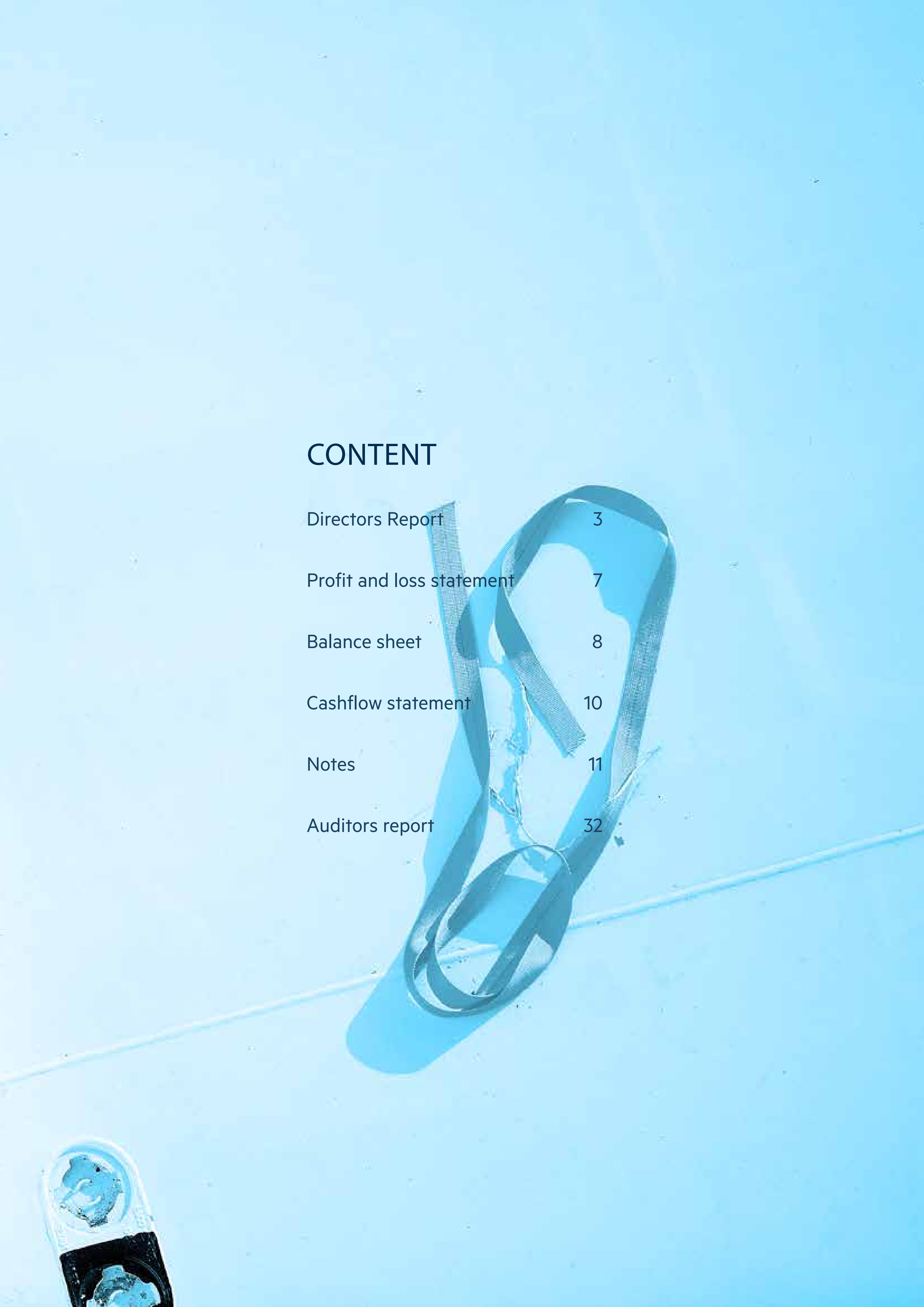
ANNUAL REPORT 2014

GRIEG STAR



CONTENT

DIRECTORS' REPORT 2014 - GRIEG STAR GROUP

Presenting a pre-tax result of minus USD 1.3m, Grieg Star's result for 2014 is slightly lower than expected a year back, but far better than one could fear in a weak shipping market.

BUSINESS AREAS

Grieg Star is a fully integrated shipping group[1] and owner of a specialized and diversified open hatch fleet. In addition, the Group owns and operates a fleet of conventional dry bulk carriers as well as owns and manages a financial investment portfolio. Operating worldwide, Grieg Star has offices in Canada, USA, Europe, Far East and S. America, in addition to its headquarters in Norway.

Open hatch forestry and other parcel cargo trades

Grieg Star offers its customers a broad parcel cargo carrier concept, transporting a variety of different cargoes involving complex handling and loading operations. This requires a diversified fleet, flexible sailing patterns and a highly competent organisation. The Group's 35 open hatch ships are custom built for this, equipped with either gantry or specialised swing cranes. After finishing a renewal program of 10 vessels, as well as purchasing a second hand ship during 2014, the average age of the fleet is 13 years. All the vessels are operated in a pool, which enters into contracts of affreightment with international pulp and paper producers and other cargo owners. The operation's main success criteria is the ability to establish optimal sailing patterns, combining various types of cargoes and at the same time adjusting to changing markets. The trading pattern is primarily built around N. American pulp and paper exports as well as transport of steel and project cargoes.

Dry bulk operation

The Group's conventional dry bulk operation, having an annualized activity level of 13 supramax vessels, consists of owned and chartered in tonnage. In addition to having a few long term cargo contracts, Grieg Star is in the midst of increasing its dry bulk exposure, from 2 to 6 owned vessels, having contracted 4 eco-friendly newbuildings with delivery in 2015/2016, as well as chartered in 5 vessels on long time charter with purchase options.

Financial asset management

Grieg Star also owns and manages a substantial financial investment portfolio. Its main objective is to provide overall financial stability and solidity to the Group as well as to generate adequate risk adjusted returns. The investment policy is long-term and follows a traditional asset allocation model, with capital allocated to various asset classes, primarily through fund instruments.

[1] with Grieg Star Group AS ("GSG") being the parent and holding company of the consolidated group of companies. GSG supplies various management services to its subsidiaries within strategy, administration, accounting, finance, legal, claims handling, information technology and human resources.

ANNUAL ACCOUNTS

Results, earnings and operations

Grieg Star's result before tax for 2014 was minus USD 1.3m vs. USD 22m in 2013. Although all business segments were part of producing the result, the main cause for a weaker than expected outcome for 2014, was the dry bulk operation; While being positioned for a market recovery, Grieg Star's dry bulk operation was negatively influenced by weaker than expected demand and ample supply of new tonnage. An increase in financial expenses and depreciation costs over the last years, from having completed a significant open hatch newbuilding program, also affected the results.

Grieg Star operated 48 vessels commercially (on an annualized basis) in 2014 vs. 46 vessels in 2013, carrying close to 13m tons of cargo vs. 15m tons in 2013. The cargo volume was split 60/40 between open hatch and dry bulk, as the latter segment had declining volumes coupled with operating a smaller fleet. Grieg Star's gross revenue, mainly being composed by regular freight income and income from its ship terminal in Canada, increased slightly to USD 581.2 m in 2014 compared to USD 578.6m in 2013. The increase in revenue is due to a higher activity level and slightly better earnings for the open hatch operation, which also compensated for lower earnings from the dry bulk activity.

Total operating costs increased in 2014, up to USD 567.3 m compared to USD 554.7m in 2013. The vessels' voyage expenses, which is the largest cost element with USD 323.9m, decreased with USD 8,0 m compared to 2013. Given a higher activity level in open hatch and more complex cargo being carried, cargo handling related costs increased on one the hand. However, the vessels' bunker consumption and net fuel oil costs decreased far more on the other. Costs from hiring in vessels increased to USD 53.3m, up from USD 51.3m in 2013, as the Group entered into bareboat leasing arrangements for two open hatch vessels. On the other hand, the number of vessels on time charter declined. As more vessels are being technically managed by the Group, going from 32 to 36 ships (annualized) in 2014, total vessel operating costs increased from USD 78.3m in 2013 to USD 91.2m. However, the preceding years' trend with decreasing costs per day per vessel continued into 2014. Administration and personnel costs also decreased in 2014, but primarily as a result of a stronger USD vs. the NOK, being the base currency for a significant share of the on-shore costs. With the completion of the open hatch newbuilding program, the Group's depreciation charges increased to USD 44.3m in 2014, up from USD 39.3m in 2013.

As the operating costs rose more than the freight earnings, Grieg Star's operating profit decreased from USD 24.0m in 2013, to USD 13.9m in 2014.

Net financial items ended up at minus USD 15.2m in 2014 vs. minus USD 1.9m in 2013. Firstly, the Group's interest expenses increased to USD 19.4m, vs. USD16.8m in 2013, as total interest bearing debt increased with owning a larger fleet. Secondly, the financial investment portfolio, constituting USD 128.1m at year end (USD 132.0m end 2013) had a disappointing year, yielding a result of USD 4.6m vs. USD 13.5m in 2013, mainly as its NOK nominated equity holdings and NOK deposits were negatively affected by the strong and sudden strengthening of the USD during the last months of 2014. On a positive note, the Group utilised the stronger dollar and lower interest rate environment to reduce its forward currency and interest rate exposure.

Balance sheet, financial situation and cash flow

Based on higher net cash flows from operations of USD 46.2 m, a net cash flow from investments of USD 9.8 m and a net cash flow of USD 77.8 m from financing activities, the Group's net change in liquid funds in 2014 was minus USD 21.8 m. Long-term interest bearing debt decreased from USD 669.0 m in 2013 to USD 597.8m in 2014, partly because one open hatch vessel loan was converted to a sale-and-lease back transaction. Long-term financing is already secured for the 4 supramax vessels to be delivered in 2015/2016, by combining traditional ship finance loans with export credit arrangements.

Group book equity was USD 526.6m at year end, down from USD 530.3m in 2103, which gives a 44% equity ratio. By the end of 2014, the Group had total assets of USD 1,205m, down from USD 1,304m in 2013, with current assets accounting for USD 226.5m, of which the financial portfolio constituted 57%. Liquidity in the form of bank deposits and cash at year-end totalled USD 23.1m [2].

WORKING ENVIRONMENT AND OCCUPATIONAL HEALTH

The Board considers the conditions related to the working environment and health in Grieg Star to be very good. The workforce is stable, and absence rates and number of injuries are low. The management works closely together with the employee representatives in monitoring and improving the overall working environment.

While the number of shore-based employees has been stable over the last year, the number of seafarers increased due to additional vessels in the fleet. At year-end, Grieg Star had 1128 (1095) employees from about 15 nationalities of which 269 (265) were shore-based and 859 (830) at sea. For shore-based personnel 120 (121) were employed in Norway and 149 (144) in the offices abroad.

Health, environment and safety

Grieg Star maintains an overview of sick leave in accordance with current laws and regulations. 2014 marked yet another year with positive development, as the general sick leave for Norwegian based employees went down from 3.4% to 2.7%[3]. Besides organising medical follow-ups, the Group encourages and facilitates participation in physical activities for its personnel to stay fit. The records show no (1) injuries ashore in 2014, while there were 11 (12) cases of sign-off due to illness and 6 (3) due to accidents for the seafarers. Several of the repatriations were due to fall injuries, but no pattern has so far been detected in terms of cause.

Throughout the organisation there are on-going training and learning activities, taking place in various formats and contexts. Their objectives range from developing management skills to learning about new rules and regulations as well as maintain certification requirements.

Equal opportunities

Grieg Star does not accept discrimination in any form. The business operations are to be conducted based on the principles of equality and respect. At year-end 2014, the land based workforce reflected a distribution between the genders of 41% (38%) women and 59% (62%) men. There are 1/3 females within the top management team and about 1/4 at middle management level. The Group's Board of Directors consists of 50% women and 50% men. Grieg Star trains female cadets for future officer positions on its vessels.

EXTERNAL ENVIRONMENT

Shipping operations entail discharge of harmful emissions. Given the environmental vision of "No harmful emissions to air, sea and land" Grieg Star's strategy is to work systematically and continuously to improve its fleet's energy consumption. Status by year-end 2014 is a 29.4% reduction measured by the EEOI CO2 index[4]. Hence, the Group is beyond its target of 20% reduction by year-end 2015, compared to 2006 levels. During 2014, Grieg Star has worked on identifying how the savings are split; So far, 11% of the emission reductions are related to technical measures while the remaining part is due to the use of eco-speed. The single biggest technical contributor is fleet renewal, including recycling of older vessels.

The Ship Energy Efficiency Management Plan, which is a practical tool to manage environmental performance and to improve operational efficiency, has been high on the agenda also in 2014. Monitoring systems are on-board all of Grieg Star's modern vessels, enabling advanced performance analysis. Consequently, the Group can now make the right decisions for optimized use of antifouling systems, propeller polishing intervals, main engine optimal tuning and other initiatives one did not have the possibility to measure and harvest from previously. Thus the philosophy is: "If you can't measure it - you can't improve it!"

To prepare for implementation of the Ballast Water Management Convention, the Group has put ballast water treatment systems on board two of its open hatch vessels. The technology is evaluated, with respect to efficiency, liability and spare part consumption as well as alternative makers and new technology.

INTEGRITY AND TRANSPARENCY

Grieg Star is committed to UN Global Compact and transparent reporting on progress. Raising the bar on compliance matters in shipping continues to be a target area. During 2014, the Group implemented new procedures for handling corruption in ports and canals, a work that already is paying off. This is among others

[2] Grieg Star Group AS' company accounts for 2014 shows a result before tax of NOK 4.1m, which mainly is a result of supplying management services to group companies and receiving dividends from same. The result is well below the NOK 142.7m in 2013, when extraordinary dividends were distributed. Total assets by year end 2014 is NOK 2.87bn (down from NOK 2.90bn in 2013). This together with an equity ratio of 95% by year end 2014, reflects the fact that the company's main assets and activities is to own shares in the Group's subsidiaries.

[3] There are no formal records of sick-leave in the offices abroad.

[4] EEOI: The Energy Efficient Operational Indicator has become the most common measure when benchmarking emission reductions.

achieved through valuable learning from participating in the Maritime Anti-Corruption Network. Integrity due diligence with regards to suppliers and other business partners received renewed focus in 2014, through the revision of Grieg Star's Suppliers' Code of Conduct.

CONTINUOUS IMPROVEMENT

Finding smarter solutions and making technological progress is essential to the business' success and an integral part of the way Grieg Star operates. One focus area in 2014 has been to realize cost and efficiency improvements like reducing manual tasks and improving procedures by automating the interfaces between various IT tools as well as out-source the responsibility for following up and carry out services, to the Group's suppliers. Another type of improvement work is the introduction of broad-band on board the vessels, which reduces the time needed for carrying out software updates as well as increases the seafarers' welfare.

RISK

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

Grieg Star's financial and market risk is mainly composed by risks related to the development of freight rates, bunker prices, ship values, currency and interest rates as well as equity prices. The fleet's earnings are to a large extent related to cargo contracts as a considerable share of the Group's shipping activities is of an industrial character. This implies that revenues are less volatile than in the spot market and that changing market conditions generally have a delayed effect on the results.

Grieg Star has a financial investment portfolio, and changes in the value of international securities and interest rates directly affect its result. The portfolio is managed under a long-term strategy which reflects the Group's business principles. This ensures that Grieg Star can withstand significant and lasting market fluctuations. There are policies and strategies in place that reduce both the interest rate, currency and bunker price risk. In the light of the Group's strong financial and liquid position, the liquidity risk is considered to be minor.

Grieg Star assumes counterparty risk in all parts of its business. While issues related to regular credit risk are frequently controlled and considered part of the daily business, a stricter environment related to sanctions, e.g. through new loan agreement clauses, has required a renewed focus on practice and routines in order to be compliant.

CORPORATE GOVERNANCE

In order to ensure that the division of tasks and roles between the administration, the Board of Directors and the General Meeting, is based on sound practice, the Norwegian Recommendation on Corporate Governance is applied. Deviations may arise given the fact that Grieg is privately-owned. Six ordinary board meetings were held during 2014. In addition, the Board resolves upon various matters by circulation of resolutions. There was no change to the board's composition in 2014.

THE MARKET

The Group had modest expectations going into 2014, but did envisage improved market conditions towards the end of the year. However, 2014 proved to be yet another disappointing year in the dry bulk markets. A slowdown in Chinese coal imports, unpredictable Brazilian iron ore volumes, Indonesia's export ban on mineral ores, and falling commodity prices pushed average spot rates down 8% year-on-year and an incredible minus 39% in the 4th quarter year-on-year alone. In addition, analysts significantly revised upwards their supply growth estimates towards end of 2014, further contributing to an already negative market sentiment.

While Grieg Star's dry bulk operation has gained from good contract coverage in recent years, it is now positioned for improvements in the market in the years to come, and have thus secured tonnage, owned and chartered. Given the current weak outlook for the dry bulk markets compared to a year ago, this may pose a challenge in the short term.

General weakness in the shipping markets also made market conditions demanding for Grieg Star's open hatch operation in 2014. Despite solid contract coverage on a number of trade legs, competition is fierce for completion and return cargo, resulting in less than desired round trip results. However, the earnings are still significantly above comparable dry bulk spot market rates, and the supply side and competitive situation in open hatch appear more favorable going into 2015, compared to a year ago.

So far into 2015, the weak dry bulk market is the dominant story, which gives reason to expect yet another year with low results, unless something unexpected happens, which historically often has been the case in shipping. In the meantime, there is an increasing share of scrapping of old tonnage taking place and hardly any newbuilding contracts being entered into, which may be promising in a not so distant future. On Grieg Star's side, one is optimistic to the market in the long term, remaining committed to the business. And being financially sound, the Group is prepared to take advantage of opportunities that may arise.

GOING CONCERN

The Board of Directors confirms that the annual accounts have been prepared on the basis of the going concern assumption and that this assumption is valid. The consideration is based on the Group's solid financial position and cautious expectations of future earnings. The Board believes that the submitted annual accounts give a correct picture of the results, cash flows and economic situation. No events have taken place after the balance sheet date, which significantly would affect the accounts.

The Board is satisfied with the results, given the state of the market, and would like to thank all employees for their good efforts throughout the year.

Bergen/Oslo, 11th of March 2015
The Board of Directors of Grieg Star Group AS

Elisabeth Grieg Chair	Camilla Grieg CEO	Kai Grøtterud Board Member
Lise Kingo Board Member	Didrik Munch Board Member	Bjørn Gabriel Reed Managing Director

PROFIT AND LOSS STATEMENT

GRIEG STAR GROUP AS (figures in nok 1000)				GRIEG STAR CONSOLIDATED (figures in usd 1000)	
2014	2013	Note		2014	2013
			Revenues		
88 814	81 547		Operating revenue	580 980	576 037
-	154		Other income	255	2 587
88 814	81 701		Total revenues	581 235	578 624
			Operating expenses		
-	-		Vessel operating expenses	91 193	78 307
-	-		Voyage related expenses	323 890	331 898
-	-		TC and BB-hire	53 324	51 276
52 659	51 953	13,14	Payroll and social security expenses	38 868	43 915
27 940	31 625	10	Other operating expenses	15 698	14 602
986	970	3,4	Depreciation	44 329	39 273
-	-		Write-downs	-	(4 600)
81 585	84 548		Total operating expenses	567 302	554 671
7 229	(2 847)		**Operating profit**	13 933	23 952
			Financial items		
298	204		Interest income	505	1 004
632	856		Interest income group	-	-
(157)	(159)	9	Interest expenses	(19 403)	(16 778)
(3 860)	(4 315)		Interest expenses group	(612)	(734)
-	148 933		Dividend from subsidiaries	-	-
-	-	7	Change in value of financial investments	(6 741)	2 287
-	-	7	Realized return on market-based fin. Investm.	11 375	11 246
(5)	(9)		Gain/loss on foreign exchange	(357)	1 059
(3 092)	145 510		Net financial items	(15 234)	-1 917
4 137	142 663		Profit before tax	(1 300)	22 035
1 213	1 170	12	Tax	(1 473)	185
2 924	141 493		Profit for the year	(2 774)	22 220
20 500	35 000		Proposed dividend		
(17 576)	106 493		To or (from) other equity		
2 924	141 493				

BALANCE SHEET

GRIEG STAR GROUP AS (figures in nok 1 000) — GRIEG STAR GROUP AS CONSOLIDATED (figures in usd 1 000)

2014	2013	Note		2014	2013
			ASSETS		
			FIXED ASSETS		
			Intangible fixed assets		
-	-	3	Contracts	6 604	7 526
-	-	3	Goodwill	2 881	3 270
2 996	2 483	12	Deferred tax asset	576	819
2 996	2 483		Total intangible assets	10 061	11 614
			Tangible assets		
1 756	2 210	4	Fixtures and fittings, other equipment	3 969	4 751
-	-	4	Load/discharge equipment	12 033	11 889
4 462	4 462	4	Terminal and other property	11 211	12 629
-	-	4	Vessels	928 293	958 038
-	-	4	New building contracts	8 212	42 004
6 218	6 672		Total fixed tangible assets	963 717	1 029 311
			Fixed financial assets		
2 819 290	2 827 952	5	Investments in subsidiaries	-	-
737	832	14	Pension funds	751	976
-	-	6	Investments in shares	231	351
-	-	8	Long term receivables	3 950	284
2 820 027	2 828 784		Total fixed financial assets	4 932	1 611
2 829 242	2 837 940		Total fixed assets	978 710	1 042 536
			CURRENT ASSETS		
			Accounts receivable		
5 680	53 429	10	Receivables from group companies	448	166
-	-		Freight receivables	17 179	22 124
-	-		Inventory	24 706	39 762
289	117		Other receivables	33 017	23 547
5 969	53 546		Total receivables	75 350	85 597
-	-	7	Market-based investments	128 099	131 994
36 548	7 922	16	Bank deposits, cash in hand, etc	22 463	44 277
42 517	61 468		Total current assets	225 911	261 868
2 871 758	2 899 408		TOTAL ASSETS	1 204 621	1 304 404

BALANCE SHEET

GRIEG STAR GROUP AS (figures in nok 1 000) | GRIEG STAR GROUP AS CONSOLIDATED (figures in usd 1 000)

2014	2013	Note		2014	2013
			EQUITY AND LIABILITIES		
			EQUITY		
			Paid-in capital		
137 052	137 052	11	Share capital (1 370 523 shares à NOK 100)	24 621	24 621
1 855 108	1 855 108	2	Other paid-in capital	337 397	337 397
1 992 160	1 992 160		Total paid-in capital	362 018	362 018
			Retained earnings		
732 187	748 607	2	Other equity	164 501	168 262
732 187	748 607		Total retained earnings	164 501	168 262
2 724 347	2 740 767	2	Total equity	526 519	530 280
			LIABILITIES		
			Provisions		
11 456	9 927	14	Pension liabilities	7 818	8 777
11 456	9 927		Total provisions	7 818	8 777
			Long-term liabilities		
3 150	3 290	9	Liabilities to financial institutions	583 770	652 888
-	-		Other long-term liabilities	597	318
95 892	95 892	10	Liability to group companies	12 900	15 762
99 042	99 182		Total long-term liabilities	597 267	668 968
			Current liabilities		
3 583	2 664	10	Liabilities to group companies	257	326
2 146	1 334		Accounts payable	10 636	12 957
6 565	5 557		Public duties payable	1 965	2 961
20 500	35 000	2	Dividend	2 758	5 753
-	112	12	Taxes payable	665	1 147
4 119	4 865		Other short-term liabilities	56 736	73 236
36 913	49 532		Total current liabilities	73 017	96 380
147 410	158 640		Total liabilities	678 102	774 124
2 871 758	2 899 408		TOTAL EQUITY AND LIABILITIES	1 204 621	1 304 404

Bergen/Oslo, 11th of March 2015
The Board of Directors of Grieg Star Group AS

Elisabeth Grieg
Chair

Camilla Grieg
CEO

Kai Grøtterud
Board Member

Lise Kingo
Board Member

Didrik Munch
Board Member

Bjørn Gabriel Reed
Managing Director

CASHFLOW STATEMENT

GRIEG STAR GROUP AS (figures in nok 1 000)			GRIEG STAR GROUP AS CONSOLIDATED (figures in usd 1 000)	
2014	2013		2014	2013
		Cash flow from operations		
4 137	142 663	Profit before income taxes	(1 300)	22 035
(112)	-	Taxes paid in the period	(616)	(11 604)
-	(152)	Gain/loss from sale of fixed assets	(276)	(2 587)
986	970	Depreciation (including dry dock)	52 704	46 642
-	-	Write down	-	(4 600)
(171)	219	Change in trade debtors	4 945	(13 376)
36 400	(45 925)	Dividends/group contribution received	-	-
812	1 334	Change in trade creditors	(2 321)	(772)
-	-	Change in supplies	15 056	(8 872)
1 625	900	Pension costs without cash effect	(734)	2 012
-	-	Effect of exchange fluctuations	-	(14)
-	-	Change in public debt and other short term debt	(996)	(811)
172	(1 009)	Changes in other provisions	(15 619)	18 303
-	-	Items classified as investment or financial activities	(4 634)	(17 566)
43 849	99 000	Net cash flow from operations	46 209	28 791
		Cash flow from investments		
-	410	Proceeds from sale of fixed assets	66 831	6 628
(532)	(1 831)	Purchase of fixed assets	(34 445)	(8 452)
-	-	Payments new building contracts	(30 175)	(185 537)
-	-	Proceeds from loans to other group companies	(282)	(105)
-	-	Repayment of other loans	-	(3 520)
-	-	Proceeds from sale of market based investments	65 394	107 122
-	-	Purchase of market based investments	(57 544)	(17 255)
9 104	(103 009)	Purchase of shares in associated company	-	-
8 572	(104 430)	Net cash flow from investments	9 778	(101 118)
		Cash flow from financing		
13 251	59 270	Proceeds from loans to other group companies	-	-
-	-	Proceeds from long term loans	19 929	148 595
(140)	(140)	Repayment of long term loans	(89 047)	(44 353)
-	-	Repayment of short term Group loans	(2 931)	-
(35 000)	(55 000)	Payment of dividend	(5 753)	(9 881)
(21 889)	4 130	Net cash flow from financing	(77 802)	94 361
30 532	(1 299)	Net change in cash and cash equivalents	(21 814)	22 033
7 922	9 221	Cash and cash equivalents at the beginning of the period	44 277	22 244
38 453	7 922	Cash and cash equivalents at the end of the period	22 461	44 277
		Specification of cash and cash equivalents at the end of the period		
36 548	5 996	Bank deposits, cash, etc.	22 463	44 277
1 906	1 926	Bank deposits cash pool agreement within Grieg Star Group	-	-
38 454	7 922	Total	22 463	44 277
-	-	In addition the company had undrawn credit facilities at 31.12. :	10 000 000	60 000 000

GRIEG STAR

NOTES

Note 1 Accounting Principles

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

Subsidiaries

Subsidiaries are posted in the company accounts applying the cost method. The investment is stated at historical cost of the shares unless a write-down has been necessary. The investment is written down to fair value when the reduced value is due to causes which are not deemed to be temporary. Write-downs are reversed when the grounds for the write-down no longer exist.
Dividends and other distributions are recognised in the year in which they are provided for in the accounts of the subsidiary. If the dividend exceeds the profit after the acquisition, the surplus amount represents repayment of the capital investment and the distributions are deducted from the amount of the investment in the balance sheet.

Investment in joint ventures and associated companies

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

Operating revenues

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

Classification and valuation of balance sheet items

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

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

Intangible assets

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

Asset impairments

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

Non-financial assets other than goodwill which have been impaired are reviewed for possible reversal of the impairment at each date.

Fixed assets

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

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

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

New building contracts

Instalments on new building contracts are capitalised as new buildings and/or accounts receivables either short og long term as they are paid. Capitalised value is reclassified from new buildings to vessels upon delivery from the yard. Borrowing costs that are attributable to the construction of the vessel are capitalized as a part of the vessel.

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

Stocks of bunkers and other inventories
Stocks of fuel and diesel are stated at cost on the basis of the FIFO method. The inventories of lub oil, paint and provision are valued at the lower of cost and fair value.

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

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

Foreign currency
Consolidated accounts are reported in USD. Financial statements denominated in other currency than USD are recalculated against USD at the average exchange rates and the balance sheet at the exchange rate at year end. Monetary items denominated in foreign currency are valued at the year-end exchange rate against USD. Exchange rate per 31.12.2014 is NOK/USD: 7.4332. Currency gain or loss from operation and monetary items in foreign currencies are posted at the exchange rate of the relevant date of balance. Transactions in foreign currencies are restated at the foreign transaction rate.

Foreign exchange and bunkers hedging
Derivatives purchased in order to reduce currency risk are treated as hedging transactions for accounting purposes. Gains and losses on foreign exchange contracts are therefore recognised in the same period as the hedged transactions occur. See note 17.

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

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

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

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

Freight hedging
The Group uses FFA contracts to manage freight risk. Gains and losses on freight hedging contracts are classified as an adjustment to operating income and accounted for with the transactions they secure.

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

Pensions
The Group's main pension scheme is a defined contribution plan. Moreover, the Group has continued some defined benefit plans.

For the defined benefit plans, pension costs and pension commitments are calculated on a straight line earnings profile basis, based on assumptions related to the discount rate, future salary regulation, pensions and benefits under the National Insurance scheme, the future return on pension fund assets and actuarial assumptions about mortality, voluntary withdrawals etc. Pension fund assets are recognised at fair value and deducted from net pension commitments in the balance sheet. Changes in commitments due to changes in pension plans are spread over the expected remaining period of service. The same applies to estimated 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 financial assets and pension commitments as a financial liability. Pension commitments in the balance sheet include Employers' National Insurance contributions.

For the defined contribution plans, the Group makes contributions to an insurance company. The Group has no further payment obligations once the contributions have been paid. Contributions are charged as payroll expenses. Any prepaid deposits are recorded as an asset in the balance sheet to the extent that the deposits can be offset against future payments.

Operating leases
The company differentiates between financial leasing and operational leasing based on an evaluation of the lease contract at the time of inception. A lease contract is classified as a financial lease when the terms of the lease transfer substantially all the risk and reward of ownership to the lessee. All other leases are classified as operational leases. When a lease contract is classified as a financial lease where the company is the lessee, the rights and obligations relating to the leasing contracts are recognised in the balance sheet as assets and liabilities. The interest element in the lease payment in included in the interest costs and the capital amount of the lease payment is recorded as repayment of debt. The lease liability is the remaining part of the principal. For operational leases, the rental amount is recorded as an operating cost.

Taxes
The tax charge in the profit and loss account includes taxes payable for the period and changes in deferred tax. Deferred tax is calculated at 27% (with effect from January 1. 2014) 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 utilized. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and losses carried forward, is based on estimates of future of earnings. Deferred tax and tax

benefits which may be shown in the balance sheet are presented net.

Grieg Shipowning AS, Grieg Shipping II AS, Grieg International II AS and Grieg Star Bulk AS are shipowning companies which are taxed under the Norwegian tonnage tax system pursuant to chapter 8 of the Taxation Act.

Estimates

When preparing the annual accounts in accordance with good accounting practice, the management makes estimates and assumptions which affect the profit and loss account and the valuationof 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.

Group account cash pool agreement

The company is a part of a Group account cash pool agreement within the Grieg Star Group. Grieg Star Shipping AS is the Group Account Holder. Under this agreement, all participating companies are jointly liable for the overdraft facility and other participant's overdraft. Net aggregated cash balance on the group account is recognised as cash in the balance sheet statement of Grieg Star Shipping AS as Group Account Holder. Participating companies share of aggregated cash balance are recognised as interest bearing intercompany balances in each particpating company's balance sheet.

COMPANY	REGISTERED OFFICE	OWNERSHIP
Grieg Shipowning AS - shipowning holding company, tonnage taxed	Bergen	100%
Grieg Star AS - ship managment and project development	Bergen	100%
Grieg Star Shipping AS - marketing, chartering and operation company	Bergen	100%
Grieg Green AS - green recycling of vessels	Oslo	100%
Grieg Star Bulk AS - shipowning company, tonnage taxed	Bergen	100%
Grieg Green is a group which comprises the following companies:		
Grieg Consulting and Advisory Company Ltd, recycling services	Shanghai, China	100%
Grieg Shipowning is a group which comprises the following companies:		
Grieg Shipping II AS - shipowning company, tonnage taxed	Bergen	100%
Grieg International II AS - shipowning company, tonnage taxed	Oslo	100%
Grieg Star Shipping is a group which comprises the following companies:		
Grieg Star Shipping (Canada) Ltd.*	Vancouver B.C., Canada	100%
Grieg Star Shipping (USA) Inc.	Atlanta, USA	100%
Grieg Star Shipping AB	Gothenburg, Sweden	100%
Grieg Star Shipping SRLV	Livorno, Italy	100%
Grieg Star Shipping Comercio Maritimo LTDA	Rio de Janeiro, Brazil	100%
Grieg Star Shipping Consulting Ltd. (in process of dissolution)	Shanghai, China	100%
Grieg Star Shanghai Company	Shanghai, China	100%
Grieg Star Shipping Singapore PTE Ltd.	Singapore	100%

* 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

PARENT COMPANY

Figures in NOK 1 000

Changes in equity	Share capital	Other paid-up equity	Other equity	Total
Equity at 01.01	137 052	1 855 108	748 607	2 740 767
Profit for the year	-	-	2 924	2 924
Group contribution, net	-	-	1 156	1 156
Provision for dividends	-	-	(20 500)	(20 500)
Equity at 31.12	137 052	1 855 108	732 187	2 724 347

GROUP

Figures in USD 1 000

Changes in equity	Share capital	Other paid-up equity	Other equity	Total
Equity at 01.01	24 621	337 397	168 261	530 279
Profit for the year	-	-	(2 774)	(2 774)
Provision for dividends	-	-	(2 758)	(2 758)
Net Group contribution	-	-	310	310
Currency translation differences	-	-	1 462	1 462
Equity at 31.12	24 621	337 397	164 501	526 519

Note 3 Intangible assets

GROUP

Figures in USD 1 000

Intangible assets	Goodwill	Contracts	Total
Acquisition costs at 01.01	7 769	17 529	25 298
Additions	-	-	-
Disposals	-	-	-
Acquisition cost at 31.12	7 769	17 529	25 298
Accumulated depreciation at 31.12	4 888	10 926	15 814
Book value at 31.12	2 881	6 603	9 485
Depreciation	387	923	1 310
Depreciation period	20 years	20 years	
Depreciation plan	Straight-line	Straight-line	

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

Note 4 Fixed assets

PARENT COMPANY

Figures in NOK 1 000

	Cabin	Cars	Office machines, furnitures, etc	Total
Acquisition costs at 01.01	4 462	1 338	1 361	7 161
Additions	-	-	532	532
Disposals	-	-	-	-
Acquisition cost at 31.12	4 462	1 338	1 893	7 693
Accumulated depreciation at 31.12	-	453	1 022	1 475
Book value at 31.12	4 462	885	871	6 218
Depreciation		356	629	985
Depreciation plan	None	Straight-line	Straight-line	
Depreciation period		5 years	3 years	

GROUP

Figures in USD 1 000	Vessels	Docking	New buildings	Total
Acquisition cost at 01.01	1 342 990	38 099	42 004	1 423 092
Additions*	18 942	12 901	16 019	47 862
Transferred from new buildings	49 211	600	-49 811	-
Disposals	65 780	7 742	-	73 521
Acquisition cost at 31.12	1 345 363	43 858	8 212	1 397 433
Accumulated depreciation at 31.12	432 537	19 790	-	452 328
Accumulated write-downs	8 600	-	-	8 600
Book value at 31.12	904 226	24 066	8 212	936 503
Depreciation charge for the year	38 893	7 116		46 010
Depreciation plan	Straight-line	Straight-line	None	
Depreciation period	25-30 years	5-7.5 years		

*) Capitalised interest related to newbuildings in 2014 were USD 2.9m. (USD 3.2m in 2013)

In 2014, the Group took delivery of one new vessel, Star Lysefjord. The expected economic lifetime of the vessel is at least 30 years. The vessel is depreciated down to estimated scrap value over 30 years. In addition Star Lygra was sold and leased back for 12 years.

As of 31.12.2014 the Group has new building contracts for 4 vessels. The four supramax's are to be delivered in 2015 and 2016. The remaining amount to be paid for the new building contracts amounts to USD 77.3 m.

GROUP

Figures in USD 1000

	Terminals	Machinery, vehicles etc.	Loading & discharging equipment etc.	Other property	Total
Acquisition cost at 01.01	27 915	16 606	29 920	714	751 55
Conversion difference	-	205	-	133	338
Corrected acquisition cost	27 915	16 811	29 920	847	75 493
Additions	51	1 008	2 283	-	3 342
Disposals	-	577	-	-	577
Acquisition cost at 31.12	27 966	17 242	32 203	847	78 258
Conversion difference	(2 057)	(1 036)	-	-133	-3 226
Accumulated depreciation at 31.12	15 411	12 237	20 170	-	47 819
Book value at 31.12	10 497	3 969	12 033	714	27 213
Depreciation charge for the year	674	1 346	2 139	-	4 159
Depreciation plan	Straight-line	Straight-line	Straight-line		
Depreciation period	30	3-10	10		

Note 5 Subsidiaries

PARENT COMPANY

Figures in NOK 1 000

Subsidiary	Denomi-nated in	Registered office	Ownership / voting rights	Equity 2014 (100%)	Result 2014 (100%)	Book value (100%)
Grieg Shipping II AS	USD	Bergen	100%	2 419 887	(16 150)	-
Grieg International II AS	USD	Oslo	100%	1 076 117	16 495	-
Grieg Shipowning AS **	NOK	Bergen	100%	3 094 802	(179)	2 578 790
Grieg Star AS	NOK	Bergen	100%	4 888	2 648	6 128
Grieg Star Shipping AS*	USD	Bergen	100%	125 902	9 906	95 892
Grieg Star Bulk AS	USD	Bergen	100%	186 728	(21 921)	133 044
Grieg Green AS	USD	Bergen	100%	280	(1 609)	5 435
Book value at 31.12						2 819 289

For the companies denominated in USD the conversion to NOK above is at the exchange rate at year end for the equity and average for the result.

* Consolidated figures for the Grieg Star Shipping Group
** Grieg Shipowning AS owns 100 % of Grieg Shipping II AS and Grieg International II AS
*** Net Group contribution to Grieg Green in 2014 of NOK 0.44m has increased the book value of the investment in Grieg Green AS accordingly.

Note 6 Investments in shares

GROUP

Figures in USD 1 000

	Registered office	Ownership	Book value
Incentra (co-operative)	Oslo	2.7%	2
Seabound Maritime (in process of dissolution)	Manila	20.0%	-
Grieg Philippines Inc.	Makati City	20.0%	71
UACC Ross Tanker DIS	Oslo	3.0%	158
Book value at 31.12			231

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

Seabound Maritime was the Group's manning agent in the Philippines until 2009

Grieg Philippines has been the Group's manning agent in the Philippines since 2009.

UACC Ross Tanker DIS is a part-owned company owned by Grieg Star Bulk AS. Out-standing commitment amount is USD 120 000.

Note 7 Market-based investments

GROUP

Figures in USD 1 000

	2014		2013	
	Acquisition cost	Market value	Acquisition cost	Market value
Individual shareholdings	3 895	3 601	3 847	3 923
Mutual funds	32 227	40 662	37 867	52 715
Bonds	26 242	30 430	28 830	34 532
Money market funds	32 350	32 352	20 978	21 009
Hedge funds	19 097	21 053	18 028	19 815
Book value at 31.12	113 813	128 099	109 550	131 994

	2014		
	Realised	Unrealised	Total profit/loss
Listed shares	-	(321)	(321)
Mutual funds	8 230	(4 578)	3 652
Bonds	3 077	(1 178)	1 899
Money market funds	203	(1 087)	(884)
Hedge funds	(134)	423	289
Proft/loss from market-based investments	11 375	(6 741)	4 635

Note 8 Receivables maturing later than one year

GROUP

Figures in USD 1 000

	2014	2013
Employee loans	19	-
Other loans	2 969	-
Deposit on office rent	782	284
Total	3 770	284

Ohter loans consist of payments accordning to contract for the last of the new vessels in Grieg Star Bulk AS.

Note 9 Interest-bearing debt

PARENT COMPANY

Figures in NOK 1 000

	2014	2013
Mortgage loans	3 150	3 290
Total	3 150	3 290

Of which long-term debt with maturity later than 5 years	2014	2013
Debt to credit institutions	2 450	2 590
Total	2 450	2 450

Balance value of mortaged assets	2014	2013
Property	4 462	4 462
Total	4 462	4 462

Grieg Star AS is providing guarantees in the amount of USD 7.9 m per 31.12.2014 for the Grieg Star Bulk's USD 39 m long-term loan financing the company's two vessels.

GROUP

Figures in USD 1 000

Mortgage loans

The Group generally finances new buildings with 70% mortgage loans and 30% equity. As of 31.12.14, the Group has seven mortgage loans with DNBNOR (as agent), two mortgage loans with Nordea, two mortgage loan with ABN Amro, one mortage loan with SR-bank and one mortgage loan with Handelsbanken. The loans are denominated in USD, except the one in Handelsbanken, which is in NOK and related to the Group's cabin. The USD loans consist of both long-term financing of the Group's existing vessels as well as loans for vessels under construction.

Loan covenants

The Group is required to have liquid funds of USD 35m at all times. For six of the mortgage loans with an aggregated book value at 31.12.2014 of USD 326m, the Group's shipowning companies must have liquid funds of at least 5 % of total interest bearing debt, and a minimum of USD 20m. For loans in ABN Amro and SR-Bank related to the Group's dry bulk operation the minimum amount is 15 m. A common covenant for all mortgage loans is that the Group must continue to be controlled by the Grieg familiy. The Group has met its loan covenant commitments throughout the year.

	2014	2013
Other long-term debt *)	881	1 366
Mortgage loans (1st priority)	582 889	651 840
Total	583 770	653 206

Of which long -term debt with maturity later than 5 years	2014	2013
Debt to credit institutions	81 864	148 751
Total	81 864	148 751

Balance value of mortgaged assets	2014	2013
Vessels	907 809	922 470
New building contracts	8 212	42 004
Total	916 021	964 474

Undrawn borrowing facilities			
Grieg Shipping II AS	floating rate	-	40 000
Grieg International II AS	floating rate	-	10 000
Grieg Star Group AS	floating rate, bank overdraft in Grieg Star Shipping AS	10 000	10 000

The facilities in Grieg Shipping II AS and Grieg International II AS were cancelled 31.12.2014 by Grieg Star.

*) Squamish Terminals
The balance at 31.12.2014 is CAD 1 022. The loan is guaranteed by Grieg Star Shipping AS.

Note 10 Related parties

PARENT COMPANY

Figures in NOK 1 000

Company	Relation	2014	2013
Other receivables			
Grieg Shipowning AS	Grieg Star Group	-	35 000
Grieg Green AS	Grieg Star Group	1	3
KS Joachim Grieg Star	Grieg Maturitas Group	903	19
Norwind AS	Grieg Maturitas Group	-	91
CSG 15 AS	Grieg Maturitas Group	13	-
Grieg Property AS	Grieg Maturitas Group	-	3
Grieg Star Bulk AS	Grieg Star Group	-	567
Grieg Star AS	Grieg Star Group	4	5 476
Grieg International AS	Grieg Maturitas Group	17	30
Grieg Investor AS	Grieg Maturitas Group	615	138
Grieg Foundation	Owner-Grieg Maturitas II Group	-	6
Fram Marine AS	Grieg Maturitas Group	9	-
Grieg International II AS	Grieg Star Group	424	2 312
Grieg Shipping II AS	Grieg Star Group	788	4 294
Grieg Star Shipping AS	Grieg Star Group	2 906	5 490
Total		5 680	53 428

*) The receivable from Grieg Star Shipping AS includes Grieg Star Group's share of aggregated cash balance in the Group account cash pool of NOK 1,9m.

Other long-term liabilities		2014	2013
Grieg Property AS	Grieg Maturitas Group	95 892	95 892
Total		95 892	95 892

Other current liabilities		2014	2013
Grieg Group Resources AS	Grieg Maturitas Group	197	130
KS Joachim Grieg Star	Grieg Maturitas Group	13	-
Grieg Gaarden AS	Grieg Maturitas Group	82	-
Grieg Investor AS	Grieg Maturitas Group	1	-
Grieg International AS	Grieg Maturitas Group	-	19
Grieg Green AS	Grieg Star Group	1 018	-
Grieg Star AS	Grieg Star Group	-	3
Grieg Star Shipping AS	Grieg Star Group	1 066	1 424
Grieg Star Shipping VCR	Grieg Star Group	232	-
Grieg Property AS	Grieg Maturitas Group	976	1 088
Total		3 584	2 664

Transactions with related parties

Company	Relation	Type of services	2014	2013
Revenue				
Grieg Star Shipping AS	Grieg Star Group	Management, rental and IT fee	36 015	30 483
		Performance guarantee	12	18
Grieg Star Bulk AS	Grieg Star Group	Management fee	7 260	6 562
		Financial guarantee	79	88
		Performance guarantee	19	18
Grieg Star AS	Grieg Star Group	Management, rental and IT fee	21 824	21 047
Grieg Green AS	Grieg Star Group	Management, rental and IT fee	178	120
Grieg Shipowning AS	Grieg Star Group	Management fee	200	300
Grieg Shipping II AS	Grieg Star Group	Management fee	13 997	14 147
Grieg International II AS	Grieg Star Group	Management fee	7 698	7 516
Fram Marine AS	Grieg Maturitas Group	Service fee	201	-
Grieg International AS	Grieg Maturitas Group	Management, rental and IT fee	1 259	1 022
KS Joachim Grieg Star	Grieg Maturitas Group	Commission	17	16
Grieg Group Resources AS	Grieg Maturitas Group	Service fee	11	-
Grieghallen Parkering AS/Grieg Property AS	Grieg Maturitas Group	Service fee	11	-
Grieg Investor AS	Grieg Maturitas Group	Advisory	142	68
Total			88 924	81 405

Expenses				
Grieg Property AS	Grieg Maturitas Group	Interest expense	3 860	4 315
Grieg International AS	Grieg Maturitas Group	Service fee	2 870	2 430
Grieg Group Resources AS	Grieg Maturitas Group	Service and IT fee	5 323	6 343

GROUP

Figures in USD 1 000

Company	Relation	2014	2013
Other receivables			
Joachim Grieg Star KS	Grieg Maturitas Group	340	79
Grieg Property AS	Grieg Maturitas Group	-	-
Norwind AS	Associated company	-	15
Grieg International AS	Grieg Maturitas Group	2	5
Grieg Logistics AS	Grieg Maturitas Group	-	-
Fram Marine AS	Associated company	1	-
Grieg Investor AS	Grieg Maturitas Group	103	66
Total		448	166

Other long-term liabilities		2014	2013
Grieg Property AS	Grieg Maturitas Group	12 900	15 762
Total		12 900	15 762

Other short-term liablilities		2014	2013
Grieg Group Resources AS	Grieg Maturitas Group	34	27
Grieg International AS	Grieg Maturitas Group	64	82
Grieg Property AS	Grieg Maturitas Group	131	179
Grieg Gaarden AS	Grieg Maturitas Group	11	-
Maris AS	Related	-	31
KS Joachim Grieg & Co.	Grieg Maturitas Group	16	7
Total		257	328

Transactions with related parties	2014	2013
Office services from Grieg Group Resources AS to the Group	1 141	992
Office and parking rental agreement between the Group and Grieg Gaarden AS	1 645	1 680
Commission agreement between the Group and KS Joachim Grieg Star	3 296	3 937
Grieg Logistics AS	260	0
Interest expense to Grieg Property	612	734

Note 11 Share capital and shareholder information

PARENT COMPANY

Figures in NOK 1 000

The share capital consists of	Number of shares	Nominal value	Book value in NOK 1 000
A shares	1 035 835	100	103 584
B shares	334 688	100	33 469
Total	1 370 523		137 052

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

Shareholders at 31.12	No. of A shares	No. of B shares	Total	Ownership
Grieg Maturitas II AS	289 353	334 688	624 041	45.53 %
Grieg Ltd AS	412 378	-	412 378	30.09 %
Grieg International AS	334 104	-	334 104	24.38 %
Total	1 035 835	334 688	1 370 523	100%

Note 12 Taxes

PARENT COMPANY

Figures in NOK 1 000

Tax charge and tax payable in the accounts

Temporary differences	2014	2013
Fixed assets	(375)	(103)
Taxable part of dividend	-	-
Pension	(10 719)	(9 094)
Net temporary differences	(11 094)	(9 197)
Tax losses carried forward	-	(4 422)
Basis for deferred tax/(deferred tax assets)	(11 094)	(12 650)
Deferred tax/deferred tax assets	(2 995)	(2 483)
Deferred tax/(deferred tax assets) in the balance sheet	(2 995)	(2 483)

Basis for taxation, change in deferred tax and tax payable		
Profit before tax	4 137	142 663
Permanent differences	357	(148 337)
Basis of tax charge for the year	4 494	(5 674)
Change in temporary differences	1 897	970
Basis for payable taxes in the income statement	6 391	(4 704)
+/- Group contribution received/given	(6 391)	9 524
Tax loss carried forward	-	(4 422)
Taxable income (basis for tax payable in the balance sheet)	-	398
Tax expense consists of		
Tax payable (27% of basis for tax payable in the profit and loss account)	-	111
Tax cost group contribution	1 726	-
Change in deferred tax	(512)	1 059
Tax charge / (tax income)	1 213	1 170

Tax payable in the balance sheet		
Tax payable (27% of basis for taxes payable in the profit and loss account)	-	111
Under/over provision for tax payable	-	-
Tax payable in the balance sheet	-	111

GROUP

Figures in NOK 1 000

Tax expense consists of	2014	2013
Tax payable on taxable income	899	1 332
Change in deferred tax	119	(813)
Deferred tax benefit not shown in the balance sheet	-	(898)
Group contribution, tax effect	456	-
Adjustment with respect of prior years	-	194
Tax expense (income)	1 474	(185)
Tonnage tax (classified as an operating expense in the income statement):	531	665

Deferred tax:	2014	2013
Long-term debt	(14 862)	(108)
Fixed assets	2 138	10 818
Shares in subsidiaries	(53)	64
Pension	(6 943)	-
Other temporary differences	(1 281)	4 407
Financial instruments and other short-term investments	18 024	8 337
Profit/loss account	2 038	3 525
Tax loss carry forwards	(18 082)	(21 619)
Basis for deferred tax/(deferred tax assets)	(19 021)	5 424
Deferred tax/(deferred tax assets)	(4 594)	(1 967)
Deferred tax assets not recognised in the balance sheet	4 017	2 788
Deferred tax/(deferred tax assets) recognised in the balance sheet	(577)	819

Tax payable consists of:	2014	2013
Taxable financial income for companies under Chapter 8 of Taxation Act	510	778
Profit before tax subject to ordinary income tax	10 573	19 314
Permanent differences	294	(18 515)
Changes in differences included in the basis for deferred tax/deferred tax assets	451	214
Group contribution	-	-
Changes in deficit and remuneration brought forward	-	899
Basis of tax charge for the year	11 828	2 690
Current tax payable of net income	870	482
Adjustment with respect of prior years	(2)	-
Tonnage tax	668	665
Tax prepaid	(210)	-
Effect of Group contribution	(662)	-
Tax payable in the accounts	665	1 147

Note 13 Payroll expenses, number of employees, remuneration etc.

PARENT COMPANY

Figures in NOK 1 000

Payroll expenses	2014	2013
Salary including bonus	33 504	33 367
Employers' national insurance contributions	6 183	5 982
Pension costs	5 062	4 722
Other remuneration	7 910	7 882
Total	52 659	51 953

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

Remuneration to management	CEO	Board
Salary	3 130	1 900
Pension costs	65	
Other remuneration	189	

No loans or loan security have been given to the CEO, the members 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

Figures in USD 1 000

Payroll expenses	2014	2013
Salary including bonus	27 498	31 753
Employer's national insurance contributions	4 076	4 336
Pension costs	5 208	5 589
Other remuneration	2 087	2 237
Total	38 868	43 915
The average number of employees in the year was	269	265
The average number of sailing personnel was	859	830

Salary costs related to sailing personnel (employed by Grieg Philippines) totalled USD 32.7 m and the payroll expenses are recognised in the P&L as vessel operating expenses. (2013: USD 28.9m).

Note 14 Pensions

PARENT COMPANY

Figures in NOK 1 000

The company has a defined contribution pension scheme for its employees. Premiums are paid monthly to a life insurance company.

Contribution based pension scheme	2 014	2 013
Payments to the contribution based pension scheme	1 803	1 907

Grieg Star Group has also a defined benefit scheme for certain employees with a salary above 12 G.
Pension costs and commitments depend principally on length of service, salary at retirement and level of National Insurance benefits. This scheme covers two individuals. There is also an early retirement scheme for these individuals, ref. note below for the Group.

Defined benefit pension scheme	2014	2013
Current service cost	1 287	1 276
Interest cost	947	846
Expected return on plan assets	(603)	(514)
Social security cost	230	227
Administrative expenses	222	202
Actuarial (gains) losses	1 042	306
Net pension expenses	3 125	2 343

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

In addition nok 133 000 is expensed as pension related to early retirement 2014.

Specification of pension assets and liabilities:

Distribution by scheme as at 31.12.13	Committed pensions	Funded Supplementary pensions	Unfunded Aged 65-67	Total
Present value of obligations	12 520	6 080	4 759	23 359
Fair value of plan assets	9 176	4 562	-	13 738
Surplus (deficit) of pension plans	(3 344)	(1 518)	(4 759)	(9 621)
Actuarial (gains)/losses	(472)	2 564	(1 020)	1 072
Social security	339	(214)	(670)	(545)
Liability in the balance sheet	(3 477)	832	(6 449)	(9 094)

Specification of pension assets and liabilities:

Distribution by scheme as at 31.12.14	Committed pensions	Funded Supplementary pensions	Unfunded Aged 65-67	Total
Present value of obligations	14 528	8 067	6 243	28 838
Fair value of plan assets	9 212	5 502	-	14 714
Surplus (deficit) of pension plans	(5 316)	(2 565)	(6 243)	(14 124)
Actuarial (gains)/losses	1 528	3 663	206	5 397
Social security	(750)	(362)	(880)	(1 992)
Liability in the balance sheet	(4 538)	736	(6 917)	(10 719)

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

Grieg Star Shipping AS and Grieg Star Group AS have an early retirement scheme for employees who were in the main pension plan until the decision was made to close 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 including subsidiaries and Grieg Star Group AS. The pension scheme covered 90 people as at 31.12.2014, of whom 8 persons are members of the supplementary and unfunded scheme, 42 persons are members of only the unfunded scheme and 40 received pension in 2014.

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

Defined benefit pension scheme	2014	2013
Current service cost	955	1 025
Interest cost	905	751
Expected return on plan assets	(599)	(566)
Social security	167	171
Administrative expenses	159	189
Actuarial (gains) / losses	716	1 972
Net pension expenses	2 303	3 541

Contribution based pension scheme	2014	2013
Payments to the contribution based pension scheme (Norway)	972	843
Pension abroad	18	247
Branch offices	1 367	1 454
Sum	2 357	2 544
Total pension cost	4 660	6 218

	2014	2013
Present value of obligations at 31.12.	(22 593)	(24 449)
Fair value of plan assets at 31.12.	12 599	14 386
Actuarial (gains) / losses not recognised	4 039	3 218
Social security	1 112	(956)
Net pension fund assets at 31.12	(4 844)	(7 801)

	2014		2013	
Economic assumptions:	Norway	Canada	Norway	Canada
Discount rate	2,30%	3,70%	4,10%	4,70%
Anticipated rise in salaries	2,75%	3,00%	3,75%	3,00%
Anticipated return on pension fund assets	3,20%	n/a	4,40%	n/a
Anticipated increase in National Insurance base rate	2,50%	n/a	3,50%	n/a
Anticipated rise in pensions paid	2,50%	n/a	3,50%	n/a

The actuarial assumptions for 2014 are based on assumptions generally applied within the insurance industry relating to demographic factors.

Specification of pension fund assets:

Distribution by scheme as at 31.12.14	Funded Committed pensions	Funded Supplementary pensions	Unfunded Aged 65-67	Unfunded Other pensions	Total Norway Total
Present value of obligations	11 460	5 457	3 033	416	20 366
Fair value of plan assets	8 354	3 712	-	-	12 066
Surplus (deficit) of pension plans	(3 106)	(1 745)	(3 033)	(416)	(8 300)
Actuarial (gains)/losses not recognised	1 190	2 742	107	-	4 039
Social security	438	246	428	-	1 112
Liability in the balance sheet	(2 354)	751	(3 354)	(416)	(5 374)

Distribution by scheme as at 31.12.14	Grieg Star Shipping Italy Unfunded	Grieg Star Shipping Canada Funded	Grieg Star Shipping Japan Unfunded	Consolidated Total
Present value of obligations	-	2 057	170	22 593
Fair value of plan assets		534	-	12 600
Surplus (deficit) of pension plans	-	(1 523)	(170)	(9 993)
Actuarial (gains)/losses not recognised		-	-	4 039
Social security		-	-	1 112
Liability in the balance sheet	-	(1 523)	(170)	(7 067)

Specification of pension fund assets:

Distribution by scheme as at 31.12.13	Funded Committed pensions	Funded Supplementary pensions	Unfunded Aged 65-67	Unfunded Other pensions	Norway Total
Present value of obligations	13 831	4 668	3 151	415	22 065
Fair value of plan assets	10 403	3 522	-	-	13 925
Surplus (deficit) of pension plans	(3 428)	(1 147)	(3 151)	(415)	(8 139)
Actuarial (gains)/losses not recognised	1 140	2 284	(382)	-	3 042
Social security	(350)	(162)	(444)	-	(956)
Liability in the balance sheet	(2 637)	976	(3 977)	(415)	(6 053)

Distribution by scheme as at 31.12.13	Grieg Star Shipping Italy Unfunded	Grieg Star Shipping Canada Funded	Grieg Star Shipping Japan Unfunded	Consolidated Total
Present value of obligations	107	2 017	260	24 449
Fair value of plan assets	-	461	-	14 386
Surplus (deficit) of pension plans	(107)	(1 556)	(260)	(10 063)
Actuarial (gains)/losses not recognised	-	176	-	3 218
Social security	-	-	-	(956)
Liability in the balance sheet	(107)	(1 381)	(260)	(7 801)

Asset Allocation in Norway as of 30.09:	2014	2013
Shares	11,20%	8,70%
Bonds	47,90%	57,60%
Property	14,20%	14,30%
Money market	26,80%	19,10%

Note 15 Auditor's fee

PARENT COMPANY

Figures in NOK 1 000

Auditor's fee	2014	2013
Tax advisory fee (incl. technical assistance)	196	222
Tax advisory fee (incl. techincal assistance with tax return)	7	-
Total fee to auditor excl. v.a.t.	203	222

GROUP

Figures in USD 1 000

Auditor's fee Group auditor	Norway	Abroad	2014	2013
Statutory audit	162	75	237	205
Tax advisory fee (incl. technical assistance)	17	28	45	105
Other non-audit services	0	24	24	28
Total fee to Group auditor excl. v.a.t.	179	127	306	338

Note 16 Restricted bank deposits

PARENT COMPANY

Figures in NOK 1 000

	2014	2013
Restricted deposits on the tax deduction account	2 157	2 309

GROUP

Figures in USD 1000

	2014	2013
Restricted deposits on the tax deduction account	959	676
Other restricted deposits (escrow)	0	196

Note 17 Financial market risk

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

Interest rate risk

Interest rate risk arises in the short and long term as the Group's debt are held at a floating rate of interest. The Group's strategy is to hedge the Group's net interest rate exposure (cash flow hedging). A change in interest rates will result in either an increase or a reduction of the financing cost. If certain interest rate derivatives are applied then the predictability of the financing cost will increase due to a limitation of the net effect of a change in interest rates. In addition a change in interest rates will affect the returns on the investment portfolio and the rates on cash deposits. As a principle, the company has a certain level of hedging (30%-50%) using market-based hedging instruments. In this case, interest rate swap agreements are mainly used. Gains and losses arising from interest rate swaps are recognised in the same period as the related interest expense.

At 31.12.14 the Group had signed interest rate swap agreements totalling USD 259 m (including forward interest rate swap agreements), directly hedging 45% (YE2014) of the Group's future interest rate risk. At the same date, the unrealised loss attached to these agreements, and not posted in the balance sheet, was a loss of USD 17.5 m with an average period of maturity of 4.7 years.

Foreign exchange risk

The Group's main focus in relation to foreign exchange hedging is to ensure that costs and liabilities are denominated in the same currency as revenue and assets. As the Group's basic currency is the USD, its strategy is to ensure that it covers its currency exposure related to administration costs, operating costs, tax and dividend payments that are denominated in another currency than USD. In this connection, the Group is mainly exposed to NOK, followed by EUR and CAD. The NOK 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 31.12.14 the Group had entered into forward contracts/foreign exchange accumulators to hedge a total of USD 57 m. The realized gain on these contracts was USD 0.1 m in 31.12.14. The contracts had an unrealized, not posted gain in the balance sheet, of USD 0.7 m at 31.12.14.

Freight rate risk

The shipping industry is cyclical and characterised by large and volatile fluctuations in freight rates and furthermore revenues. As part of the Group's risk management, Forward Freight Agreements (FFA) are from time to time used as a risk managment instrument. The Group's shipping activities are of an industrial nature which makes it possible to cover exposure to spot rates by entering into long-term cargo contracts. As a result, the Group's revenue fluctuate less than is the case when operating in the general dry bulk spot market. The FFA contracts are settled as an adjustment of operating income.

Bunker price risk

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

As of 31.12.14, the Group had made derivative contracts to hedge bunker prices for a total of 9,600 mt bunkers. Included bunker clauses, this gives a hedging rate of 100 % of budgeted bunker consumption for 2014. As of 31.12.2014, unrealized, not posted, losses on financial bunkers hedging was USD -2.44 m.

Note 18 Operating lease agreements

GROUP

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

	Number of vessels	Duration	Operating lease expense recognised in the year
Long-term time charter vessels	7	0 - 5 years	USD 19.8 m
Bare-boat hire	3	2-12 years	USD 9.2 m

Note 19 Undrawn overdraft facilities

GROUP

	2014	2013
Undrawn overdraft facilites	USD 10 m	USD 60 m

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To the Annual Shareholders' Meeting of Grieg Star AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Grieg Star AS, which comprise the balance sheet as at 31 December 2014, and the income statement, showing a profit of NOK 2 648 004 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 company'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 are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Grieg Star AS as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Bergen, 11 March 2015
PricewaterhouseCoopers AS

Jon Haugervåg
State Authorised Public Accountant (Norway)

griegstar.com

P.O. Box 781 Sentrum | NO-5804 BERGEN NORWAY | Tel: (+47) 55 57 66 00