the Group had entered into a foreign exchange

Freight rate risk

The shipping industry is cyclical and characterised by large and volatile 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. The Groupâs shipping activities are of an industrial nature which makes it possible to cover exposure to spot rates by entering into cargo contracts. As a result, the Groupâs revenues fluctuate less than is the case when operating in the general dry bulk spot market. The FFA contracts are settled on an ongoing basis as an adjustment of operating income.

Gain or loss on the FFA contracts are classified as an adjustment of income and are settled on an ongoing basis. The result from freight rate risk hedging by using financial derivatives ended in 2012 with a loss of MUSD 2.2, which was taken into the balance throughout the year. As of 31.12.12, the Group held no FFA contracts.

Bunker price risk

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.

As of 31.12.12, the Group had made derivative contracts to hedge bunker prices for a total of 12,300 mt bunkers. Included bunker clauses, this gives a hedging rate of 88 % of budgeted bunker consumption for 2013. As of 31.12.2012, unrealized, not posted, losses on financial bunkers hedging was USD -0.34m.

Options

As at 31.12.12 the Group held no options.

Note 19 Operating lease agreements

Amounts in NOK 1 000

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

	Number of vessels	Duration	Operating lease expense recognised in 2012
Long-term time charter*	4	0 – 5 years	113 086
Bare-boat hire	1	4.5 years	3 746

* The lease cost (timecharterhire and bareboatcharterhire) is based on an average USD exchange rate in 2012 of NOK 5.8172.

pwc

To the Annual Shareholders' Meeting of Grieg Star Group AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Grieg Star Group AS, which comprise the financial statements of the parent company, showing a profit of NOK 59 480 000, and the financial statements of the group, showing a profit of NOK 226 966 000. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2012, 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 Star Group AS as at 31 December 2012, 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 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, 12 March 2013
PricewaterhouseCoopers AS

Jon Haugervåg
State Authorised Public Accountant (Norway)

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