



| GRIEG SHIPPING GROUP



ANNUAL & CORPORATE
RESPONSIBILITY REPORT

ABOUT THIS REPORT

The content of this report is guided by our aim for transparent communication with stakeholders; Employees, suppliers, customers, business partners, non-governmental organisations representing the environment and the industry in general. It attempts to cover important initiatives and activities within the Group throughout 2010, with emphasis on environment and employees.

It is the third edition of the Group's Corporate Responsibility report, produced according to the Global Reporting Initiative (G3) Sustainability Reporting Guidelines. The GRI index is shown on pages 45-48. We are reporting on a self declared B level.

As a signatory to the UN Global Compact, we are committed to communicating progress and performance. This report serves as Grieg Shipping Group's Communication on Progress (COP) for the operating year 2010.

We acknowledge the need for further improvements in reporting and will throughout 2011 continue efforts to create a reporting regime which monitors our overall performance and allows for benchmarks across the shipping industry.



World Business Council for Sustainable Development



Photos by Hung Ngo except where noted. Crew member on cover: Francis T. Lumanog

ISO 14001 CERTIFIED COMPANY

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INTRODUCTION

Grieg Shipping Group is a fully integrated shipping organization and the owner of one of the world's largest open hatch fleets. Presently we own and operate 26 open hatch general cargo vessels and have a newbuilding programme of ten open hatch vessels to be delivered in the years 2012 to 2014. The Group also operates a fleet of 15-20 conventional dry bulk carriers including two supramax vessels on order, as well as manages a financial investment portfolio.



● Number of employees in all our locations.

2010 IN BRIEF

The dry bulk shipping market once again outperformed expectations at the beginning of the year. The fleet utilization rate was above 90%.

The Group transported 12.2 million tons of cargo in 2010, of which 3.5 million tons was wood pulp.

Two supramax newbuildings for delivery in 2012 were purchased.

Five of our seafarers received 25 year awards at the annual officers' conference, and the highest number of seafarers ever received 10 year awards.

JANUARY

Grieg Shipping Group took delivery of M/V Star Kinn and M/V Star Kvarven, two open hatch box shaped general cargo carriers with gantry cranes from Hyundai Mipo Dockyard & Co, South Korea.

The largest newbuilding programme in the history of Grieg Shipping Group, 10 open hatch vessels with slewing crane, were ordered from Hyundai Mipo Dockyard & Co, South Korea.

Grieg Shipping Group re-established in South America with a new trade from Chile to the Mediterranean.

Captain leadership training programme pilot in co-operation with the Naval Academy in Bergen.

DECEMBER

OVERVIEW

Open hatch forestry and other parcel trades

- Worldwide operation with emphasis on routes to and from North America
- Business characterized by long-term contracts of affreightments
- Part-owner of Grieg Philippines Inc., manning the vessels with highly qualified seafarers
- Owner of Squamish Terminals, cargo handling terminal located in North America

Other shipping activities

- Operator of a modern fleet of 15-20 handymax/supramax dry bulk vessels and two supramax newbuildings with delivery 2012
- Typical cargoes are coal, coke, alumina and other minor bulk cargoes

Financial Management

- Owner and manager of an investment portfolio of some USD 250 million

Shareholders

- 75% Grieg Group, privately owned line of companies within a variety of business areas.
- 25% Grieg Foundation, benevolent foundation.



26 vessels ranging from of 40.000 to 50.000 DWT



Main cargo:
Wood pulp,
wood pellets, steel
products and bulk



849 employees

THE CEO'S PERSPECTIVE

Executing our strategy

Our vision; "Create lasting value through our common effort", continues to guide us in our work to build and execute our long-term strategy. Our worldwide organization of people with the full spectrum of expertise required to run our type of industrial specialized bulk shipping has long a history and experience. However, we have only had a little more than one year to work together as one team. 2010 was the first full year we operated as Grieg Shipping Group, with the same vision and aggressive strategy.

The combination of establishing our long-term growth strategy, both within our Open Hatch and our Conventional Bulk activity, and organizing our people in what we believe to be a more optimal structure for efficient operations, gave us the courage and the tools to begin executing our strategy.

Last year Grieg Shipping Group entered into the largest new-building programme in the history of the company, with ten open hatch vessels contracted at Hyundai Mipho in Korea and two Supramax vessels from Dayang in China, all to be delivered in the period 2012 – 2014. Each of these ships will be equipped with state-of-the-art environmentally friendly technology to serve our customers' needs for the future.

This is a huge investment that underlines our belief in our business segments, our market position and our organization. However, it clearly also puts pressure on our ability to deliver financial results and returns on the substantial equity invested in this new-building programme.

Over the course of the last several years, we have built up a healthy balance sheet and our financial position is comfortable. That does not mean that we are not acutely aware of our responsibility to deliver required returns on this new investment. Last year, we were able to achieve better than expected results due to higher cargo volumes on our open

hatch fleet; substantial contribution from our conventional bulk operation; cost efficient ship operation; and a good performance from our financial portfolio. These all gave further confidence to our business concept.

We are, however, highly aware of the current challenging shipping market and the oversupply of tonnage in the dry bulk fleet. Like most players in this market, we have been expecting a low market for some time now. How deep it will fall or how long it will last are questions we do not have the answer to. But we feel well prepared to face some challenging years and ready to take advantage of the opportunities that a low market sometimes presents.

In our preparation to increase our fleet with the new buildings, we have built a bigger cargo base. This in fact leaves us short of ships in the coming years, which is perhaps not the worst position to be in.

It remains a fundamental fact that we, like most international industrial companies, are exposed to global economic and political changes, as well as our niche market's ups and downs. Furthermore we are dependent on our organization and strategy's ability to adjust to the changes around us. This is something that we work hard to achieve.

I would like to take this opportunity to thank all our customers and business partners for your support during 2010; we will do our utmost to serve you well in the years to come. And finally, to all our colleagues in Grieg Shipping Group ashore and at sea, in all our offices around the world, thank you for all your efforts and contributions. It is an honour to have you on our team.

Camilla Grieg
CEO
Grieg Shipping Group





OUR VISION

“Create lasting value through our common effort”

Our trademark within the shipping business shall be safety, quality, integrity and social responsibility, market- and customer oriented as well as financial strength.

We shall develop our strong market position and brand name by building on competitive advantages of our core business and competence as well as technology and adaptability, creating and seizing business opportunities and entering new markets.

We shall work relentlessly to prevent harmful emissions to air and sea.

We shall actively work to shape the future of the maritime sector in Norway and abroad.

OUR VALUES

Solid - Proud - Open - Committed

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

KEY FIGURES

Financial figures in USD

Based on the fact that all revenues and the majority of expenses, and assets and liabilities are USD based, we chose to present the key figures in USD. This should give better comparability over time, both in respect to our own operations as well as to other shipping companies.

	Figures in	2010	2009*	2008	2007	2006	2005	2004
From Profit and Loss Statement								
Gross Revenue	Mill. USD	686	560	208	204	127	158	148
EBITDA (1)	Mill. USD	96	50	134	138	70	109	105
Operating Result	Mill. USD	59	20	114	117	51	90	87
Net Financial Items	Mill. USD	4	23	-36	-1	12	8	4
Result before Tax	Mill. USD	62	43	78	116	62	98	90
From Balance Sheet								
Ships and other fixed assets	Mill. USD	783	619	481	455	469	341	347
Current assets	Mill. USD	325	350	330	355	218	191	175
Shareholder's equity at book value	Mill. USD	502	483	442	377	391	339	285
Long term liabilities	Mill. USD	505	402	321	331	248	154	174
Current liabilities	Mill. USD	100	84	49	93	48	39	65
Total assets	Mill. USD	1 108	969	811	800	687	532	524
Profitability and Financial Ratios								
Return on total assets (2)	%	7,4	5,5	11,6	17,4	12,6	19,8	21
Return on equity (3)	%	12,7	8,8	19,0	30,1	17,1	31,3	34,9
Cash flow (4)	Mill. USD	100	73	98	137	82	116	108
Interest bearing debt	Mill. USD	474	386	273	233	242	146	164
Liquid assets (5)	Mill. USD	270	285	284	331	206	184	169
Debt repayment capability (6)	Years	2,0	1,4	0,0	0,0	0,4	0,0	0,0
Current ratio (7)		3,2	4,2	6,7	3,8	4,5	4,9	2,7
Equity ratio (8)	%	45,3	49,8	54,5	47,1	56,9	63,8	54,4
USD/NOK per 31.12		5,7895	5,7767	7,00	5,41	6,26	6,77	6,04
Average USD/NOK		6,0453	6,2816	5,64	5,86	6,42	6,45	6,74

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

Non-financial figures

Employees

Ashore	224	206	48	46	45
Crew	625	593	568	556	518

Gender

Male	756	710	593	579	541
Female	93	89	23	23	22

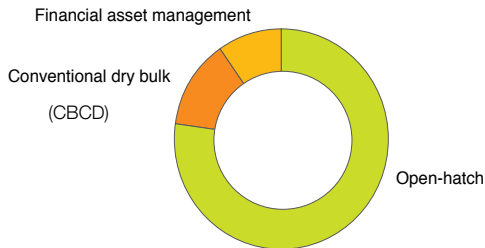
Nationalities

Norwegian	125	116	45	43	42
Philippines	625	593	570	558	520
Other	99	90	1	1	1

Absent rate - shore	2,1%	2,0%	1,2%	3,2%	2,1%
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1. Operating result before depreciation
2. Net result before tax plus financial expenses divided by average total assets
3. Net result before tax divided by average book shareholder's equity
4. Net result before tax plus depreciation
5. Bank deposit and securities
6. Interest bearing debt less liquid assets, divided by net cash-flow (4) before gain (loss) on sale of fixed assets
7. Current assets divided by current liabilities
8. Book shareholder's equity as percentage of total asset

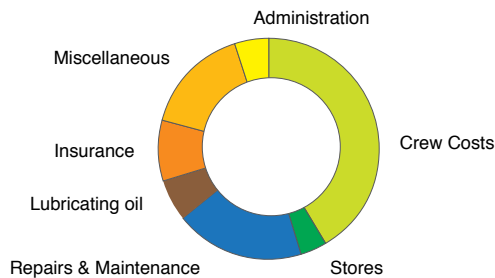
Income distributed by activity



As appear from the graph, that the open-hatch operation is the Group's core business and main source of income. Based on the better than expected, recovering shipping markets of 2010, the open-hatch activities contributed with somewhat above 3/4 of the Group's overall income. The dry bulk activities in CBCD has clear synergies with the open-hatch operation and is also a targeted growth area. Relative to previous years, the results from the CBCD activity was on the high side in 2010. Financial asset management is considered the Group's third business activity and gave in 2010 a return in line with long-term expectations.

Note: The shipping income is based on recorded timecharter income. The financial income is net risk adjusted return on the financial investment portfolio.

Elements of operational expenses



The graph shows the main cost elements of the Group's technical ship operating expenses. The major element is personnel costs which also includes provisions. With a significant fleet growth in intertational shipping over the last years, there is high competition for qualified seamen. Consequently, personnel costs are expected to stay high. Insurance premiums in general continue to rise from already high levels, and due to several incidents, the Group's insurance costs' share of the operational expenses was higher in 2010 than in 2009. Administration costs, relative to total operational expenses, vary considerably from year to year due to currency fluctuations between NOK and USD, as this cost element mainly constitutes personell and office costs related to onshore activites in Norway. In 2010 administration costs increased relative to the other cost elements due to the strenghtening of the NOK.

Key Figures 2004-2010





B U S I N E S S S U M M A R Y

WORLD CLASS INDUSTRIAL SHIPPING

Grieg Shipping Group is a fully integrated shipping group and the owner of one of the world's largest open hatch fleets. Presently we own and operate 26 open hatch general cargo vessels and have a newbuilding programme of ten open hatch vessels to be delivered in the years 2012 to 2014.

The specialized open hatch vessels are tailor made to meet customers' high quality transportation and logistics requirements and to deliver superior cargo care. The Group thus holds a special position in transporting forestry products worldwide in combination with the transportation of break bulk dry cargoes and project cargoes. Being customer-focused, long-term and industrial, the objective is to be the preferred carrier.

We also operate a modern fleet of 15-20 geared handymax and supramax dry bulk vessels. The vessels are chartered from the market on short and long-term time charter agreements and are operated in contract trades and the spot market worldwide. In 2012, the Group will take delivery of two supramax newbuildings and thereby build and broaden this business through direct shipping investments.

The Group owns and manages an investment portfolio which besides generating adequate risk adjusted returns, also serves as a long-term buffer for the shipping activity and provides overall solidity to the Group. The investment policy is founded on the Group's business principles and long-term strategy. The management of the investment portfolio follows

a traditional asset allocation approach. Funds are added to or withdrawn from the portfolio based on the Group's capital requirements and new business development projects.

Our long-term commitment, financial strength and highly competent and dedicated people are of vital importance for the ability to deliver high-quality services and maintain our position as a world class shipping group. The organization emphasizes knowledge, skills and innovation. We recognize the environmental and social impacts of our business activities and focus on corporate responsibility and sustainable business development, on both a strategic and operational level. Our main concern at all times is the safety and security of the crew, the environment, the cargo and the vessels.

MARKET REPORT OPEN HATCH

Substantial changes have taken place in the open hatch segment during 2010, in particular on the newbuilding side. The most surprising development was the long-term freight deal between the Korean company STX Pan Ocean and Brazil's biggest pulp producer Fibria. STX Pan Ocean will build 20 open hatch vessels with conventional cranes for delivery in the period 2012-2015 and carry all pulp for Fibria (4.8 million tons) worldwide for 25 years. Other open hatch operators have also ordered new vessels and the competition going forward will be significant. Due to the age of the fleet, however, we expect several vessels to be recycled within the next five years.

At the same time, a considerable number of new pulp mills are planned and will come on stream from 2013 onwards. Future pulp expansion will take place on South America's east coast; mainly in Brazil, but also in Uruguay. In terms of cost, South Americans are the most competitive of the hardwood producers and will be major players in the future. In Brazil and Uruguay combined, there are confirmed projects from Eldorado, Suzano, CMPC and Arauco/Stora Enso – a total of 7 million tons – but Fibria also has firm plans to increase its capacity within five years.

As a major open hatch operator, we will be looking for our share of this growth. However, with all the new vessel capacity coming into the market, we know the competition will be fierce. We believe it is more important than ever not to “put all our eggs in one basket”, namely South America's east coast, but to develop other cargoes and trade lanes going forward. Grieg Shipping Group has a strong position in North America, with a good contract base and we will continue to serve this industry and develop it further.

To a significant extent, our trading pattern is built up around wood pulp, which has been our base cargo for many years. The pulp market in 2010 started with strong demand from all markets, but particularly from China. At the same time there was a tight supply situation caused by wet and cold weather in North America and Europe and the devastating earthquake in Chile on 27 February, which affected the supply situation heavily and tightened the global supply/demand balance further. The result was a significant increase in pulp prices during the spring. Prices of softwood in North America increased from USD 850/ton in January, to a record of USD 1 020 /ton in June. Total pulp capacity in Chile is close to 5 million tons, or 9% of global capacity.

While the global pulp demand-supply balance remained solid during the summer months, market momentum started to weaken into the autumn. However this happened slowly and mostly for hardwood grades.

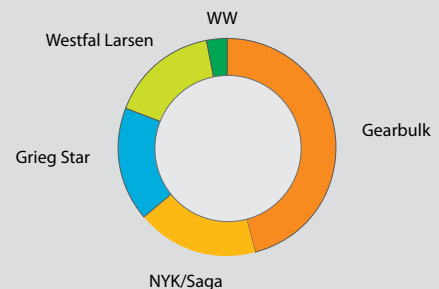
The picture is not clear going into 2011, as the softwood demand/supply balance remains tight, supported by solid demand in most markets, in particular in China. At the same time, the overall market situation for hardwood grades continues to weaken.

Over the next few months, the weakness in the global hardwood market is likely to accelerate as supply increases, due to start up of capacity in Indonesia and China. So far, we have not seen this happen, but the Brazilians will have a challenge in China in 2011 if they do not reduce prices in line with the prices of local produced pulp. However, due to increased cost and a history of strong producer discipline from the Brazilians, we do not expect prices to crash.

China will again be the unpredictable factor in the pulp market going forward, accounting for some 25% of world demand.



OUR COMPETITORS



OUR CARGO

Wood pulp has been our main cargo base for many years, and 2010 was no exception to this. Almost 60% of the goods carried last year was different forestry cargoes. This was mainly wood pulp, but also included printing paper, newsprint and different packaging grades such as kraft liner board, sack kraft and coated board.

We fill the vessels with forestry cargoes in North America and South America and sail to various destinations worldwide. On the return we carry a wide range of different commodities, such as various steel products (coils, pipes, plates etc), fertilizer, project cargoes, windmills, petcoke and different bulk cargoes.

The open hatch, gantry craned vessels with box shaped cargo holds, rain protection and dehumidification systems to control the amount of humidity during the ocean voyage are ideal for carrying forestry cargoes, as well as sensitive steel products and project cargoes. The tween decks in the cargo holds give us great flexibility for combining different types of cargo in a complicated cargo stow.

CHARTERING

Margrethe Bøe Landro has worked as a charterer in Grieg Star Shipping's Open hatch Division since 2005.

What is your responsibility?

My responsibility as a charterer is to find cargo for the vessels that trade in my area, which is USEC/Gulf to the continent and back again. Ideally, the vessels will be fully loaded with good paying cargo on every voyage. A charterer needs to be able to handle several tasks at once, and enjoy the fact that every day is different.

How do you typically work?

In our regular trades, a lot of the cargo is on 3-5 year contracts. In these cases we have regular ports and dates agreed between our customers. However, to fill up the vessels, we often need completion cargoes.

To find cargoes in addition to the contracts, we use brokers and our offices abroad. I contact

CARGO HANDLING

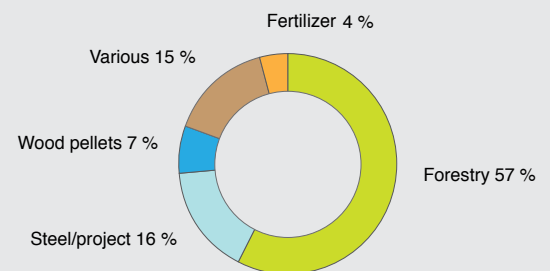
Efficiency and quality are our primary competitive advantages, and the Group is continuously working to improve every aspect of the cargo handling process. The vessels have box shaped holds, gantry cranes with rain protection, dehumidification systems and state-of-the-art cargo equipment. This enables us to load and discharge the cargo with minimum handling, ensuring safe stowage.

The vessels load and discharge baled wood pulp using lifting frames or unihooks. We own a large number of unihooks located worldwide. These are state-of-the-art, with handling features providing superior cargo care, quick hook up and automatic release. Splitting of cargo allows easy access for lifting machines and damage free handling of the cargo.

The Group has developed the most sophisticated vacuum system for loading and discharging of rolled products such as fluff pulp, newsprint, kraft liner board, corrugating medium and other rolled products. Service engineers are located worldwide and look after the equipment and attend during operation.

We carry project cargoes in all our liner trades. The square holds, large gantry cranes and adjustable tween decks make fast work of loading, stowing and discharging the most awkward pieces. The large flat hatch covers are ideal for oversized pieces, as well as project cargoes.

OPEN HATCH CARGO MIX 2010



the broker and he monitors the market and looks for suitable cargoes. Then I calculate how much cargo we can handle and what cargo will give the best result on that particular voyage.

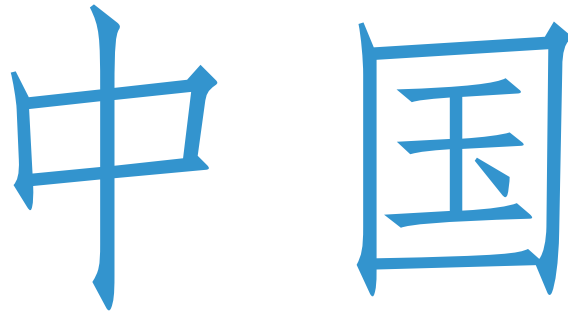
In a good market there will be a lot to choose from and we can get a good freight rate. However, in a bad market, it's a challenge to get the freight rate at a level that gives the voyage a good result.

What cargo do you typically have on board in your trades?

From USEC/Gulf to the continent, we typically have forest products and petcoke. On the return, we carry a wide range of different steel cargoes, pipes, coils and plates. We also ship project cargoes in both directions.

What is the biggest challenge in a job like this?

The biggest challenge in a job like this is that things need to happen fast. You need to make the correct decisions at short notice and as a consequence you might need to work more than normal hours when needed. Another challenge is to be creative and to always look for new opportunities regarding cargo and ports.



(CHINA)

THE WAY FORWARD AND WHAT IT MEANS FOR THE DRY BULK MARKET

China's role as an economic and industrial power was reinforced throughout 2010 and the country is now the world's second largest economy behind the US. Recent forecasts from the World Bank estimate that China will overtake the US and become the world's leading economy in 2025. This immediately raises a number of questions, including: will an uneven distribution of economic wealth lead to social tensions in the country or will the authorities, through various political measures, succeed in ensuring a more equitable distribution of resources to ensure stability? The danger of the Chinese economy overheating is always present in an era of continuous growth. A crucial question, therefore, is whether the country will have sufficient political stability in the future to enable it to dampen down economic activity when necessary and also vice versa; to stimulate it when required.

When the financial crisis hit in autumn 2008, the Chinese government displayed an impressive ability to quickly shift focus from measures that would cool down economic activity to those that would stimulate it. By the end of 2008, an emergency package of nearly USD 600 billion was in place. In view of the significant need for infrastructure development and continued access to a sufficient labour force, inflation risk was assessed as minor and the

risk of stagnation in the economy was considered a far greater danger. In 2010, however, inflation rose significantly and the government is taking ongoing action to curb this trend. These events have occurred over a two-year period and clearly show the operational freedom the Chinese government enjoys; with a trade surplus of USD 183 billion in 2010, the world's largest foreign exchange reserves and a high savings rate, China has the financial resources, that combined with the centralised government, allow it to stem volatility in the short term.

Despite the fact that China is now tightening its monetary policy, it also has an active fiscal policy to limit any adverse effects in the wake of the large stimulus package. Overall, there is no evidence that the economic development and the growth rate, looked at in isolation, will slow down in the next few years – and the government clearly has the tools to ensure balanced development. However, looking to the future, China faces many other challenges just to ensure stable and lasting progress. The overriding issue of regional differences is a constant focus area for the government, as this is the primary danger area for social unrest.

In the last five-year plan, social differences and a more equitable economic distribution has

been one of the main themes, and we expect a continued focus on this area of social development in the new plan (2011-2015) which will be adopted in the spring. It has been suggested that 300 million people will be relocated from rural to urban communities. This will present enormous challenges in terms of infrastructure and environmental issues.

It has long been a desire of the authorities to increase domestic consumption so that dependence on the export industry can slow down to some extent. During the financial crisis, this dependence became significant, and it is clear that the authorities are using the events of 2008 as a catalyst for structural change and a balancing of domestic economic and strategic affairs.

Another significant development in recent years is that China has turned its attention to the outside world and has begun using its enormous financial resources to secure future raw material supplies, various forms of technology and industrial brands. The country has had limited success with the sale of manufactured capital goods and anticipates significant strategic gains in acquiring established players. China's raw material requirements are a familiar theme. It is a political objective to ensure stable and predictable access given the

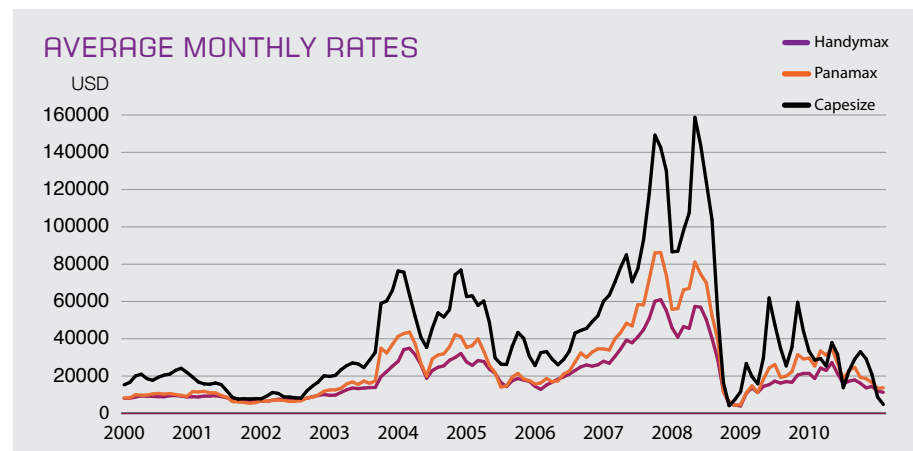


upcoming challenges the country has to build its infrastructure in response to the significant migration from rural to urban communities in the coming years. China has made major investments in Africa and other areas, focusing on the mining and quarrying industry. To many observers, this is only the beginning for China's new role as a definitive economic superpower which has a clear strategy to increase its influence through targeted investments and bilateral agreements.

China's importance for the dry bulk market has been the subject of extensive discussions and analysis from the start of the country's upturn in 2003 until the financial crisis in 2008. From 2003 to 2010, shipping volumes of the major dry bulk commodities of iron ore, coal, grain/soya beans and phosphates/bauxite increased gradually from about 1.4 billion to approximately 2.4 billion tonnes, and China is the undisputed driver of this development. For iron ore alone, China doubled its imports to around 1 million tonnes (2010) in the same period, and the same percentage increase will also apply to a number of other commodities imported into the country. In addition we have the huge importance of the steadily increasing Chinese coastal trade which employs a correspondingly growing number of domestic flag vessels. What this has meant for

the dry bulk shipping market is well known; we have experienced a historic boom period. The big question is whether we can expect the same import volumes in the coming years and with the same positive effect on the shipping market. The answer will probably be more complicated than most people would have predicted a few years ago. Despite China's undisputed enormous demand for raw materials, there is reason to believe that the political authorities will be more active in increasing their control over the various import strategies, and create a more unpredictable situation in the market. There are undoubtedly political forces in China who are sceptical of the massive im-

port of strategic raw materials such as coal and iron ore and are calling for a greater utilisation of domestic resources. How realistic and feasible such a possible shift will be is highly debatable, but there is every reason to believe that we will see far more balanced import structures in China than we are used to and which will probably lead to a greater degree of volatility in the market. There is, however, no doubt about the long-term trend; China will continue its economic development and undergo large-scale societal changes with major contributions from the international commodities market.



Source: Clarkson

OUR FLEET

SPECIALIZED VESSELS

Our specialized vessels have box shaped holds, gantry cranes and state-of-the-art cargo handling equipment. Removable tween decks in two holds provide the flexibility to combine a mix of cargoes in a single hold.

Rain protection on the cranes ensures excellent cargo care and will maximize cargo handling efficiency. Dehumidification plants make it possible to provide correct hold conditions for the various goods carried. Wide, unobstructed deck space provides excellent stowage for various cargoes.

TECHNICAL OPERATIONS

- Fleet management
- Purchasing and logistics
- Manning of maritime personnel
- Maintenance and yard stay
- Modifications and upgrading
- Vessel certification and compliance
- Safety/Security management
- Emergency response and crisis management

SUPERINTENDENTS

Superintendents are responsible for safe operation and cost effectiveness of the fleet. An important part of the job is to visit the ships during year and to lead the work when the vessels are at the yard. In 2010, there were carried out 79 visits on board and the superintendents attended the ships during four yard stays. The system responsible for planned maintenance systems is part of this department.

PROCUREMENT

The purchase department handles the procurement and logistics of all commodities such as provisions, consumable stores, lubricating oil and spare parts for the vessels. In 2010, 6726 purchase orders were expedited, and ten ship visits were carried out.

CST

The CST departments is responsible for Safety Management and for coordination of manning requirements with Grieg Philippines Inc. On average, 550 seafarers are employed on board our vessels at any time. They have carried out 28 ISM audits and participated in nine vetting inspections in 2010. Two officers' conferences in Manila have been arranged.



Gantry crane



Project Engineer Olav Tronvold










FLEET MANAGEMENT

Eli K. Vassenden, COO

The shipping market has been challenging in 2010, and our ability to ensure cost effective operations is tested every day, while never compromising on safety.

It is paramount to have full control of all the details that constitute a healthy ship operation; No incident or damage shall go unattended. Good leadership and focus on working conditions and competence building throughout the organization is a condition for reaching our common goals.



		Built	DWT	Cranes			Built	DWT	Cranes
STAR "K" CLASS					STAR "F" CLASS				
	Star Kirkenes	2009	49924	2x70 mt		Star Florida	1985	40790	2x37 mt
	Star Kilimanjaro	2009	49862	2x70 mt		Star Fraser	1985	40840	2x37 mt
	Star Kinn	2010	49864	2x70 mt		Star Fuji	1985	40850	2x37 mt
	Star Kvarven	2010	49300	2x70 mt					
STAR "J" CLASS					STAR "E" CLASS				
	Star Juventas	2004	44837	2x68 mt		Star Eagle	1981	39749	2x40 mt
	Star Japan	2004	44807	2x68 mt		Star Evviva	1982	39718	2x40 mt
	Star Java	2006	44837	2x68 mt					
STAR "I" CLASS					STAR "D" CLASS				
	Star Istind	1999	46547	2x68mt		Star Dieppe	1977	43082	2x32 mt
	Star Ismene	2000	46489	2x68 mt		Star Derby	1979	43700	2x32 mt
	Star Isfjord	2000	45849	2x68 mt					
STAR "H" CLASS					STAR "A" CLASS				
	Star Herdla	1994	46580	2x40 mt		M/S Star America	1985	30168	2x40 mt
	Star Hidra	1994	46580	2x40 mt		M/S Star Alabama	1985	30175	2x40 mt
	Star Hansa	1995	46580	2x40 mt		M/S Star Atlantic	1986	30402	2x40 mt
	Star Harmonia	1998	46590	2x40 mt					
STAR "G" CLASS									
	Star Grip	1986	43712	2x40 mt					
	Star Gran	1986	43759	2x40 mt					

THE L-CLASS:

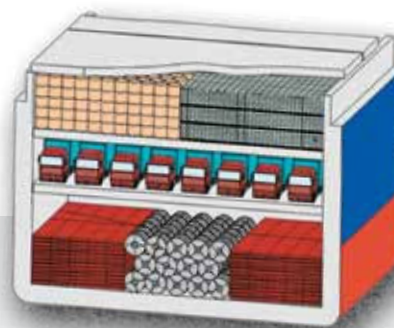
Our next generation of vessels

Ten new vessels will be delivered in 2012 – 2014. These new vessels represent our next generation open hatch vessels. The new concept includes slewing cranes and somewhat different cargo hold configuration compared to previous class vessels. The new cranes have 75 tons capacity each and can in tandem lift up to 150 tons.

New L-class features:

- Lower speed rate from 16.0 to 15.5 knots, reducing our emissions to air
- Ballast water treatment systems installed
- New electronically controlled type main engine for better fuel performance
- Mewis duct, a power saving device for propulsion

- K-class: 26 cabins, L-class: 28 1-man cabins, being in accordance with the requirements of the Maritime Labour Convention.
- Fully electric frequency drive cranes enabling about 30% energy reduction compared to same capacity hydraulic / electric slewing cranes during cargo handling.



THE ENVIRONMENT

NO HARMFUL EMISSIONS TO AIR AND SEA

Although international shipping is by far the most energy efficient mode of transport in terms of greenhouse gas emissions, Grieg Shipping Group is committed to reducing its emissions further.

Conducting our business to meet customer needs and our own performance targets must be aligned with our environmental targets. Although the environmental performance is closely linked to market performance, there are several ways to improve; our logistical planning ability and operational excellence represent two main focus areas for Grieg Shipping Group.

Economic speed is good for both business and for the environment. Tests show that a 7.5% reduction in vessel speed results in a 25% reduction in fuel consumption. With optimum voyage planning, our vessels are able to reduce speed and thereby reduce fuel consumption. In order to meet our goal of a 20% reduction in energy consumption by 2015, compared to 2006 levels, every possible measure must be evaluated.

“With optimum voyage planning, our vessels are able to reduce speed and thereby reduce fuel consumption”

OUR ENVIRONMENTAL PERFORMANCE IN 2010

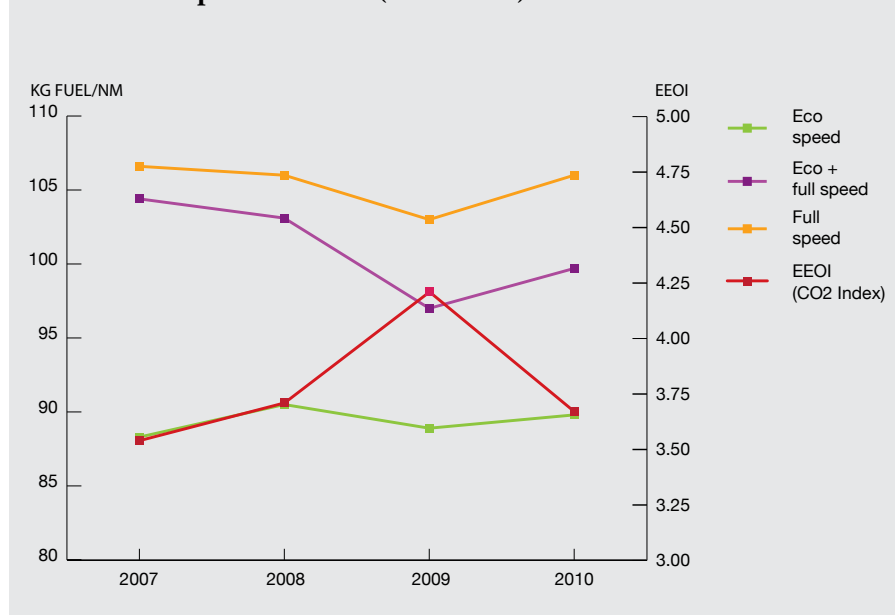
The table shows the development of the indexes kg fuel/nm and Energy Efficiency Operational Index (EEOI - CO2 Index) in the Grieg fleet. The graphs show how the market situation influences environmental performance. In the period from 2007 to 2010, the graph shows a reduction of 5% in kg fuel/nm. This is a positive trend. One reason for this is an increased utilization of economic speed in the years 2009 and 2010.

Economic speed setting is driven both by the general market situation and optimum voyage planning. The kg fuel/nm was at its lowest in 2009. This can be attributed to a poorer market situation in 2009 compared to 2007, 2008 and 2010. Related to these poorer market conditions in 2009, the highest EEOI (4.21 g CO2 /ton x nm) was observed in this year. This is due to lower cargo capacity utilization in the fleet, which drives EEOI upwards.

In essence, to keep EEOI at the lowest possible levels, it is vital that continuous efforts are made to reduce fuel consumption through technical and operational measures. Exploiting cargo carrying capacity through optimum voyage planning and a focus on maximizing availability of cargo to be transported, is also essential.

	Fuel oil (Ton)	CO2 (Ton)	EEOI (CO2 Index)	NOx (Ton)	SOx (Ton)	Fuel/nm (Kg)
Total 2010	160 600	500 500	3.67	15 600	8 020	99.2
Total 2009	181 200	564 300	4.21	18 120	9 420	97.4

Fuel consumption & EEOI (CO2 index)



SHARING BEST PRACTICES TO ACHIEVE A COMMON GOOD

Measuring the effects of energy saving initiatives and allowing for benchmarks with other companies represents a weak spot in the shipping industry today. Yet we all acknowledge the need for more reliable performance data.

The Energy Management in Practice (EMIP) project is a shared mission to build a common platform for systematic cooperation within the field of energy efficiency on ships. Grieg Shipping Group is one of five shipping companies in Norway involved in this project. The other companies are BW Gas AS, Høegh Autoliners AS, Klaveness Maritime Logistics AS and Wilh Wilhelmsen ASA. In addition, the Norwegian Marine Technology Research Institute (MARINTEK) is contributing its expertise. EMIP's total budget is NOK 7.425 million.

Intensive maritime research and trials are ongoing, and EMIP is expected to be finalised by May 2011 with the following deliverables and results:

- Selection, procurement, installation and testing of instruments for measuring, in real time, consumption and performance on board test ships.
- Selection, procurement, installation and testing of systems for data collection, trend analysis and support for decision making related to evaluating, implementing and verifying measurements.
- Establishment and implementation of procedures to enable a systematic approach to different energy saving measures.
- Establishment of programmes for training personnel in the use of instruments, computer support tools and procedures, as described above.
- Establishment of energy and emission profiles for each of the test ships, which will form the basis for measuring improvement. Improvement expectations as a function of implementation of the measures will be quantified using scientific analysis.

The project will result in a coordinated plan with measures showing how the shipping companies will continue their cooperation to test energy saving measures.

NON-OZONE

On most of our vessels, the R22 refrigerant has been replaced by R417A which is a non-ozone depleting substance. This replacement will be completed for all ships by early 2011.

WASTE: REDUCE, RE-USE, RECYCLE

Energy management concerns us all and requires individual awareness with regards to identifying improvement potential as well as the consequences of inaction. At the officers' and wives' conferences in Manila in October, both officers and wives worked actively to identify ideas for how we can contribute to reducing overall environmental footprints.

The wives were fully occupied with creative ideas focusing on how they can reduce, re-use and recycle paper, plastics and other consumer goods at home. All the wives also received eco-handbags to replace the use of plastic handbags for shopping.

Feedback from our officers show that marine litter is a general concern. The UNEP estimates that the total input of marine litter into the oceans and seas worldwide is 6.4 million tonnes per year, or 8 million items every day. It takes approximately 450 years for a plastic bottle to dissolve at sea. The trend is that the worldwide input of marine litter is increasing, despite international, regional and national efforts.



The wives were fully occupied with creative ideas focusing on how they can reduce, re-use and recycle paper, plastics and other consumer goods at home.

The Marpol 1973 convention seeks to eliminate and reduce the amount of waste being dumped into the sea from ships. Later amendments to the convention prohibit the disposal of plastics anywhere into the sea, and severely restrict discharges of other waste into coastal waters and special areas such as the Baltic Sea, Black Sea, Mediterranean, Red Sea

and the wider Caribbean region and Antarctic area. The Annex also obliges governments to ensure the provision of facilities at ports and terminals for the reception of waste. This is a slow process and only a limited number of ports offer proper waste handling and recycling facilities today.

DEDICATED TO GREEN SHIP RECYCLING

Grieg Green was established in 2010, and is headed by Petter Heier, who has had a long career with Grieg Shipping Group. He is dedicated to making green recycling the new standard within the shipping industry.

- What is Grieg Green's business proposal?

To the customer, Grieg Green provides an environmentally and ethically sound recycling of ships. Based on Grieg Shipping Group's experiences with previous recycling processes, we identified a need in the market place for Grieg Green's type of services. As a technical superintendent in Grieg Shipping Group, I was involved in these processes, ensuring that the ships were recycled in line with our ethical and environmental standards, without compromising our financial performance expectations. This service is now the core of Grieg Green's business proposal.

As to the industrial level, we want to contribute to raising the bar in the way our industry is operating in terms of recycling ships. Up to 95% of a vessel is recycled, so actually by definition the business is sustainable. The critical part is ensuring that the recycling process is done at high standards, not at the sub-standard levels often seen today, involving child labour and poor health and safety practices, no proper waste handling etc. It needs to be in line with the Hong Kong convention, or even go beyond these requirements. We do that by, for example, ensuring hazardous waste is handled properly.

- It was your idea to develop this into a separate business for Grieg Shipping Group. What has been your driving force?

The opportunity to work with a part of our industry which is so obviously in need of improvement is one important aspect of it. And personally, I find it inspiring to work directly with people at the yards in countries such as China. They are always eager to learn from others in order to improve their own standards and ways of working. The road out of poverty is know-how, and that is an area where we can contribute with our experience and competencies.



GRIEG GREEN

“We want to contribute to raising the bar in the way our industry is operating in terms of recycling ships”

- Petter Heier, Grieg Green



Ryan Evanoso on Star Japan

“The ability to change is perhaps the most crucial element as we strive for better business performance as well as for industry improvements”

- Elisabeth Grieg, Chair



PEOPLE & PERSPECTIVES

MANAGING CHANGE

The Scandinavian shipping industry is about to change significantly. During the next five years, shipping companies will become more global, focused and professional. Increasingly, management will be recruited from outside the Nordic countries.

These are among the key predictions made by Quartz, a management consultancy firm, following interviews in 2010 with shipping company CEOs, industry experts and academics.

For Grieg Shipping Group, the future is not only about adapting to change. In order to continuously strengthen our competitive position, we must manage change. Understanding market fundamentals, maintaining stakeholder relations, recruiting talent and continuously updating our competences will be important to stay ahead of the competition. Our tradition of openly discussing dilemmas facing our business will provide us with solid ground when exploring new territory. The ability to change is perhaps the most crucial element as we strive for better business performance as well as for industry improvements.

The shipping industry is paramount to the infrastructure of the global community. We carry 90% of the global transportation of goods. Through exploration, production and transportation, our business is essential in providing energy to a growing world market.

As such, we represent commercial companies with an important mission – not only on behalf of our owners, but also on behalf of the greater society. One might say that the

shipping industry is, in fact, fundamental to societal development. As such, we have responsibilities that go beyond our specific tasks as a global carrier.

Shipping is already carbon efficient compared with other means of transportation. However, the international maritime industry emits more CO₂ than most countries and nearly three times that of international aviation.

A global transition to the low-carbon economy will expose international shipping to new challenges. Cutting emissions will be a fundamental business requirement for long-term growth. For the most visionary companies, it will also open up new opportunities to create value. We have already implemented measures to reduce the energy consumption of our own activities, and we are exploring technologies and business models that can help reduce industry emissions, as well as the harmful effects of ship recycling.

As a Group, we are determined to meet the challenges of the future as one team. Only by recognizing common goals and shared values can we leverage our strengths in an increasingly competitive industry. We invite – and expect – every part of the organization to contribute to building a culture of innovation, creativity and adaptability.



Einstein once said: “We can’t solve problems by using the same kind of thinking we used when we created them.” - and we won’t. However, we will base change on the values that have provided a steady platform through all kinds of waters since our beginnings in 1884.

We will not change “for the sake of it”. Rather, we will continue to build on our core competences, bound together by a shared vision to create lasting values through our common effort.



FOCUS IN 2010

For a number of years we have put considerable effort into promoting responsible business practices for our stakeholders, and to report on our progress.

We recognize that environmental performance reporting is a challenge for the industry, and we support the development of a standard set of performance indicators.

We aim to become more involved in all aspects of our value chain to ensure full integration of corporate responsibility. A strong culture based on our values, policies, strategies and vision is essential to our activities. An important tool to create a sustainable value chain is the Supplier Code of Conduct. We see the need for further development of this Code, as well as a broader implementation across the industry in order to succeed.

We work relentlessly to improve the safety levels onboard all our vessels. Presently we are looking more closely into the importance of good leadership. This is a continuation of our study in 2009, where the human factors and how they impact safety on board were in focus. In cooperation with our officers we have been able to identify and describe important areas for good leadership behaviour at sea in general. This will result in a training course

that is now being piloted with our masters. Eventually the programme will be rolled out to all senior officers.

An employee satisfaction survey among land-based employees was conducted in mid-2010. In general, the survey reported high scores across the organisation, but it also revealed some important areas for improvement at both department and organisational levels.

Throughout the year, we have implemented several initiatives to harmonise and streamline our organisation. Building awareness and knowledge with regards to our strategies, goals and policies is an important focus. A number of workshops have been conducted at department and branch office levels, with active participation of employees and managers.

2010 also saw the establishment of an internal compliance committee. The mandate is to ensure the organisation is in line with rules, regulations and our own policies and standards within the scope of corporate responsibility.

Our stakeholders and priorities

Understanding the priorities and concerns of stakeholders is vital to ensure that we continuously improve and raise the bar in our sustainability efforts. Without preparing to meet the expectations of today and tomorrow, we cannot succeed in the long term. We accept that we have a responsibility for an ethical and conscientious relationship with the following stakeholders:

- Employees
- Customers
- Suppliers
- Business partners
- The environment
- Society in general

In our current strategy, we target the following stakeholders specifically: employees, environment and suppliers.

HEALTH & SAFETY

Health & Safety (H&S) is an integral part of our safety, security and quality management system, certified by Det Norske Veritas.

The long-term objectives of our efforts are to cause no harm to crew, environment or property. These objectives guide our improvement efforts and our focus on competence development. Building personal awareness and responsibility is critical to ensure that we have a culture that considers H&S to be a top priority.

A study on H&S was conducted in 2009 in order to identify our improvement efforts more effectively. In general, feedback indicated that there is a very good safety climate on board our vessels. Seafarers are knowledgeable, trained and feel well prepared to handle any H&S issue that may occur. In 2010 and on into 2011, we have continued this work, breaking it down in order to enhance our onboard leadership skills.

The number of casualties leading to repatriation is down from four in 2009 to three in 2010, while the number of near casualties is up from ten to 18. Through more focus on reporting near misses, and learning from these incidents, we hope to gradually reduce the number of casualties to zero

With regards to damage to property, there were no registered incidents of significance in 2010.

HEALTH & SAFETY PERFORMANCE 2010

KPI		Goal	2010	2009
Number of casualties leading to repatriation	Number of casualties per year	0	3	4
Number of "near casualties" reported (all human)	Number of "near casualties"	Increasing	18	10
Lost time injury (LTI)	Lost time Injury Frequencies	Below previous year	1.66	2.4
	Total Reportable Cases Frequencies	Below previous year	8.3	8.06

EXCELLENT SEAMANSHIP DURING THE EARTHQUAKE IN CHILE

On 27 February 2010, while discharging wheat cargo in San Antonio, Chile, Star Juventas was caught in the middle of an earthquake that hit off the coast of the Maule Region at 03:34 local time.

The quake measured 8.8 on the Richter scale, placing it amongst the most powerful ever measured. Most of the crew were asleep when the earthquake struck, but the Duty Officer and Deck and Security Watchman were quick to attend to the mooring lines and sound the alarm. Several powerful aftershocks hit the vessel, and after ten minutes a tsunami hit the ship, both inbound and outbound from the port. The whole San Antonio region suffered from a black out; in the docks people were running from the scene to safety.

The situation had to be assessed and the risk evaluated – without any available assistance from the port, or any feedback from any authorities, Captain Silvestre Notorio took the necessary decisions to safeguard his men, the cargo and the ship by taking the vessel to open sea, with open hatches and unsecured cranes. No one was injured onboard and the vessel suffered only minor damage.



From left: Jannicke Steen, Captain Silvestre Notorio of Star Juventas and Cesar S. Azanza

In the aftermath of the incident, the officers and crew did a fantastic job in safeguarding the vessel and protecting their cargo, continuously evaluating the risk and assessing the situation.

After a week at anchor, Star Juventas was allowed back into port to lift and close the hatches and secure the damaged crane. The 19 crew members on Star Juventas all

showed excellent seamanship in handling this unexpected and most challenging of situations.

On 20 February 2011, at the Paraw Regatta festival in Iloilo City, Philippines, Grieg Shipping Group presented its 'Outstanding Seafarer' award to Captain Notorio, in appreciation of his superior leadership qualities.

PIONEER AND PASSIONATE PHOTOGRAPHER

Vice President & General Manager Asbjørn Olsen, Shanghai has had a long career with Grieg Star Shipping, starting in Bergen in 1985.

What made you move to Shanghai?

Responding to a proposal from our management, I moved to Shanghai in 2004 and stayed here for a couple of years. Before that I had been involved in our business projects in South East Asia and lived in Singapore from 1999-2001. At that time we also began carrying paper in China, and had a pioneer project here in which finished paper products were loaded as break-bulk instead of in containers. This was a great business opening for Grieg Star Shipping back then. I moved back to Bergen in late 2006, but returned to Shanghai in January 2009, again following a proposal from our management, after the demerger of WLS from Star Shipping.

I find life here in Shanghai very inspiring, and so does my family, who are frequent visitors here.

- What inspires you?

We have achieved a lot commercially. The Group has a great team working here. And personally I find Shanghai a very inspiring and thriving city. It is truly a melting pot. The cultural scene is quite spectacular, with a lot of concerts and art exhibitions. As a passionate photographer, I also spend time taking photos and documenting city life, either by myself or with friends who share the same passion. One day I plan to publish these photos in a book.

- Do you speak the language after so much time in China?

The language is indeed a challenge and although I know some Chinese, it does not suffice for business use. I rely on my very competent

Chinese colleagues as interpreters in many initial meetings, as Chinese is often spoken, even in situations where all participants in a meeting have a decent knowledge of English. Guanxi stands for 'relationships' in Chinese culture. Once established, everything runs more smoothly in our business co-operations and communications.

“ As a passionate
photographer, I also spend
time taking photos and
documenting city life...”

- Asbjørn Olsen



25 YEARS IN GRIEG'S SERVICE - 7000 DAYS AWAY FROM HOME

Chief Engineer Antonio Emia Allones
 Chief Engineer Roman Francisco Oliva
 Deck Fitter Roberto Gabion Eurolpan
 Deck Fitter Felix Baigan Merka
 Deck Fitter Delfin Tarrosa Maca

Do you remember your first day at work?

"Two of us joined Star Fraser in South Korea, as able seaman and first engineer. It was January and very cold, with icy waters. We were going to the dry dock and I had no warm overall to wear, so I had to borrow one from the Norwegian captain."

Four of you will retire now. How do you feel about that?

"Well, officially we are retired but we are ready to work if needed. We can still perform and we like the smell of the sea! Perhaps we could extend our work by five years?" (Laughs)
 "We are a bunch of old people with young hearts!" (More laughs).

"I still have two years to go before retirement. I have no regrets about staying with Grieg all

these years," concludes Chief Engineer Roman Francisco Oliva.

What will you miss the most about life on board?

"The camaraderie, being with one of the best shipping companies in Norway – this makes us proud! Having worked for 25 years with Grieg is an achievement to us", they say in unison.

What has been the highlight of your careers?

"We have been very good providers for our families. They have been given good lives and our children have been able to get an education because of us", the awardees say in nodding agreement.

Will any of your children follow in your footsteps?

"I would have liked my sons to follow in my footsteps. Shipping represents a good place to work." "Well, I have four girls and one boy who all work on land."

Roman Francisco Oliva tried to persuade his son but, "as I was always away for Christmas, my son once said straight to my face, 'I don't like your job. You are always away!'"

Our seafarers spend between six and nine months away from their families at a time. Offering them a safe and inspiring working place where they can develop and build their competencies is therefore of vital importance to us.

In 2010 we celebrated five employees, each of whom has worked onboard our vessels for 25 years. This is a great achievement on their part and also a proud moment for Grieg. In fierce competition with other shipping companies, we appreciate the loyalty of our seafarers and their commitment to our company.

The five employees were recognized at a gala dinner and award ceremony in Manila in October 2010 and fully deserved the special attention they received.

"my son once said straight to my face, 'I don't like your job. You are always away!'"

- Roman Francisco Oliva



GRIEG FOUNDATION

Grieg Foundation owns 25% of the Grieg Group companies. This secures that a proportion of the values created by the Grieg Group will benefit the society.

Grieg Foundation contributes substantial amounts to a wide range of activities. Internationally and in Norway, there is an increasing need to support children and youth. Many of the projects Grieg Foundation supports are in the intersection between youth work and culture work. Other contributions are given mainly towards health, research and other benevolent projects in Western Norway.

Grieg Foundation contributed to national and international projects with about NOK 50 million during 2010, and is committed to considerable additional funds for accepted projects over the next years. Since 2002 Grieg Foundation has awarded a total of NOK 305 million to various projects. The Grieg Group is proud to have a shareholder like Grieg Foundation and the work it represents.

SOS CEBU

The Grieg Group has a long tradition of supporting SOS Children's Villages, mainly through Grieg Foundation. Children are our future and it is crucial that they have a loving and caring home to grow up in and are able to obtain the education they deserve.

SOS Children's Villages are doing an admirable effort to make this happen for as many children as possible. One of the main challenges for SOS Children's Villages is to get support for the running costs of the villages.

In Grieg Shipping Group, 74% of our employees are from the Philippines. When looking for a project to support, therefore, it was natural to look to the Philippines for potential projects.

There are eight SOS Children's Villages in the Philippines, of a total of 500 such villages worldwide. One of the villages is situated in Cebu where the Norwegian Training Centre (NTC) is also located. NTC is run by the Norwegian Shipowners Association (NSA). NSA challenged the Norwegian shipping

industry to help take part in the local community. Grieg Shipping Group therefore decided to make a five year commitment to the SOS Children's Village in Cebu. Our employees have now supported one house in the village for three years. We are contributing financially while SOS Children's Villages is doing a tremendous job converting the houses into homes for children in need.

CELEBRATING HOLIDAYS ON BOARD

Christmas is filled with traditions, normally spent in the warm circle of family and friends. For seafarers, it is only natural that they miss their family and friends during the holiday season.

Still, the feedback and stories our seafarers share with us show that Christmas on board can be quite amusing as well!

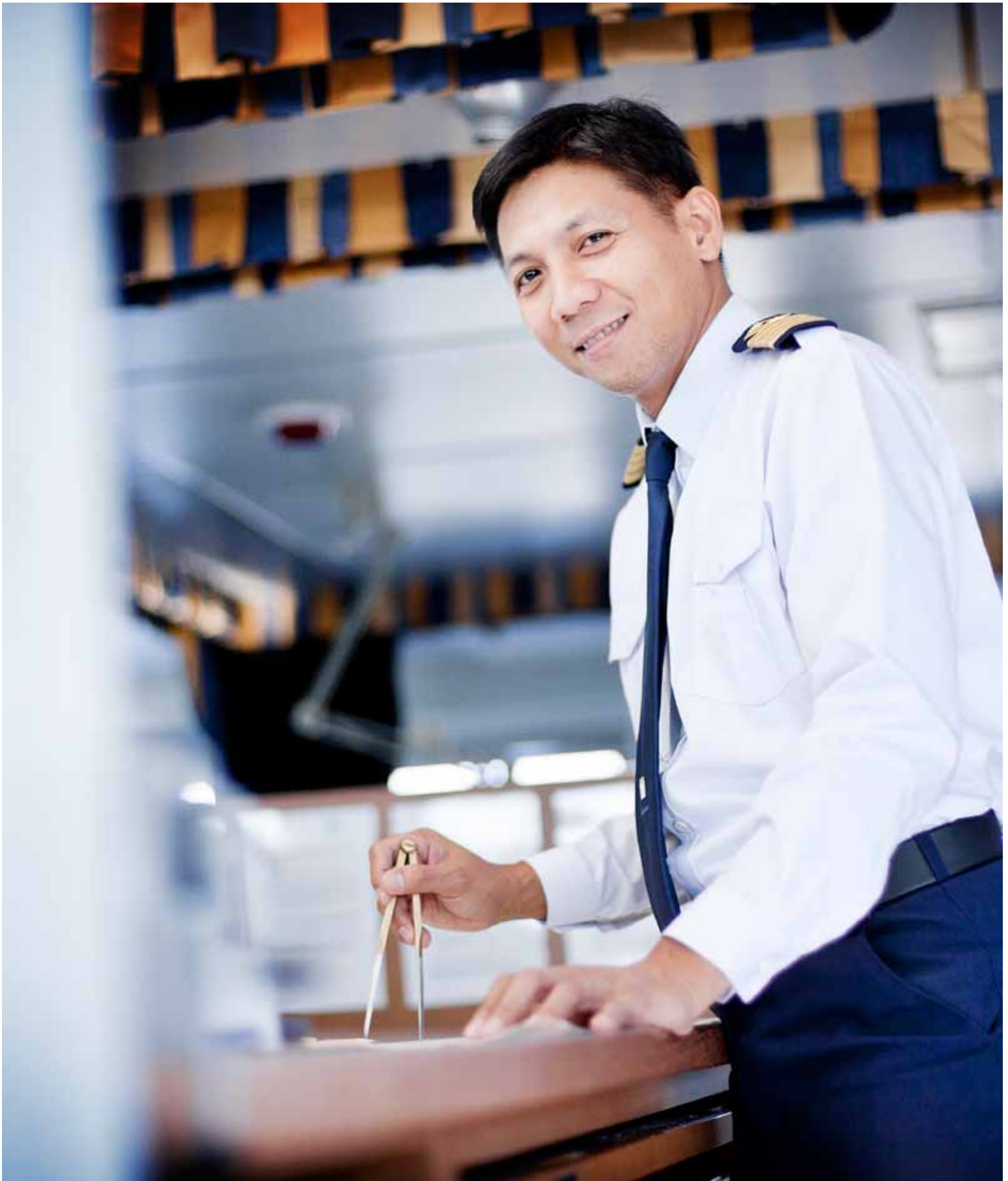
The yuletide celebration depends a great deal on where the vessel is; at sea or in port. If time and weather permit, the officers and crew usually arrange a Christmas celebration on board, which includes many of the same activities as traditional celebrations at home; a delicious dinner in good company, singing, dancing, opening of gifts and remembering the meaning of the Christmas.

Star Grip docked at Vancouver, WA, USA early on the morning of 24 December 2010, and with no cargo operations, the crew had the chance to go onshore before the holiday festivities began in the evening. Star Alabama was in the middle of the Pacific Ocean on Christmas Eve. Despite rough weather, Captain Bernabe Olalia and his crew still held the traditional Noche Buena. Star Java transited the Strait of Magellan on Christmas Eve, and for many of the crew it was a great experience to pass through such a beautiful landscape. On board Star Kinn, celebrations were cut short in

preparation for an early arrival in Los Angeles, CA, USA on Christmas Day. Deck Cadet Arnel Fale spent his first Christmas on board Star Fuji at the port of Bremen, Germany, and he said that with a roasted pig centred on the dining table, smiling faces, and familiar Christmas songs, the feeling of Christmas and family was not so distant after all.



Girl from the SOS Children's Village at Cebu. Photo: Benno Neeleman



Capt. Jeffrey D. Mijares on Star Japan

GOVERNANCE

Efforts have been made to ensure that the division of tasks and roles between the administration, the Board and the General Meeting is based on sound practice. The Norwegian corporate governance recommendation applies insofar as is appropriate for the organisational form, implying that divergence from the recommendation arises from the fact that the Group is a family-owned business which also has restrictions under its Articles of Association.

THE BOARD

Directors of the Board

The Board of Directors currently comprises five directors of whom two are women. Two of the directors are co-owners of the Grieg Group, and three directors are external and unrelated to Grieg Shipping Group.

The members of the Board of Directors have a broad range of qualifications and experience within the shipping industry and other business areas relevant to Grieg Shipping Group, in addition to being highly experienced leaders and board directors.

The independence of the Directors of the Board is, at all time, considered and Board members abstains from board discussions if potential conflict of interest occur.

The Board is elected every second year, and all directors were re-elected in March 2011.

Board of Directors' work

The Board holds seven ordinary, in-person meetings per year, of which one is held over two days. Additional meetings are arranged if and when required, either physically or remotely by phone/video. Two extraordinary meetings were held in 2010.

The Board works according to an annual plan with regard to issues to be discussed, reviewed or decided upon on a regular basis, such as: strategies, certain company policies and guidelines, ethical dilemmas, H&S status,

budget proposals, and an assessment of the Board.

At each Board meeting, an update on the business and financial status, market reports, environmental reporting and H&S reporting is presented to the Board and discussed. At every meeting, the Directors also spend time in discussions without any representatives from management present.

An annual strategy meeting is held over two days with all management teams present. All strategies are reviewed and potentially revised, in addition to discussing the risks involved in Grieg Shipping Group's business areas.

Grieg Shipping Group does not have an audit committee.

Every month, the Board receives internal reports on business and financial status from management.

Directors fee

The Directors receive a yearly fee as set out in note 14 to the Annual Report.

COMPLIANCE COMMITTEE

Grieg Shipping Group has established a compliance committee which consists of six internal members representing key areas within the Group. The committee shall ensure compliance by continuously reviewing and evaluating Group policies, procedures/

manuals and ethical guidelines within the area of corporate responsibility and health & safety. It may recommend actions to be taken by the line organization, but is not responsible for the implementation of any such actions. The committee reports to top management and has an annual review with the Board.

In 2010, three compliance committee meetings took place.

MANAGING THE ORGANIZATION

Management teams

The management of Grieg Shipping Group consists of three management teams. Two for operational activities; chartering & operations and technical management & projects as well as the top management team.

The top management team consists of the President & CEO of the Group, the heads of its operational activities as well as the divisional heads of the Group's Corporate Services. The main tasks of the Top management team are to plan and carry out the strategic management of Grieg Shipping Group, by being a distinct, coordinated and competent unit with appropriate authority and ability to make decisions and impose measures of commercial and operational character.

All management teams have weekly meetings and all proposals presented to the Board of Directors have been prepared and discussed by the top management team.

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Knowledge sharing

In order to create a greater understanding of the business, Grieg Shipping Group holds open meetings frequently for all employees. Topics for these meetings may vary from business strategies and budgets to presentations of the development of new ship designs.

On shore training and development is done through internal seminars and lectures, as well as on-the-job training. For sailing personnel there are held semi-annual officers' conferences in Manila.

Notification policy

The SVP HR director and the chair of the Board act as the Group's advisers in ethical matters. A notification policy is implemented. Board members are the last notification body for unethical or illegal matters. Notifications are dealt with confidentially, unless the matter relates to criminal offences. No actions shall be taken against reporting of undesired events.

AUDITORS

The Annual General Meeting elects an external auditor who is responsible for conducting the financial audit of the parent company and the group companies. The Board meets with the auditor when the annual accounts are considered, and otherwise if required. The independence of the auditor is regularly assessed by the Board.

The auditor and the Board have held one meeting without any management representatives present.

SHAREHOLDERS

Grieg Shipping Group AS is owned 75 % by the Grieg Group and 25 % by Grieg Foundation.

Appropriate mechanisms are incorporated to ensure the protection of minority interests. A policy requiring dividend payments of a minimum of 25 % of the annual consolidated profit after tax protects shareholders from locking-in effects as well as ensuring predictability for planning the Group's future funding.

GOVERNANCE AND REFORM IN THE PHILIPPINES

In July 2010, Transparency International – Philippines, in cooperation with South-East Asian Parliamentarians against Corruption (SEAPAC), organized the Philippines' first "Forum on Reforms in Governance and Business".

In line with our ethical guidelines and our commitment to promote responsible business practices, Grieg Shipping Group participated in the seminar as one of the main sponsors. The forum discussed achievable initiatives to remove corruption, in order to increase the country's capabilities for national development. The outcome of the seminar was a detailed Action Program to Fight Corruption, which has been presented to the Philippine Government. Participating in the forum represented an initiative to take action for the advancement of the country of our seafarers.

ETHICAL BUSINESS CONDUCT

How we run our business is important to us. We want to be recognised by our high ethical standards, and we are proud of the way we conduct ourselves. We are clear about the behaviour we will not accept and speak directly and openly about the fight against corruption.

Our ethical guidelines underline the individual responsibility for an ethical and conscientious relationship with our colleagues, our customers, suppliers and co-operators, our owners, competitors, the public sector, society at large and the local and global environment. In addition, our supplier code of conduct requires suppliers to observe the same

standards and to work to improve these where necessary. The ethical guidelines and supplier code of conduct are published at www.grieg.no.

In the course of 2010, we have conducted internal workshops across the organization, focusing on implementing our ethical guidelines and creating an open arena for raising dilemmas that we face and discussing how we deal with them. This is a continuous process which will remain in focus throughout 2011.

Dealing with dilemmas

Dilemmas are by their nature difficult to answer or solve. Hence, a typical answer when presented with an ethical dilemma is: 'It depends...'

The ethical conduct test may provide some guidance by asking the following questions:

- Is it legal?
- Is it right?
- Can it be justified?

TOP MANAGEMENT

Camilla Grieg
(47)
President & CEO



Camilla is co-owner of the Grieg Group and a member of the founding family. She has an MBA with a major in finance from the University of San Francisco and is a Certified Financial Analyst (AFA). She is a member of the Board of Directors of GC Rieber AS, the Norwegian Shipowners' Association, and a member of the Supervisory Committee of DnB NOR.

Annicken G. Kildahl (42)
CFO



Annicken has worked in the maritime industry since the early 90-ies, both in The Torvald Klavness Group and Union Bank of Norway, before joining Grieg Shipping Group in 2000. She has a Master of Business and Economics from the Norwegian School of Management and is a Certified Financial Analyst (AFA). Annicken holds board positions with several Grieg Group companies and the Norwegian Shipowners' Association - such as its Pension Fund, Social Security Fund and Tax and Capital Group. She is also board member of Menerga AS and member of the Supervisory Committee of Norwegian Hull Club.

Ole Steinar Mjell
(53)
SVP HR



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

Henry Svendsen
(57)
CEO Grieg Shipping



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

Tom Rasmussen
(56)
CEO Grieg Star Shipping



Tom started his career after high school, at Kristian Gerhards Shipping Company/Gearbulk in 1975. He worked at their head office in Bergen and at Gearbulk's office in New York in the period 1982-1984. In 1985, Tom joined Star Shipping and became responsible for the open hatch division in 1998. He held this position until the demerger of Star Shipping at the end of 2008 and then became CEO of Grieg Star Shipping.

Terje Michelsen
(55)
COO



Terje joined Star Shipping in 1981 and has broad experience from various executive positions in Norway and abroad. He headed Star's container division for many years working in Bergen and San Francisco, was VP and General Manager Far East based in Tokyo for six years, and later VP chartering and operation and EVP of Grieg Star Shipping before taking on his current position. Terje has a business degree from Heriot-Watt University, executive education from IMD Business School and is a board member of Grieg Group Resources, Squamish Terminals Ltd, Grieg Star Shipping's daughter companies abroad, and a member of the Skuld committee.



From left: Bjørn Gabriel Reed, Elisabeth Grieg, Kai Grøtterud, Camilla Grieg, Jarle Roth.

BOARD OF DIRECTORS

Elisabeth Grieg (51)

Chair

Mrs Grieg is co-owner of the Grieg Group and a member of the founding family. She is member of the Board of Directors of Grieg Foundation and various other Grieg Group companies. Mrs Grieg is Chair of the Board of Directors of GIEK (Norwegian Guarantee Institute for Export Credits) and a Board member of SOS Children's Villages Norway. She is also member of the Council of Det Norske Veritas (DNV).

Kai Grøtterud (52)

Director of the Board

Mr Grøtterud is Head of Maritime Logistics at Yara International ASA and also performs his own shipping related activities. He has worked within shipping and logistics for 29 years, primarily in the UK, Australia, Japan and Saudi Arabia, with top executive positions in Gearbulk, Klavenes Maritime Logistics, Scancem AB and similar positions within P&O Maritime Ltd and Höegh-Ugland Autoliners, in addition to various board positions within joint venture shipping companies. He has a degree in Transportation & Business Administration from MRDH, Molde, and management education from INSEAD.

Mr Grøtterud has been a Director of the Board of Grieg Shipping Group for two years.

Camilla Grieg (47)

Director of the Board and CEO

Mrs Grieg is co-owner of the Grieg Group and CEO of Grieg Shipping Group. She is a member of the founding family. Mrs Grieg has an MBA with a major in finance from the University of San Francisco and is a Certified Financial Analyst (CFA). She is a director of the Board of GC Rieber, the Norwegian Shipowners' Association and a member of the Supervisory Committee of DnBNOR.

Jarle Roth (50)

Director of the Board

Mr Roth is Executive Vice President and Deputy CEO of Umoe and Chair in many group subsidiaries of Umoe AS. Umoe AS is engaged in a wide range of businesses, including maritime safety, IT, Defence, Renewable Energy and Restaurants. He was President and CEO of Unitor ASA from 2001-2005. He is a naval architect and holds a Master of Science in Business (siviløkonom) from the Norwegian School of Economics and Business Administration (NHH), in addition to a doctorate programme in organization and strategy from NHH.

Mr Roth has been a Director of the Board of Grieg Shipping Group for five years.

Bjørn Gabriel Reed (52)

Director of the Board

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

Mr Reed has been a Director of the Board of Grieg Shipping Group for five years.

DIRECTORS' REPORT

Grieg Shipping Group achieved a solid pre-tax result of NOK 338m in 2010, far exceeding expectations at the start of the year. With a somewhat larger fleet and improved shipping markets, both volume and rate-wise, and despite one off pension costs of NOK 54m, the Group's operating profit almost quadrupled from NOK 85m in 2009 to NOK 317m in 2010.

BUSINESS AREAS

Grieg Shipping Group AS, Bergen, is the parent company of the Grieg Group's shipping activities, having world wide operations, with offices in Oslo, Atlanta, Mobile, Savannah, Long Beach, Vancouver, Squamish, Vancouver B.C., Rotterdam, Brussels, Gothenburg, Livorno, Sydney, Rio de Janeiro, Seoul, Tokyo, Manila and Shanghai. The Group is a fully integrated shipping organisation, whose core activity is the ownership and operation of one of the world's largest open hatch fleets, employed in international transport of forestry products and other parcel cargo trades. Presently, this fleet comprises 26 trading vessels plus 10 vessels on order, owned by companies organized under the Norwegian tonnage tax system. The Group also operates a fleet of 15-20 conventional geared and grab-supplied dry bulk carriers including two supramax vessels on order, as well as manages a financial investment portfolio.

Vision and strategy

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

Areas of operation

Open-hatch forestry and other parcel cargo trades

The Group's open hatch fleet is operated in a pool with long and short-term contracts of affreightment. The freight contracts are entered into with major international pulp and paper producers as well as other cargo shippers, usually with a duration from one to five years. Vessels are

also chartered in from third parties. The ability to establish optimal sailing patterns and cargo combinations is the pool's most critical success factor, while simultaneously responding to constantly changing market conditions. Usually, the contract coverage is at least 60% on a 12 months rolling basis, based on a trading pattern mainly built around the North American pulp and paper industry, with sailings to and from Europe and Asia. During 2010, a new trade was started from Chile to the Mediterranean, which will be expanded in 2011 with volumes from Brazil to the Far East. The South American cargo contracts are considered strategically important in terms of broadening the Group's open hatch operations going forward.

The nature of the industrial shipping concept is that vessels usually are contracted, operated and owned for their entire lifespan. This allows for a long-term operating philosophy. The average age of Grieg's fleet is presently 17 years, while the economic life of the open hatch vessel has over the last years proven to be at least 30 years.

In 2010, the Group took delivery of two newbuildings from Hyundai Mipo Dockyard Co. Ltd., South Korea, the last two in a series of four. Following a comprehensive tendering process, Hyundai Mipo was also chosen as the builder of Grieg Shipping Group's largest newbuilding programme ever; ten open hatch vessels with conventional cranes. These vessels, which will eventually replace existing ones, will be delivered in the period 2012-2014 and all, except two, are financed with traditional ship finance loans with Nordic banks, under competitive terms.

Other shipping activities – conventional dry bulk

The Group is also engaged in the operation of standard handymax/supramax dry bulk vessels, an activity labelled CBCD (Conventional Bulk Carrier Division). As Grieg here is primarily an operator, vessels are chartered in from other shipping companies, in the same manner as cargo contracts for various dry bulk commodities are entered into, with varying durations. The combination of tonnage and cargo commitments at any given time gives rise to the desired net market exposure for the period in question. In 2010, CBCD operated an average of 15 vessels. Going forward, as part of the growth strategy of the dry bulk business, the operator status is changing. In 2010, the Group entered into an agreement to purchase two Chinese 2012 built supramax vessels. These are yet to be financed.

Financial asset management

The Group manages a substantial financial investment portfolio owned by the Group's two shipowning companies. The investment portfolio has been consciously built up over time and is actively managed within the limits of the Norwegian Tonnage tax regime. The main objective of the portfolio, besides generating adequate risk adjusted returns, is to serve as a long-term buffer for the shipping activities and to provide overall financial stability and solidity in the Group. The importance of having a strong balance sheet has been evident in recent years, due to volatile shipping markets, and as access to financing has become more challenging. The portfolio's investment policy has a long-term horizon and follows a traditional asset allocation model, where funds are allocated to various asset classes, primarily through fund instruments.

ANNUAL ACCOUNTS

Results, earnings and operations

Based on a recovering shipping market, and despite lower financial earnings due to equity payments on the newbuilding orders, Grieg Shipping Group can report a solid consolidated pre-tax profit of NOK 338m for 2010 compared to NOK 370m for 2009.

Grieg Shipping Group AS purchased all the shares in Grieg Star Shipping AS on 31.12.09¹. This transaction affects the annual accounts' comparability with previous years. In terms of the consolidated profit and loss statement, note 19 of the accounts shows a simplified pro forma version as if Grieg Star Shipping AS had been purchased with effect from 01.01.09. These proforma figures are referred to in this report in terms of comparison with 2009 (instead of the audited 2009 figures²). The consolidated balance sheet fully reflects today's organisation, both for 2010 and 2009³.

¹ Grieg Star Shipping AS, previously Star Shipping AS was subject to a 50/50 de-merger on 31.12.08 and was at that time and until 31.12.09, owned by another Grieg Group company.

² The main differences relates primarily to income and cost items above the "EBITDA line". While the audited 2010 accounts report freight income and ship voyage costs as well as administration costs for the commercial chartering activities on a gross voyage basis, previous years' accounts report freight earnings on a net time charter basis. Given the characteristics of Grieg Star Shipping AS, figures below the "EBITDA result" may on the other hand be considered comparable.

³ USD pro forma figures have been computed and are presented as part of the Key Financial Figures in the Annual Report.

The Group had aggregate freight income of NOK 4.16bn in 2010. This is NOK 640m higher than in 2009, based on increased transportation volumes and freight rates earned on the open hatch vessels as well as higher earnings on the conventional dry bulk operation.

With a higher rate of activity, the Group's operating expenses were up from the previous year, totalling NOK 3.84bn. In terms of voyage expenses of NOK 2.10bn, some three quarters of the 22% cost increase are a direct result of higher fuel costs, and reflect increased number of shipments as well as higher prices. The consequence of the latter, however, was largely offset by higher freight earnings based on bunker clauses under the cargo contracts. Other items that were exposed to notable increases were: broker commissions, cargo handling and stevedore costs, canal costs and harbour dues, as well as equipment overheads. In terms of technical operations, costs remained high, partly as a result of the requirements for safe and efficient operations, but also because several vessels were exposed to maintenance incidents which required repair. Four dry dockings were carried out in 2010. Administration costs, including personnel costs, developed according to inflationary expectations and an increased number of total ship operating days. However, the decision to change the benefit based pension system for former Star Shipping AS employees to the Grieg Group's contribution based scheme, resulted in a one-off pension cost of NOK 54m. Depreciation charges increased in 2010, as a consequence of the delivery of the four K-class newbuildings; two in mid-2009 and two in the first half of 2010.

Based on higher earnings, the Group's operating

profit improved from NOK 85m in 2009, to NOK 317m in 2010.

Net financial items gave a positive contribution of NOK 22m in 2010, significantly lower than the 2009 result of NOK 301m. The 2009 figure included NOK 175m in gains on foreign exchange, an almost non-existent item in the 2010 accounts. Equity markets in general, and the financial investment portfolio in particular, had a strong finish to the year, but the returns of NOK 105m were modest compared to NOK 184m in 2009, are more in line with long-term expectations.

The financial portfolio has retained its neutral exposure to equities in 2010, but has reallocated exposure from index-funds to actively managed funds. The exposure to bonds, particularly government bonds, has been reduced significantly in light of the historically low long-term interest rates experienced in the first half of the year. At the same time, the Group has taken advantage of the low rates to enter into new interest rate swaps for some of its outstanding debt, at favourable levels. Increased interest costs, from NOK 60m in 2009 to NOK 85m in 2010 are due to new loans financing the vessels delivered in 2010 and the newbuilding programme. 43% of the Group's interest rate exposure is fixed through swap agreements with durations up to eight years.

Balance sheet, financial situation and cash flow

Based on higher operating income, positive financial returns and an increased level of investment activities, the Group's cash flow from operations at year-end 2010 totalled NOK 770m,

while net change in liquid funds was NOK 62m, after payment of dividends and a net increase in debt. Long-term interest-bearing debt increased from NOK 2.14bn to NOK 2.68bn during the year due to borrowings related to the delivery of the two new vessels and the pre-delivery financing of the open hatch order book. At year-end, book equity was NOK 3.51bn, after NOK 187m was charged as a final settlement tax under the new Norwegian tonnage tax regime (see next section). Distributable equity in Grieg Shipping Group AS was NOK 2.318.930.000.

At the end of 2010, the Group had total assets of NOK 7.10bn, with current assets accounting for NOK 1.94bn, of which the financial investment portfolio accounted for 72%. Liquidity in the form of bank deposits and cash at year-end totalled NOK 184m. The Board of Directors considers the Group's capital situation to be strong.

REGULATORY FRAME- WORK

Shipping tax regime

The ship owning companies of the Group comply with the tonnage shipping tax regime adopted in 2007. In February 2010, the Norwegian Supreme Court ruled that the transitional rules for companies entering the new tonnage tax regime implemented in 2007 were unconstitutional.

According to the new transitional rules that followed thereafter, a tonnage taxed company can choose to pay taxes on untaxed capital as calculated when entering into the regime of 2007, either as a final settlement tax or as a distribution tax.

Under the settlement regime, taxes on untaxed capital are 6.67%, payable over three year. The environmental fund is also abolished. Distributions of dividends are then tax free, with the exemption of correctional taxes that may be levied.

Under the distribution tax model, which corresponds to the main principles of the pre-2007 tonnage tax regime, a company will for practical purposes not be able to make tax free distributions of dividends until all taxes on untaxed capital, as calculated when entering into the new regime of 2007, have been paid. Furthermore, a minimum real capital requirement applies.

In order to maintain a flexible capital structure, the Group has chosen the one-off settlement model. Total taxes of approximately NOK 187m will be payable during the period 2011-2013. Accounting-wise, the entire cost has been charged to the 2010 accounts, resulting in an after-tax result for the Group of NOK 147m.

Following the introduction of the regime of 2007, the Norwegian tonnage tax regime has become more like the "EU model". However, there are still important differences, such as the Norwegian requirement for a separate shipping company carrying out activities and own assets which comply with the tonnage tax regulations. Within the EU, such activities and assets are allowed within the shipping company, but subject to ordinary taxation.

WORKING ENVIRONMENT

At year-end 2010, the Group had 849 employees, of which 224 were shore-based and 625 at sea. For shore based personnel, 119 were

employed in Norway and 105 in the offices abroad. The vessels have a full complement of Philippine crew, recruited through the Group's manning agency, Grieg Philippines Inc. Through this arrangement, the Group is able to play an active part in crew-related matters, in order to secure alignment with the Group's values as well as expectations for performance based management. The inflow of well qualified and motivated seafarers is considered sufficient, also in terms of the Group's planned fleet growth. This is taken as an indication that onboard working conditions are good.

The Board considers the working environment and the level of job satisfaction in the offices to be good. Integrating all Grieg Shipping Group's personnel to one team, with one vision and a common corporate culture, was high on the agenda in 2010. Through various actions, from revision of business plans, focus on cooperation and knowledge sharing, to plenary sessions and harmonization of personnel policies, including a common bonus programme, the Group is creating a stronger and more efficient team for the future. As part of measuring the organisational temperature, an employee survey was held in mid-2010 among shore-based personnel. This revealed that more than 90% of employees feel happy in their jobs and consider the Group to be an attractive employer. Naturally, there are also areas for progress, e.g. information sharing and competence development. This and other suggestions for improvements are attended, and actions are under implementation.

Officers' conferences, held semi-annually in Manila, are an important venue in the focus on job improvements among sailing personnel. In 2010, subjects such as good operational practice

and piracy awareness exercises were on the agenda. On shore training and development is done through internal and external seminars and lectures, as well as on-the-job training. Important topics in 2010 included ethical dilemmas and broadening the understanding of the business' value creation.

Health, environment and safety

The Group maintains an overview of sick leave in accordance with current laws and regulations. In 2010, the overall incidence of sick leave for shore-based employees was 2,5%, of which 1,5% was long-term leave. The Group encourages and facilitates participation in physical activities and supports its employees financially or with in-house facilities to stay fit. Fitness equipment on board the vessels is considered a prerequisite.

No injuries or accidents ashore were recorded in 2010. Among sailing personnel, six cases of sick leave were recorded, while three crew members had to sign-off due to injury; the lowest level since 2006, albeit now with a larger fleet. However, the Group did experience two fatal incidents on board which unfortunately lead to the death of two stevedores. Continued focus on training and performance of work processes is essential to meet established goals.

Equal opportunities

The Group does not accept discrimination based on gender, religion, cultural background, skin colour, or in any other form. The Group wishes to have a business based on full equality and respect for all employees. At year-end 2010, the workforce reflected almost full equality between the genders, with 42% women and 58% men. Equal gender distribution is implemented within

the Group management team and at middle management level and is valued as imperative; approximately one third are women. The Board expects continued focus in this area.

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. As its contribution to the climate challenges, the Group's long-term vision reflects a commitment to have zero harmful emissions to sea or air. Beyond complying with national and international environmental laws and regulations, Grieg strives to be proactive in implementing environmental procedures and technology to reduce possible harmful effects of its business activity on the environment. Equally important is working through various decision-making bodies to establish common legislation to push for changes, as well as creating an equal playing field for the industry.

The most effective way of reducing CO₂ emissions in the future is to reduce the fleet's total energy consumption. A number of development projects and investments were carried out in 2010 to improve the environmental performance of the fleet. E.g. the newbuildings and one existing vessel were equipped with energy management systems, giving support related to optimal utilisation of machinery systems and operation of the ship. All in all, the Group has made significant efforts to keeping better track of its performance, allowing disclosure of improvements and better evaluation of energy saving systems. A vital part of this is the installation of torque meters and fuel flow meters, directly measuring the energy consumed

in the engine and the power delivered from the machinery to the propeller. The Group's goal to reduce its energy consumption by 20% by 2015 is evaluated to be in good progress.

On the operational side, soap dispensers have been inserted on the vessels' laundry machines. This small but important upgrade is expected to reduce emissions of detergents to the sea by around 300 kilos per vessel per year, i.e. about eight tons for the whole fleet. The onboard survey for issue of Green Passports, which show that a vessel is in compliance with IMO's proposed regulations for the recycling of ships, was also continued in 2010. Green Passport is expected to be completed by 2011 on all ships.

INTEGRITY AND TRANSPARENCY

As a signatory to the UN Global Compact and its ten principles on human rights, working conditions, the environment and anti-corruption, the Group has made a commitment to implement these principles in strategies and business operations and to report on progress. In order to highlight the progress made, reporting is done in accordance with the Global Reporting Initiative (GRI), an international recognised standard for triple-bottom line reporting. It is the third year of reporting, applying version 3 of the GRI standard and relevant performance indicators from the Transport & Logistics sector supplement. Description of the Group's work on integrity and transparency is presented in a separate section of this annual report.

CONTINUOUS IMPROVEMENT

Through active participation, including R&D projects, the organisation seeks to find innovative solutions to improve its performance, hereunder also the environmental performance of the fleet. Good operational practice and attention to detail are the fundamentals for improvement work on a daily basis. An effective reporting regime to monitor and follow up performance is critical for success and is a key improvement area. Performance in relation to these areas is further described in the annual report.

RISK

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

Market risk

The Group is exposed to considerable market risk related to the development of freight rates, bunker prices, second-hand ship values and newbuilding prices. As regards to earnings and ship values, the risk is described in the section below dealing with market conditions. As the Group's activities are industrial, the fleet's earnings relate largely to long-term freight contracts. The revenues are therefore less volatile than in the general dry bulk market, and changing market conditions generally have a delayed effect on profits. Nevertheless, international demand for paper products in particular and demand for

dry bulk commodities in general will impact the Group's earnings, since the implementation of the cargo contracts depends on real demand for transportation. The Group also uses Forward Freight Agreements (FFAs) to hedge the vessels' market exposure, as well as bunkers swaps to secure forward fuel oil prices on cargo contracts without a bunker clause.

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

Financial risk

The Group's revenues, as well as most of its assets and liabilities, are in USD. The foreign exchange risk therefore relates mainly to administrative activities in Norway and abroad, local taxes and dues, as well as some purchases related to the technical operation of the fleet. However, since the accounts are presented in NOK, they are naturally affected by changes in the exchange rates relative to the NOK. The Group is exposed to interest rate risk through loan financing and income from the financial portfolio related to bond and money market investments. The foreign exchange and interest rate risk is managed under adopted strategies using various financial derivatives to hedge undesired risk.

The Group assumes direct counterparty risk through the investment of surplus liquidity, financial hedging and through freight payments from customers. Before agreements are made, the creditworthiness of the counterparty is assessed. The Group has a diversified international customer base, but in challenging market situations, the likelihood of insolvencies cannot be ruled out. In the light of the Group's strong financial position, the liquidity risk is considered less critical.

Operational risk

Several of the processes related to value creation within the Group entail operational risk. The main areas of exposure relate to the risk of injury or loss of life of own or third party employees, environmental risk and the risk of damage to or the loss of cargo, own or third party vessels and other assets. Insurance schemes have been established which cover all main types of damage. The operational risk is managed on the basis of detailed procedures provided for in the Group's quality assurance system and various contingency plans. Systems have been established for recording and reporting near accidents, undesired events, dangerous situations, and damage. Reports of this kind are analysed in order to limit possible consequences. To ensure that causal links are followed up and necessary actions taken, experience is transferred in a planned manner. Despite these measures, from time to time the Group will have to deal with unforeseen events, as happened for example when a vessel was caught up in the earthquake in Chile in February 2010.

The Group's position in relation to threats to safety is reviewed regularly in order to provide

a basis for establishing contingency plans and taking action to minimise risk. The pirate activity in the Gulf of Aden represents a particular challenge. The situation escalated further in 2010, in spite of several military vessels in the area and common transit schemes. The Norwegian Government's decision to relinquish active support to the cause is difficult for the Norwegian shipping industry, being a significant international maritime player. The Group endeavours to put together trading patterns independent of these unsecured waters and the decision of whether or not to send one of the Group's vessels through is evaluated thoroughly every time. In 2010, Grieg had only two sailings through the Gulf of Aden.

Other risks

Changes in the regulatory framework and political decisions affect the Group's freedom of action and constitute a part of our risk exposure. Instability and uncertainty surrounding the Norwegian shipping tax regime is still an important regulatory risks that the shipping industry (see also remarks above on the shipping tax regime). Local and international legislation related to health, environment and safety issues constitute other areas where political decisions may severely influence operations and economic results. While mandatory regulations to help improve the environment, as e.g. the installation of ballast water treatment on all vessels by 2015, is considered useful and well founded, it may be challenging to transfer this type of cost to the real end user. Regulatory changes are continuously subject to assessment and the Group strives to have an open dialogue with decision makers in all relevant arenas.

CORPORATE GOVERNANCE

Considerable efforts have been made in recent years to ensure that the division of tasks and roles between the administration, the Board and the General Meeting is based on sound practice. The Norwegian recommendation applies insofar as is appropriate for the organisational form, implying that divergence from the recommendation arises from the fact that the Group is a family-owned business. How the Group performs corporate governance issues is described in a separate section of this annual report.

MARKET OUTLOOK

The Group had moderately positive expectations going into 2010 and the year turned out better than expected. Trip charter rates for supramax dry bulk carriers averaged USD 23 000 per day in 2010, compared to USD 17 000 per day in 2009. Economic indicators continued to edge upwards, despite growing concerns over private and public debt and high levels of unemployment in the developed world. China continued to be the locomotive of growth, which again made a significant impact on global trade and seaborne transportation of goods.

The Group's open-hatch fleet transported 23% more cargo (measured in MT) in 2010 compared to the previous year, of which wood pulp, the Group's most important cargo volume-wise, was the main contributor. The increase in transport volume was both due to improved market conditions and that the Group employed a larger fleet. While China's import of wood pulp and paper decreased on a general note, the volumes in the Group's main pulp trades to the Far East, including China, increased by over

40% in 2010. The return voyages from the Far East, however, remained challenging; it became difficult to find enough cargo going back to North America and Europe, as import demand has not recovered fully to its pre-financial crisis level.

The recent slump in Chinese imports, combined with unusual weather conditions putting a hold on the Australian mining industry and exports, and a considerable number of dry bulk newbuildings entering the market, have led to downward pressure on charter rates going into 2011. There is still a high degree of uncertainty as to what the actual dry bulk supply growth will be. How much of the order book will be delivered and when? And, if there is a prolonged period of low freight rates, how long until older vessels are recycled? The jury is still out.

When it comes to the open hatch fleet⁴, which totals around 175 vessels there are 56 vessels on order. With almost 40% of the fleet being more than 20 years old and 35% more than 25 years old, the order book must both be seen in relation to future fleet renewal as well as the new South American cargo tenders coming into the market in the next couple of years. As long as pulp prices remain high, the North American producers will continue to be competitive. However, the North American market is mature, particularly in terms of baled pulp, and the region is expected to gradually lose market share. Future pulp market growth and consequently seaborne transportation needs will come from South America, where a number of new mills are under construction. There are, however, no reasons

⁴ Including semi-open vessels owned by OHGC operators.

not to expect continued high competition in the niche going forward. Grieg Shipping Group will take a naturally part in this, working towards achieving its own strategy and profitability targets.

Uncertainty going into 2011 remains high, and a sharply declining dry bulk market is not encouraging. It is, however, in line with a somewhat pessimistic market view for the upcoming year, primarily driven by the supply side of the market. On a positive note, economic indicators are still pointing upwards with regards to global growth, and the Group is well positioned to take advantage of opportunities that may arise. The recent announcement of the ambitious newbuilding programme shows that the Group remains positive in its longer-term outlook.

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. This is based on consideration of 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 Group's results, cash flows and economic situation.

The Board of Directors would like to thank the employees of Grieg Shipping Group ashore and on board the vessels for their great efforts throughout the year.

Oslo/Bergen, 15 March 2011

The Board of Directors of
Grieg Shipping Group AS



Elisabeth Grieg
Chair



Kai Grøtterud
Board member



Camilla Grieg
CEO/Board member



Bjørn Gabriel Reed
Board member



Jarle K. Roth
Board member



GLOBAL COMPACT

COMMUNICATION ON PROGRESS

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

Grieg Shipping Group committed to the UN Global Compact ten principles in 2008. As a participant in the UN Global Compact initiative, Grieg Shipping Group will implement the ten principles in its business strategies and operative work.

Grieg Shipping Group gives its assurance that the UN Global Compact and the 10 principles will be integrated in its operations and corporate culture.

We will promote and use our influence to voice UN Global Compact's ideas, and we will report implementation progress annually.

Grieg Shipping Group's vision is to "Create lasting value through our common effort". We do this by contributing to economic and social development, without jeopardizing future generation's possibilities. Joining UN Global Compact is an important part of the Group's social responsibility policy, and we look forward to continuing our contribution to the global initiative.

The UN Global Compact has two objectives:

- Mainstream the ten principles in business activities around the world
- Catalyze actions in support of broader UN goals, including the Millennium Development Goals (MDGs)

THE 10 PRINCIPLES

		Corresponding GRI indicators
HUMAN RIGHTS		
Principle 1:	Businesses should support and respect the protection of internationally proclaimed human rights; and	HR 1-7
Principle 2:	Businesses should make sure that they are not complicit in human rights abuses.	HR 1, 2
LABOUR STANDARDS		
Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	HR 5 LA 4-5 LT 14
Principle 4:	Businesses should uphold the elimination of all forms of forced and compulsory labour;	HR 7
Principle 5:	Businesses should uphold the effective abolition of child labour;	HR 6
Principle 6:	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	HR 4 LA 2 LA 13, 14
ENVIRONMENT		
Principle 7:	Businesses should support a precautionary approach to environmental challenges;	Profile disclosure 4, 11
Principle 8:	Businesses should undertake initiatives to promote greater environmental responsibility; and	EN 2 EN 5-7 EN 10 EN 13, 14, 18, 21, 22, 26, 27
Principle 9:	Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN 2, 5, 6, 7, 10, 18, 26, 27
ANTI-CORRUPTION		
Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery.	SO 2 SO 3, SO 4

GLOBAL REPORTING INITIATIVE



The Global Reporting Initiative's (GRI) vision is that disclosure on economic, environmental, and social performance is as commonplace and comparable as financial reporting, and important to organisational success.

GRI's mission is to create conditions for the transparent and reliable exchange of sustainability information through the development and continuous improvement of the GRI Sustainability Reporting Frame. Sustainability reports based on the GRI framework can be used to benchmark organizational performance with respect to laws, norms, codes, performance standards and voluntary initiatives; demonstrate organizational commitment to sustainable development; and compare organizational performance over time.

GRI Element / Indicator		Page/References
PROFILE		
Strategy and Analysis		
1.1	Statement from the most senior decision maker of the organization	6
1.2	Description of key impacts, risks, and opportunities.	6, 12, 14-15, 23, 36, 40-41
Organizational Profile		
2.1	Name of the organization	Grieg Shipping Group AS
2.2	Primary brands, products, and/or services	Ship owner, management, chartering and operations, 4, 13, 16-17
2.3	Operational structure of the organisation	31-35, Note 1
2.4	Location of organization's headquarters	Bergen, Norway
2.5	Countries where the organization operates	4, 36
2.6	Nature of ownership and legal form	Shareholding company, not listed
2.7	Markets served	World-wide, 4, 12, 14-15, 36
2.8	Scale of the reporting organisation	8, 37
2.9	Significant changes in size, structure, or ownership	None
2.10	Awards received in the reporting period	None
Report Parameters		
3.1	Reporting period	2010
3.2	Date of most recent previous report (if any)	Annual Report 2008 and Corporate Responsibility Report 2008, Annual and CR report 2009
3.3	Reporting cycle (annual, bi-annual, etc.)	Annual
3.4	Contact point for questions regarding the report or its content	VP HR Ole Steinar Mjell, CFO Annicken Kildahl, CR Manager Marit Trodal
3.5	Process for defining report content	Board of directors, management team, relevant departments and content providers
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, etc).	2, 9
3.7	Limitations on the scope of boundary of the report	GRI reporting does not include Product Responsibility per today.
3.8	Basis for reporting on joint ventures, subsidiaries etc	Notes 5, 6
3.9	Data measurements techniques	Note 1
3.10	Effect of any re-statements of information	Nothing to report
3.11	Changes in the scope, boundary, or measurement methods	No significant changes
3.12	GRI Index table	45-48
3.13	External assurance for the report	71

Governance, Commitments and Engagement		
4.1	Governance structure of the organisation	31-35
4.2	Whether the Chair of the highest governance body is also an executive officer	The chair is not executive officer,
4.3	For unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Three external board members,
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Formal mechanisms for shareholders only. Notification policy for employees involves board as ultimate recipient.
4.5	Compensation for the highest governance body, senior managers, and executives	Note 14
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	31
4.7	Process for determining the qualifications and expertise of the members of the highest governance body	Independent executive search.
4.8	Internally developed statements of mission or values, codes of conduct, and principles	7, 24-25, 32
4.9	Procedures of the highest governance body for overseeing the organization	audit
4.10	Processes for evaluating the highest governance body's own performance	audit, interal annual evaluation
4.11	Whether and how the precautionary approach or principles is addressed by the organisation	6, 36-41
4.12	Externally developed charters, principles, or other initiatives to which the organisation subscribes or endorses	UN Global Compact, Transparency International
4.13	Memberships in associations and/or national/international advocacy organisations	World Business Council for Sustainable Development, The Norwegian Shipowner Association (NSA). CEO member of the board of NSA
4.14	List of stakeholder groups engaged by the organization	Employees, suppliers, environment, local community
4.15	Basis for identification and selection of stakeholders with whom to engage	Strategic decision to target key stakeholders
4.16	Approaches to stakeholder engagement	Dialogue and active involvement of employees, supplier code of conduct, Incentra network, environmental projects.
4.17	Key topics and concerns that have been raised through stakeholder engagement	Active dilemma training in whole organisation, health & safety, competence development, environmental training

ECONOMIC PERFORMANCE INDICATORS

Management Approach		
EC1	Direct economic value generated and distributed	8-9, 36-38, 50-71
EC2	Financial implications and other risks and opportunities due to climate change.	Not reported
EC3	Coverage of the organization's defined benefit plan obligations.	Note 15
EC4	Significant financial assistance received from government.	38
EC6	Spending on locally-based suppliers at significant location of operation.	Not reported
EC7	Procedures for local hiring proportion of senior management	8
EC8	Infrastructure investments and services provided primarily for public benefit	SOS Childrens Village Cebu, Philippines. Monthly contributions from employees and company, as part of a joint project initiated by NSA.

ENVIRONMENTAL PERFORMANCE INDICATORS

Management Approach		
EN1	Materials used by weight or volume	Not reported
EN2	Percentage of materials used that are recycled input materials	Not reported
EN3	Direct energy consumption by primary energy source	166000 ton Heavy Fuel Oil
EN4	Indirect energy consumption by primary source	To a very low extent during dockings. Not logged.
EN5*	Energy saved due to conservation and efficiency improvements	Energy saved by 4,7% compared to 2007
EN8	Total water withdrawal by source	All fresh water for consumption is made onboard. Ballast water is treated in accordance with IMO regulations for ballast exchange and discharged back to sea.
EN11	Location and size of land in areas of high biodiversity value outside protected areas	Not relevant
EN12	Impacts on biodiversity in protected areas and areas of high biodiversity	Not relevant

EN16	Total direct and indirect greenhouse gas emissions by weight	518000 tons CO2.
EN17	Other relevant indirect greenhouse gas emissions by weight	Not reported
EN18*	Initiatives to reduce greenhouse gas emissions and reductions achieved	Voyage planning, reduced speed and technical improvements
EN19	Emissions of ozone-depleting substances by weight	Not reported
EN20	NOx, SOx, and other significant air emissions by type and weight	NOx: 13000 tons. SOx: 8300 Tons.
EN21	Total water discharge by quality and destination	Ballast water exchange systems and routines in place to prevent the spread of species and organisms. Treatment systems not in place per to-day. Total grey water consumption is estimated at 30-35000 tons/year.
EN22	Total weight of waste by type and disposal method	Amount of waste not estimated, but segregated and delivered to shore. Lack of proper waste handling in many harbours.
EN23	Total number and volume of significant spills	No significant spills.
EN26	Environmental impacts of products and services, and extent of impact mitigation	18-20
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Not relevant
EN28	Significant fines and sanctions for non-compliance with environmental laws and regulations	None

SOCIAL PERFORMANCE INDICATORS

Labor Practices and Decent Work		
Management Approach		
LA1	Total workforce by employment type, employment contract, and region	8
LA2	Employee turnover by age group, gender, and region	Gender and region reported, not age group.
LA4	Percentage of employees covered by collective bargaining agreements	Shore: Individual basis, Seafarers: 100% (international standards applied)
LA5	Minimum notice period(s) regarding operational changes	International rules and standards applied
LA6*	Formal joint management-worker health and safety committees	Practiced onboard the vessels due to size of organisation, internal working environment committee
LA7	Injuries, occupational diseases, lost days, absenteeism, and work-related fatalities	8, 25, 39
LA8	Education, training, prevention, and risk-control programs in place regarding serious diseases	32, 39
LA9*	Health and safety topics covered in formal agreements with trade unions	International standards, and company's family medical plan for seafarers
LA10	Average hours of training per year per employee by employee category	Total training hours 21 919 (mandatory and company-specific crew training). Average training hours per employee: 11.7
LA13	Diversity within governance bodies and employee categories	8, 31-39
LA14	Ratio of basic salary of men to women by employee category	Not reported
Mobile worker working pattern		
LT9	Description of policies and programmes to determine working hours and rest hours, rest facilities and leave for seafarers	In accordance with international standards.
LT10	Approaches to provision of facilities to enable mobile workers to maintain personal communication while working	Implementation of access to mobile phones and email ongoing.
Ship safety inspections		
LT13	List the accidents when ships have been detained by port inspectors	None
Use of labour providers		
	Describe how these criterias relate to existing international standards such as conventions of the ILO	Manning office in Manila follows international ILO conventions
Continuity of employment		
LT17	Describe measures in place to provide income security and employment continuity for workers employed/contracted repeatedly but not continuously	Seafarers (ratings) contract period of 9 months. Have to re-apply for next period. Stand-by payment at officers level.
Human Rights		
Management Approach		
HR1	Human rights clauses or screening related to investment agreements	None

HR2	Screening of suppliers and contractors regarding human rights	Included in supplier code of conduct, UN Global Compact, ILO conventions,
HR4	Total number of discrimination and actions taken	None
HR5	Freedom of association and collective bargaining	Crew is organized by international seamen associations
HR6	Child labor, and measures taken to contribute to the elimination of child labor	Included in supplier code of conduct, UN Global Compact, ILO conventions
HR7	Forced or compulsory labor	Included in supplier code of conduct, UN Global Compact, ILO conventions
Society		
Management Approach		
SO1	Impacts of operations on communities, including entering, operating, and exiting	Local employment and scholarship opportunities.
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Grieg Philippines only unit analyzed.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Dilemma training workshops with employees worldwide in 2010. Majority of organisation trained at year-end.
SO4	Actions taken in response to incidents of corruption.	One person dismissed after violating the code of conduct.
SO5	Public policy positions and participation in public policy development and lobbying	Through Norwegian Shipowner Association
SO7*	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None
SO8	Fines and non-monetary sanctions for non-compliance with laws and regulations	None

* Additional performance indicators from Transportation & Logistics sector supplement.

GRIEG SHIPPING GROUP

Financial Statements 2010

PROFIT AND LOSS STATEMENT

PARENT COMPANY

(Figures in NOK 1 000)

GROUP

(Figures in NOK 1 000)

2010	2009	Note	Note	2010	2009
REVENUES					
72 129	-			4 159 006	725 909
-	-			-	2 321
72 129	-			4 159 006	728 230
OPERATING EXPENSES					
-	-			401 884	373 994
-	-			2 100 962	-
-	-			706 600	-
-	-		13	-	2 848
53 132	-		14	275 371	51 264
17 442	871			90 757	27 596
185	-		3,4	266 870	203 268
70 759	871			3 842 443	658 970
1 370	-871			316 562	69 260
FINANCIAL ITEMS					
297	107			15 849	10 951
835	717			-	-
-32	-			-85 308	-59 917
-3 999	-			-3 999	-
-	-			-2 231	-
36 500	150 000			-	-
-	-			38 772	245 126
-	-			57 701	-70 712
1	-			748	175 393
33 602	150 824			21 532	300 843
34 971	149 953			338 095	370 103
219	1 248		13	-190 968	441 978
35 190	148 705			147 127	812 081
35 190	148 705			147 127	812 081
-70 000	-113 000			-70 000	-113 000
-34 810	35 705			77 127	699 081
2 318 930	1 945 889				

BALANCE SHEET AS OF 31.12.2010

PARENT COMPANY
(Figures in NOK 1 000)

GROUP
(Figures in NOK 1 000)

2010	2009	Note		2010	2009
ASSETS					
FIXED ASSETS					
Intangible fixed assets					
-	-	3	Contracts	91 085	99 248
-	-	3	Goodwill	47 177	55 727
773	-	13	Deferred tax asset	-	-
773	-		Total intangible assets	138 262	154 975
Tangible assets					
1 085	-	4	Fixtures and fittings, other equipment	25 267	37 570
-	-	4	Load/discharge equipment	39 585	34 711
-	-	4	Terminal and other property	84 678	76 712
-	-	4	Vessels	3 873 501	3 301 779
-	-	4	New building contracts	982 654	558 815
1 085	-		Total fixed tangible assets	5 005 685	4 009 586
Fixed financial assets					
2 693 914	2 689 913	5	Investments in subsidiaries	-	-
-	-		Share in associated company	2 789	-
2 051	-	15	Pension funds	13 607	54 691
-	-	7	Investments in stocks and shares	250	250
-	-	9	Long term receivables	2 189	922
2 695 965	2 689 913		Total fixed financial assets	18 836	55 863
2 697 823	2 689 913		Total fixed assets	5 162 783	4 220 424
Currents assets					
Accounts receivables					
83 254	150 000	11	Receivables from group companies	103	-
-	-		Accounts receivables	128 801	96 773
-	-		Fuel supply	134 928	100 243
-	-	13	Transition tax	-	104 904
-	-	8	Market-based investments	1 398 720	1 523 139
87	1		Other receivables	88 442	73 584
83 342	150 001		Total receivables	1 750 994	1 898 643
14 283	3 437	17	Bank deposits, cash in hand, etc.	184 167	121 744
97 624	153 437		Total current assets	1 935 161	2 020 387
2 795 447	2 843 351		TOTAL ASSETS	7 097 944	6 240 812

BALANCE SHEET AS OF 31.12.2010

PARENT COMPANY
(Figures in NOK 1 000)

GROUP
(Figures in NOK 1 000)

2010	2009	Note		2010	2009
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
-	550 343	2	Share premium reserve	-	550 343
1 965 108	1 484 765	2	Other paid-in capital	1 965 108	1 484 765
2 102 160	2 172 160		Total paid-in capital	2 102 160	2 172 160
Retained earnings					
496 315	461 124	2	Other equity	1 410 497	1 262 249
496 315	461 124		Total retained earnings	1 410 497	1 262 249
2 598 475	2 633 285	2	Total equity	3 512 657	3 434 409
LIABILITIES					
Provisions					
4 898	-	15	Pension liabilities	34 939	33 002
-	-	13	Deferred tax	25 164	59 164
4 898	-		Total provisions	60 103	92 166
Long-term liabilities					
-	-	10	Liabilities to financial institutions	2 677 528	2 138 752
-	-		Other long-term liabilities	1 486	-
95 892	95 892	11	Liability to group companies	95 892	95 892
-	-	13	Long-term payable tax	124 831	-
95 892	95 892		Total long-term liabilities	2 899 737	2 234 644
Current liabilities					
5 922	-	11	Liabilities to group companies	6 245	2 544
157	-		Accounts payable	65 889	44 855
9 477	-		Public duties payable	18 283	11 791
70 000	113 000	2	Dividend	70 000	113 000
555	1 176	13	Taxes payable	98 873	14 446
-	-		Bank overdraft	703	57
10 071	-	10	Other short-term liabilities	365 454	292 900
96 181	114 176		Total current liabilities	625 447	479 593
196 971	210 068		Total liabilities	3 585 287	2 806 403
2 795 447	2 843 351		TOTAL EQUITY AND LIABILITIES	7 097 944	6 240 812

Oslo, 15th of March 2011

The Board of Directors Grieg Shipping Group AS



Elisabeth Grieg
Chair



Jarle Roth
Board Member



Bjørn Gabriel Reed
Board Member



Kai Grøtterud
Board Member



Camilla M. Grieg
CEO/Board Member

CASH FLOW STATEMENT

PARENT COMPANY
(Figures in NOK 1 000)

GROUP
(Figures in NOK 1 000)

2010	2009		2010	2009
CASH FLOW FROM OPERATIONS				
34 971	149 953	Result before taxes	338 095	370 102
-1 176	-	- Taxes paid in the period	-11 732	-56 727
-	-	- Gain/loss from sale of fixed assets	-57 701	-2 969
185	-	- Ordinary depreciation (including dry dock)	312 452	235 776
-	-	- Change in outstanding freights	-32 025	-
-85	-	- Change in trade debtors	-34 700	648
19 705	-	- Change in trade creditors	22 063	-15 721
-	-	- Change in supplies	-34 685	-
2 847	-	- Pension costs without cash effect	40 941	-
-	-	- Effect of exchange rate fluctuations	78 352	56 369
-	-	- Change in public debt and other short term debt	212	-
-	20	- Change in other provisions	185 400	-14 925
-	-	- Items classified as investment or financial activities	-36 542	22 400
56 447	149 973	Net cash flow from operations	770 131	594 952
CASH FLOW FROM INVESTMENTS				
-	-	- Proceeds from sale of fixed assets	955	16 018
-1 268	-	- Purchase of fixed assets	-1 290 070	-825 242
72 667	136 862	Proceeds from loans to other group companies	3 598	52 881
-	-	- Proceeds of other loans	-	315
-	-	- Proceeds from sale of market based investments	208 103	681 307
-	-95 892	- Purchase of market based investments	-37 703	-503 488
-4 000	-	- Purchase of shares in associated company	-5 020	-
67 399	40 971	Net cash flow from investments	-1 120 137	-578 209
CASH FLOW FROM FINANCING				
-	95 838	Proceeds from loans to other group companies	-	96 188
-	-	- Proceeds from long term loans	747 485	275 953
-	-	- Repayment of long term loans	-222 055	-125 002
-	-	- New equity received	-	-
-	-	- Repayment of equity	-	-
-113 000	-288 000	- Payment of dividend	-113 000	-369 179
-113 000	-192 162	Net cash flow from financing	412 430	-122 040
10 846	-1 218	Net change in cash and cash equivalents	62 424	-105 296
-	-	- Cash and cash equiv. taken over on merger of Grieg Star Shipping	-	25 902
3 437	4 655	Cash and cash equivalents at the beginning of the period	121 744	201 138
14 283	3 437	Cash and cash equivalents at the end of the period	184 167	121 744
Specification of cash and cash equivalents at the end of the period				
14 283	3 437	Bank deposits, cash in hand	184 167	121 744

NOTE 1 ACCOUNTING PRINCIPLES

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

SUBSIDIARIES

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

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

INVESTMENT IN JOINT VENTURES AND ASSOCIATED COMPANIES

Owner interests in joint ventures are stated applying the gross method. The shares of income, costs, assets and liabilities is incorporated in the accounts, line for line. The figures are specified for each main group in a note to the accounts. 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. The estimated lifetime of the vessels is 27 years.

Maintenance and improvements are capitalised and depreciated in pace with the asset involved. Docking costs are capitalised and depreciated over the period to the next scheduled dry-docking. Depreciation of the docking fund is classified as an operating expense. The recoverable amount of an asset is measured whenever there is an indication that an asset may be impaired, 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

Instalments paid are posted as fixed assets in pace with the payment schedule.

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: 5.8564). For companies which for accounting purposes are registered in USD, fixed assets and depreciation are stated at historical rates. The profit and loss account, apart from depreciation charges, has been re-stated at average rates (6.0453). Other items are re-stated at the relevant day-rate.

FOREIGN EXCHANGE HEDGING

Derivatives purchased in order to reduce currency risk are treated as hedging transactions for accounting purposes. Gains and losses on foreign exchange contracts are therefore recognised in the same period as the hedged transactions. See note 18.

The level of hedging is limited to the estimated need for foreign exchange over the next twelve 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.

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.

FREIGHT 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.

PENSIONS

Grieg Star Shipping AS is a subsidiary of the Group. Its main pension plan was a defined benefit scheme until 31.12.2010 when the plan was liquidated and the employees transferred to a defined contribution based pension plan.

For the defined benefit pension plans in Grieg Star Shipping AS that will continue, 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 contributions.

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.

COMPANY

Grieg Shipowning AS - parent company shipowning companies, tonnage taxed
Grieg Shipping AS - technical and project management
Grieg Star Shipping AS - chartering, marketing and operation
Grieg Green AS - advisory within green recycling of vessels

Grieg Shipowning is a group which comprises the following companies:

Grieg Shipping II AS - shipowning company, tonnage taxed
Grieg International II AS - shipowning company, tonnage taxed

Grieg Star Shipping is a group which comprises the following companies:

Grieg Star Shipping (Canada) Ltd.*
Grieg Star Shipping (USA) Inc.
Atlantic Cargo Services AB
Grieg Star Shipping SRLV
Grieg Star Shipping Comercio Maritimo LTDA

REGISTERED OFFICE

Bergen
Bergen
Bergen
Oslo

Bergen
Oslo

Vancouver B.C., Canada
Atlanta, USA
Gothenburg, Sweden
Livorno, Italy
Rio de Janeiro, Brazil

OWNERSHIP

100,00%
100,00%
100,00%
100,00%

100,00%
100,00%

100,00%
100,00%
100,00%
100,00%
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

(Figures in NOK 1 000)

PARENT COMPANY

Equity	Share capital	Share premium reserve	Other paid-up equity	Other equity	Total
Equity at 01.01	137 052	550 343	1 484 765	461 124	2 633 283
Capital increase	-	-550 343	550 343	-	-
Accounting result for the year	-	-	-	35 190	35 190
Provision for dividends	-	-	-70 000	-	-70 000
Equity at 31.12	137 052	-	1 965 108	496 314	2 598 475

GROUP

Equity	Share capital	Share premium reserve	Other paid-up equity	Other equity	Total
Equity at 01.01	137 052	550 343	1 484 765	1 262 249	3 434 409
Reduction of share premium reserve	-	-550 343	550 343	-	-
Emission costs	-	-	-	-9	-9
Conversion difference	-	-	-	1 131	1 131
Accounting result for the year	-	-	-	147 127	147 127
Provision for dividends	-	-	-70 000	-	-70 000
Equity at 31.12	137 052	-	1 965 108	1 410 497	3 512 657

NOTE 3 INTANGIBLE ASSETS

(Figures in NOK 1 000)

GROUP

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	47 128	72 180	119 308
Book value at 31.12	47 177	91 085	138 262
Depreciation	8 549	8 163	16 712
Depreciation period	5-20 years	20 years	
Depreciation plan	Linear	Linear	

Contracts represent excess values related to the vessels' contracts of affreightments.

NOTE 4 FIXED ASSETS

(Figures in NOK 1 000)

PARENT COMPANY

	Technical installations	Cars, machinery	Office-machines	Total
Purchase cost at 01.01	-	-	-	-
Additions	27	1 044	199	1 270
Disposals	-	-	-	-
Purchase cost at 31.12	27	1 044	199	1 270
Accumulated depreciation at 31.12	2	133	50	185
Book value at 31.12	25	911	149	1 085

Depreciation	2	133	50	185
Depreciation period	120 months	60 months	36 months	
Depreciation plan	Linear	Linear	Linear	

GROUP

	Vessels	Docking	Newbuildings	Total
Purchase cost at 01.01	5 494 316	182 796	558 815	6 235 927
Additions	801 559	44 746	1 215 891	2 062 196
Disposals	-	14 164	792 052	806 216
Cost price at 31.12	6 295 875	213 378	982 654	7 491 907
Accumulated depreciation at 31.12	2 550 653	85 100	-	2 635 753
Book value at 31.12	3 745 222	128 278	982 654	4 856 154

Depreciation	229 002	45 582	-	274 584
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 in joint ventures.

Star Kinn and Star Kvarven were completed in 2010. Purchase cost for those vessels has been transferred from 'Newbuildings' to 'Vessels'

As of 31.12.2010 the company has newbuilding contracts for 12 vessels, whereof 10 with a size of 49.000 TDW and 2 of 57.000 TDW. 4 of the vessels are to be delivered in 2012, 5 in 2013 and the 3 last ones in 2014. The remaining amount to be paid for the newbuilding contracts amounts to MUSD 365,9.

	Terminals	Machinery, vehicles etc.	Loading & discharging equipment etc.	Other assets	Total
Purchase cost at 01.01	75 878	40 139	34 711	833	151 562
Additions	13 591	6 583	11 661	-	31 835
Disposals	-	10 150	-	-	10 150
Cost price at 31.12	89 469	36 572	46 372	833	173 247
Accumulated depreciation at 31.12	5 624	11 306	6 787	-	23 717
Book value at 31.12	83 845	25 266	39 585	833	149 530

Depreciation	5 624	8 737	6 787	-	21 156
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 cash flows based on the Group's long-term forecasts, and which naturally involve a degree of uncertainty.

NOTE 4 FIXED ASSETS (CONTINUED)

(Figures in NOK 1 000)

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	713 107
Containers and chassis	0-3 years	3 393
Office premises		6 804

* The lease cost is based on an average USD exchange rate in 2010 of NOK 6.0453.

NOTE 5 SUBSIDIARIES

(Figures in NOK 1 000)

PARENT COMPANY

Subsidiary	Registered office	Ownership/voting rights	Equity 2010 (100%)	Result 2010 (100%)	Book value (100%)
Grieg Shipowning AS*	Bergen	100 %	3 382 314	411 594	2 578 790
Grieg Shipping AS	Bergen	100 %	13 969	3 320	15 232
Grieg Star Shipping AS*	Bergen	100 %	81 535	13 397	95 892
Grieg Green**	Oslo	100 %	3 976	-2 274	4 000
Book value at 31.12					2 693 914

* The equity and results for the last year relate to the Group.

Grieg Shipowning AS owns 100 % of Grieg Shipping II AS and Grieg International II AS

** Established in 2010

NOTE 6 JOINT VENTURES

GROUP

The Group has the following investments:

Company	Date of acquisition	Registered office	Ownership and voting rights	Joint & several liability*
ANS Billabong II	15.10.1992	Bergen	50%	2 686

* The joint and several liability relates to book debt for ANS Billabong II as at 31.12.10.

ANS Billabong II

Net value at 01.01	11 558
of which undepreciated excess value	-
Additions/disposals in period	-
Share of profit for the year	2 528
Depreciation of excess value	-
Transfers to/from the company	-2 419
Other changes during the year	-
Net value at 31.12.	11 667

of which undepreciated excess value

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

ANS Billabong II

Share of operating revenues	12 571
Share of operating expenses	-10 196
Share of depreciation	-
Depreciation of excess value	-
Share of net financial items	153
Share of tax expenses	-
Share of profit for the year	2 528
Share of fixed assets	5 205
Excess value pertaining to fixed assets	-
Share of current assets	7 804
Share of assets	13 009
Shares of long-term debt	-
Share of short-term debt	1 343
Share of debt	1 343
Share of equity	11 667

NOTE 7

INVESTMENTS IN SHARES AND MUTUAL FUNDS

(Figures in NOK 1 000)

GROUP

	Registered office	Ownership	Book value
Incentra	Oslo	2,7 %	20
Seabound Maritime	Manila	20,0 %	79
Grieg Philippines Inc.	Makati City	20,0 %	152
Book value at 31.12			250

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.

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.

The Group has the following investment in associated company:

Company	Date of acquisition	Office	Ownership and voting rights
Grieg Star Nortrans Pte Ltd (Established in 2010)	18.05.2010	Singapore	50%

	Grieg Star Nortrans Pte Ltd
Analysis of excess value	
Equity on date of acquisition	0,006
Goodwill on date of acquisition	2 054
Purchase price	2 054
Net value 01.01	-
of which non-depreciated excess value	-
Additions/disposals in period	2 054
Share of profit for the year	-2 231
Depreciation excess values	-
Capital contribution	2 966
Total 31.12	2 789
of which non-depreciated excess value	2 054
Net value at 31.12.	735

The company is incorporated based on the equity method.

NOTE 8

MARKET-BASED INVESTMENTS

(Figures in NOK 1 000)

GROUP

	Cost price 2010	Market value 2010	Cost price 2009	Market value 2009
Individual shareholdings	23 403	20 845	33 227	31 925
Mutual funds	488 922	574 821	544 570	586 428
Bonds	237 364	207 820	478 358	371 050
Money market funds	393 397	427 997	351 677	419 506
Hedge funds	168 727	167 237	36 575	114 230
Book value at 31.12	1 311 813	1 398 720	1 444 407	1 523 139

Change in value of market-based investments amounts to NOK 38 772

NOTE 9

RECEIVABLES MATURING LATER THAN ONE YEAR

(Figures in NOK 1 000)

GROUP

	2010	2009
Employee loans	236	419
Deposit on officerent	1 953	503
Total	2 189	922

NOTE 10

INTEREST-BEARING DEBT

(Figures in NOK 1 000)

GROUP

Mortgage loans

The Group generally finances new buildings with 70% mortgage loans and 30% equity. As at 31.12.10, the group has six mortgage loans with DNB NOR (as agent) and two mortgage loans with Nordea. The loans are denominated in USD. The loans consist of both long-term financing of the Group's existing ships as well as loans for ships under construction.

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 USD 10m. For four of the mortgage loans with an aggregate book value at 31.12.2010 of USD 84m, the 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 family. The Group has met its loan covenant commitments throughout the year.

Long-term debt with maturity later than 5 years

	2010	2009
Debt to credit institutions	1 761 078	1 260 476
Total	1 761 078	1 260 476
Other long-term debt	1 485	-
Mortgage loans (1st priority)	2 677 528	2 155 840
Total	2 679 013	2 115 840

Balance value of mortgaged assets

	2010	2009
Vessels	3 344 616	2 517 774
Newbuilding contracts	795 663	558 815
Total	4 140 279	3 076 589

Squamish Terminals

	2010	2009
Loan DnB	23 442	29 920

The balance at 31.12.2010 is CAD 4 000. The loan matures in its entirety in July 2011 and is therefore included as a current liability in the balance sheet. The Group has received a firm offer for the refinancing of the loan for a further 3 years under similar conditions as the existing loan. The loan is guaranteed by Grieg Star Shipping AS.

NOTE 11 INTRA-GROUP ACCOUNTS

(Figures in NOK 1 000)

PARENT COMPANY

Other receivables	2010	2009
Grieg Shipowning AS	74 335	150 000
Grieg Shipping AS	2 852	-
Grieg International AS	28	-
Grieg International II AS	1 100	-
Grieg Shipping II AS	1 650	-
Grieg Group Resources AS	12	-
Grieg Star Shipping AS	3 277	-
Total	83 254	150 000

Other long-term liabilities	2010	2009
Grieg Property AS	95 892	95 892
Total	95 892	95 892

Other current liabilities	2010	2009
Grieg Group Resources AS	862	-
Grieg International AS	432	-
Grieg Logistics AS	24	-
Grieg Star Shipping AS	605	-
Grieg Property AS	3 999	-
Total	5 922	-

GROUP

Other receivables	2010	2009
Grieg International	28	-
Grieg Group Resources AS	12	-
Grieg Logistics AS	63	-
Total	103	-

Other long-term liabilities	2010	2009
Grieg Property AS	95 892	95 892
Total	95 892	95 892

Other short-term liabilities	2010	2009
Grieg Group Resources AS	1 229	896
Grieg International AS	432	-
Grieg Property AS	3 999	-
Grieg Investor AS	-	6
Grieg Logistics AS	139	52
MARIS AS	233	-
Joachim Grieg & Co.	213	1 589
Total	6 245	2 544

NOTE 12

SHARE CAPITAL AND SHAREHOLDER INFORMATION

PARENT COMPANY

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

(Figures in NOK 1 000)

PARENT COMPANY

Tax charge and tax payable in the accounts

Temporary differences	2010	2009
Fixed assets	86	-
Pension	- 2 847	-
Basis for deferred tax assets	- 2 761	-
Deferred tax/deferred tax assets	- 773	-
Deferred tax/deferred tax assets in the accounts	- 773	-

Basis for taxation, change in deferred tax and tax payable

Profit before tax	34 971	149 952
Permanent differences	1 845	-145 500
Basis of tax charge for the year	36 816	4 452
Change in temporary differences	-34 834	-
Basis for tax payable in the accounts	1 982	4 452
Taxable income (basis for tax payable in the balance sheet)	1 982	4 452

Distribution of tax expenses

Tax payable (28% of basis for tax payable in the profit and loss account)	555	1 247
Under provision of tax in previous year	-1	-
Total tax payable	554	1 247
Change in deferred tax	-773	-
Tax charge (28% of basis for the year's tax charge)	-219	1 247

Tax payable in the accounts

Tax payable (28% of basis for taxes payable in the profit and loss account)	555	1 247
Under/over provision for tax payable	-	-71
Tax payable in the accounts	555	1 176

NOTE 13 TAXES (CONTINUED)

(Figures in NOK 1 000)

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. These were announced in a press release on 26 March 2010.

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.

For the company, the total tax under the settlement arrangement amounts to NOK 187.2m of which NOK 62.4m relates to the fiscal year 2010.

Tax payable in the accounts	2010	2009
Tax payable on taxable income	34 053	8 726
Change in deferred tax	-33 970	7 380
Tax payable relating to changes in the tonnage tax scheme	187 246	-446 537
Utilization of loss carry forward according to plan	-	-11 604
Insufficient / excess provision for tax in previous years	3 638	58
Tax expense according to financial statements	190 968	-441 978
The tonnage tax for 2010 is booked under operating costs and consists of the following:	3 324	2 848
Deferred tax		
Revaluation account	64 321	86 867
Fixed assets	36 538	34 929
Pension	-9 483	28 611
Other temporary differences	-2 847	1 268
Temporary differences on taxable securities	3 355	38 177
Temporary differences on non-taxable securities (0.84% deferred tax on positive difference)	83 341	40 556
Profit/loss account	36 991	46 750
Revaluation account	-23 619	-8 248
Basis for deferred tax/deferred tax assets	188 598	268 911
Deferred tax/deferred tax assets	25 164	59 164
Of which additional amount arising on the acquisition of Grieg Star Shipping	-	13 085
Tax payable in the accounts		
Basis for deferred tax/deferred tax assets	3 292	11 560
Taxable financial income from shipowning companies	57 041	10 129
Profit before tax from ordinary taxed companies	22 098	8 826
Permanent differences	2 320	458
Change in differences including in the basis for deferred tax/deferred tax assets	34 566	193
Basis of tax charge for the year	119 318	31 166
Current tax payable of net income	30 983	8 726
Current tax payable for previous years	2 150	2 155
Tonnage tax	3 324	2 848
Current tax payable from settlement account (1/3)	62 416	-
Tax payable on acquisition of Grieg Star Shipping	-	717
Tax payable in the accounts	98 873	14 446
Long term payable tax, settlement scheme (2/3)	124 830	-

Tax payable related to settlement regime	2010	2009
Settlement account 01.01.07	1 872 461	-
To taxation (settlement account divided by 2.8)	668 736	-
Current shipping tax payable from settlement scheme (1/3)	62 416	-
Long-term shipping tax payable from settlement scheme (2/3)	124 830	-

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

PARENT COMPANY

Payroll expenses	2010	2009
Salaries	39 777	-
Employer's national insurance contributions	6 560	-
Pension costs	4 774	-
Other remuneration	2 021	-
Total	53 132	-

Average number of employees over the year	42
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There were no employees in the company in 2009. As a result of an internal reorganisation the group's administrative tasks have been gathered in the parent company as of 1st of January 2010. The numbers for 2010 are therefore not comparable.

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 threshold 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	Boards
Salary and bonus	2 866	1 400
Pension costs	76	-
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	2010	2009
Salaries and bonus	166 795	41 407
Employer's national insurance contributions	23 858	6 512
Pension costs	70 753	1 944
Other remuneration	13 964	1 401
Total	275 371	51 264

The average number of employees over the year was	224	49
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There were no employees in the company in 2009. As a result of an internal reorganisation the group's administrative tasks have been gathered in the parent company as of 1st of January 2010. The numbers for 2010 are therefore not comparable

The average number of sailing personnel was	625	593
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Salary costs related to sailing personnel totalled MNOK 125 and were directly debited to the shipping companies (2009: MNOK 118). These payroll expenses are included in ships' operating costs.

NOTE 15 PENSIONS

(Figures 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 Shipping Group AS also has defined benefit pension schemes for certain employees with salaries over 12G. The schemes, which give rights to future benefits, 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.

	2010	2009
Net present value of pension entitlements	2 441	-
Interest expenses on pension commitments	1 905	-
Expected return on pension fund assets	-1 289	-
Estimate changes posted in the profit and loss account	431	-
Administration charges	197	-
Effect of the change to a contribution based pension scheme	298	-
Payments to the contribution based pension scheme	781	-
Net pension expenses	4 764	-

The parent company had no employees in 2009. As a result of an internal reorganization, the group's overall administrative functions have been transferred to the parent company with effect from 1 January 2010. Figures for 2010 are therefore not comparable.

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

Specification of pension assets and liabilities:

	Funded		Unfunded
	Supplementary pensions	Aged 65-67	Total
Distribution by scheme as at 31.12.10			
Calculated pension commitments	6 907	6 146	13 053
Pension fund assets (fair value)	6 049	-	6 049
Pre-paid pensions (net pension commitments)	-858	-6 146	-7 004
Estimate changes not posted in the profit and loss account	3 141	2 017	5 158
Employers' National Insurance contributions	-135	-866	-1 001
Book value of pension fund assets/commitments	2 148	-4 995	-2 847

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 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 Shipping Group AS.

The pension scheme covered 154 people as at 31.12.2010, of whom 39 received a pension in 2010.

All of the pension schemes comply with the Norwegian Accounting 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.

NOTE 15 PENSIONS (CONTINUED)

(Figures in NOK 1 000)

	2010	2009
Net present value of pension entitlements	11 304	8 738
Interest expenses on pension commitments	9 179	8 301
Expected return on pension fund assets	-7 935	-7 483
Employers National Insurance	1 769	1 347
Administration charges	1 231	1 389
Plan changes	-29 589	-
Changes in estimates	77 745	3 672
Payments to the contribution based pension scheme	7 050	1 993
Net pension expenses	70 753	17 958

	2010	2009
Pension commitments at 31.12	-118 669	-192 659
Pension fund assets (fair value) at 31.12	81 346	137 212
Changes in estimates/plan changes not recorded in the accounts	19 695	83 758
Employers' National Insurance contributions	-3 704	-6 621
Net pension fund assets at 31.12	-21 332	21 689

Economic assumptions:	2010	2010	2009	2009
	Norway	Canada	Norway	Canada
Discount rate	4.60%	6.1%	5.40%	7.25%
Anticipated rise in salaries	3.50%	3.25%	4.25%	3.25%
Anticipated return on pension fund assets	5.40%	-	5.60%	-
Anticipated increase in National Insurance base rate	3.25%	-	4.00%	-
Anticipated rise in salaries	3.25%	-	4.00%	-

The actuarial assumptions for 2010 are, with the exception of those noted below, based on assumptions generally applied within the insurance industry relating to demographic factors. The following assumptions have been changed: salary rise is revised down from 4% to 3.5%. In addition, the annual adjustment of pensions in payment and the annual increase in National Insurance base rate are revised down by 0.5%.

Specification of pension fund assets:

	Funded		Unfunded		Total Norway
	Funded	Supplement-ary pensions	Aged 65-67	Other pensions	Total
Distribution by scheme as at 31.12.10					
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	-2 344	-676	-3 704
Book value of pension fund assets/commitments	-984	13 607	-19 487	-5 467	-12 330

	Grieg Star Shipping Italy	Grieg Star Shipping Canada	Grieg Star Shipping Japan	Consolidated
	Unfunded	Funded	Unfunded	Total
Distribution by scheme as at 31.12.10				
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	-4 730	-4 155	-21 332

NOTE 15 PENSIONS (CONTINUED)

(Figures in NOK 1 000)

	Funded		Unfunded		Total Norway
	Funded	Supplement- ary pensions	Aged 65-67	Other pensions	Total
Distribution by scheme as at 31.12.09					
Calculated pension commitments	148 724	8 208	15 144	7 433	179 508
Pension fund assets (fair value)	124 341	8 273	-	-	132 614
Pre-paid pensions (net pension commitments)	-24 382	65	-15 144	-7 433	-46 895
Estimate changes not posted in the profit and loss account	67 711	14 735	-320	-	82 127
Employers' National Insurance contributions	-3 438	-	-2 135	-1 048	-6 621
Book value of pension fund assets/commitments	39 891	14 800	-17 599	-8 481	28 611

	Grieg Star Shipping Canada		Grieg Star Shipping Japan		Consolidated Total
	Funded	Unfunded	Funded	Unfunded	
Distribution by scheme as at 31.12.09					
Calculated pension commitments	9 822	3 329	-	-	192 659
Pension fund assets (fair value)	4 598	-	-	-	137 212
Pre-paid pensions (net pension commitments)	-5 224	-3 329	-	-	-55 447
Estimate changes not posted in the profit and loss account	1 631	-	-	-	83 758
Employers' National Insurance contributions	-	-	-	-	-6 621
Book value of pension fund assets/commitments	-3 593	-3 329	-	-	21 689

Asset Allocation in Norway as of 30.09.2010:

Shares	17.20%
Bonds	49.10%
Proerty	16.90%
Money market	16.80%

NOTE 16 AUDITOR'S FEE

(Figures in NOK 1 000)

PARENT COMPANY

Auditor's fee	2010	2009
Statutory audit	79	85
Technical assistance accounting	50	-
Taxation advise	14	-
Other confirmatory services	30	25
Other non-audit services	25	124
Total fee to auditor excl. v.a.t.	198	234

GROUP

Auditor's fee	2010	2009
<i>Group auditor</i>		
Statutory audit	1 113	538
Technical assistance accounting	262	-
Taxation advice	246	-
Other confirmatory services	80	170
Other non-audit services	104	721
Total fee to Group auditor excl. v.a.t.	1 805	1 429

Other non-audit services relate mainly to technical assistance concerning the preparation of accounts, notes,, evaluations related to changes in the pension scheme, cashflows etc.

In 2009, there were additional assistance related to the restructuring. In 2010 the fee to other than group auditor amounts to 123 related to audit and 227 related to other services.

NOTE 17 RESTRICTED BANK DEPOSITS

(Figures in NOK 1 000)

GROUP

	2010	2009
Restricted deposits on the tax deduction account	9 628	7 407
Unused overdraft facility in GS II AS	100 000	100 000

The Grieg Star Shipping Group has an overdraft facility in a total of USD 15 million. The overdraft facility was debited with TNOK 703, split between Grieg Star Shipping (Canada) with TNOK 688 and Grieg Star Shipping Ltd. with TNOK 14 in a total of MNOK 1,4 as per 13.12.2010.

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. The Group has 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 31.12.10 the Group was party to interest rate swap agreements totalling MUSD 200, 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 MUSD 13,5, with an average period of maturity of 7.8 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, freight agreements, 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 31.12.10 the Group had entered into forward contracts to hedge a total of MUSD 12,6. At the same time, the unrealised gain on these contracts amounted to MUSD 1.2 with the following average exchange rates: NOK 6.5107, CAD 1.2723 and EUR 1.0685, hedging 17 % of the Group's operational budgeted foreign exchange requirements for 2011.

Freight rate risk

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

As at 31.12.10 the Group had two FFA contracts which runs from 1.1.2011 to 31.12.2012. Profit/loss on FFA contracts are booked during the hedging period. The unrealised loss, which is not posted in the balance sheet, amounts to MUSD 1.5.

Bunker prices

The Group uses derivative contracts to hedge bunker prices. The exposure to bunkers is defined as the annual consumption of bunkers in contracts of affreightment with no bunkers clause. The result of the hedging contracts is classified as an adjustment of operating costs. The average at 31.12.2010, including bunkers clauses, was 67%.

At year end 31.12.10, the Group had made derivative contracts to hedge bunker prices for a total of 12.000 mt. At the same time, the contracts showed an unrealised gain of MUSD 0.6 which is not posted in the balance sheet.

Options

As at 31.12.10 the Group held no options.

NOTE 19 COMPERABLE NUMBERS

(Figures in NOK 1 000)

Grieg Star Shipping AS was taken over 100% as per 31.12.2009. Consolidating at that point only included the balance. In order to compare 2010 and 2009, the profit and loss statement for Grieg Star Shipping AS has been consolidated in the table below.

Income	2010	2009 **	2009 *
Operating revenues	4 159 006	3 515 540	725 909
Gain from sale of vessel	-	2 321	2 321
Total revenues	4 159 006	3 517 861	728 230
Operating expenses			
Vessel operating expenses	401 884	376 842	376 842
Voyage expenses	2 100 962	1 727 538	-
TC hire	706 600	824 575	-
Payroll and social security expenses	275 371	202 947	51 264
Other operating expenses	90 757	81 311	27 596
Depreciation	266 870	219 736	203 268
Total operating expenses	3 842 443	3 432 950	658 970
Operating profit	316 562	84 911	69 260
Financial items			
	21 532	300 202	300 843
Tax	-190 968	444 481	441 978
Profit for the year	147 127	829 594	812 081

* The numbers in the column are from the financial statement of 2009.

** In this column Grieg Star Shipping AS is consolidated.

AUDITOR'S REPORT FOR 2010

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 35 190 000, and the financial statements of the group, showing a profit of NOK 147 127 000. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2010, 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 give a true and fair view of the financial position of the parent company and the group Grieg Shipping Group AS as at 31 December 2010, and of 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 the company's 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, 15 March 2011
PricewaterhouseCoopers AS

Jon Haugervåg
State Authorised Public Accountant (Norway)

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



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