GRIEG STAR

Directors' Report
Income statement
Balance sheet
ESG-status

2019

All numbers and descriptions in this report describes the Grieg Star Group AS consolidated.

Front page show Chief Officer Trainee Laarni B. Espinosa, who is our first female top-level officer

Our dedication to society

Words can say a lot more than their direct meaning. Take these words: philanthropy, corporate responsibility (CR), sustainability, corporate social responsibility (CSR), corporate accountability, creating shared value (CSV), citizenship, or social responsibility. Add Sustainable Development Goals (SDG) and ESG (Environment, Society, Governance) to that list, and you have a good description of how businesses have struggled with figuring out how to handle “Our shared responsibility, which is not just about earning money”.

In Grieg Star, we have had the same journey. But at the same time, our owners have had instilled in us a “Why do we get up & go to work in the morning” phrase for a long time: We are here to earn money, behave properly and have fun. And lately, we have found that phrase to really be the core at what we are, and the basis for our strategy. We do not operate with one strategy for the business and one for Corporate Sustainability. It is all about sustainability: what we do is about securing a future for our world, our employees, our company and our owners. That includes both economic, social and environmental success.

The Grieg Group has a mission: “We shall restore our oceans”. We know we cannot do that alone. But we also know we cannot do it as a bi-product of our business. It has to be our business. For Grieg Star, that means change: change in the way we are organised, change in how we operate, and change in what knowledge we need.

We have worked with the UNs Sustainable Development Goals for several years, and we find they help us focus on the right things in our strategy. We are still committed to UN Global Compacts 10 principles. But like so many other companies, we struggle with the right way to report on our progress when it comes to sustainability. The Norwegian Shipowners Association published their guidelines regarding ESG-reporting earlier this year. We salute this initiative, as it makes it easier for small companies to navigate the jungle of possible reporting initiatives.

In our belief that sustainability is a crucial part of our future success, we reject the notion of ESG being a “Tag along” report, isolated from our financial reporting. That is why we for 2019 combine the two in one report and simply call it “Grieg Star 2019”.

Matt Duke, CEO

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

The Business

Grieg Star is a maritime corporation with activities within ship owning, management and business development. Together with Gearbulk, the Group owns the largest deep-sea breakbulk carrier in the world; G2 Ocean. Grieg Star controls around 40 open hatch and dry bulk vessels, served by approximately 830 employees. Part of the Group is also Grieg Green, one of few companies providing sustainable ship and rig recycling worldwide. The Group has offices in the Philippines, China and Oslo in addition to the headquarters in Bergen.

Being part of the Grieg Group, Grieg Star shares the values and commitment to corporate responsibility, ethical business conduct and the environment. Grieg Star has established Grieg Edge, to grasp the opportunities of decarbonisation and digitisation in a fast-moving maritime world. Grieg Edge will explore possibilities adjacent to its core business and take part in delivering on the Grieg Group commitment: "We will restore our oceans".

AREAS OF OPERATION

Owner of the commercial operator G2 Ocean: In 2017, Grieg Star and Gearbulk combined their two organizations' commercial expertise, establishing G2 Ocean. Since then, the joint venture has become the largest deep-sea breakbulk carrier in the world, with a fleet consisting of about 130 vessels, trading in one open hatch and one dry bulk pool. With a local presence in 13 locations around the globe, G2 Ocean serves 32 trade routes on six continents and makes over 4000 port calls in more than 70 countries each year. Offering sustainable shipping solutions is at the core of the company's business, delivering efficient, flexible, reliable, innovative and high-quality services to customers worldwide. The primary commodities transported are wood pulp and other forest products, aluminum, steels, granite, and industrial minerals. Project cargo is an expanding area, as open hatch vessels are ideal for transporting windmills, yachts and other non-unitized cargos.

[1] Grieg Star Group AS ("GSG") is the parent and holding company of the consolidated group of companies in Grieg Star - which is the group's brand name - (also referred to as "the Group" and "the Company". GSG supplies management services to its subsidiaries within strategy, administration, accounting, finance, legal, business development and processes as well as IT and HR. The vessels are owned by tonnage taxed companies. Ship management is mainly provided by Grieg Star AS.

Grieg Star committed to following the ten principles of the UN Global Compact in 2008 and has renewed that commitment each year since. Also, our policy on "Our Commitment to Corporate Responsibility" and The Grieg Group Ethical Guidelines define our ESG-responsibilities. Our Suppliers Code of Conduct clarifies what we expect of our suppliers when it comes to their ESG engagement.

Owner and manager of open hatch vessels: Grieg Star's specialised ships, being equipped with gantry or swing cranes and box-shaped holds, are constructed to offer a versatile transportation concept delivering superior cargo care through advanced handling and loading operations. The majority of the 30 open hatch vessels controlled by the Group per year-end 2019, having an average age of 13 years, are managed in-house. Grieg Star focuses on long-term competence development both onboard and ashore, not only in-house but also through partnerships. Highly qualified seafarers, with high return rate, is emphasized to ensure familiarity with the ships and their operational requirements.

Owner and manager of dry bulk vessels: Grieg Star's conventional dry bulk activity consisted per year-end 2019 of a modern fleet of six geared supramax/ultramax vessels, owned by Grieg Maas a 50/50 joint venture with Maas Capital, and four ultramax vessels chartered long term. All the vessels, having an average age of 4 years, are operated in G2 Ocean's dry bulk pool. As the pool has many ships of similar design, they are easily interchanged between trade regions, a significant advantage to G2 Ocean's customers at a time when bulk commodity trade patterns are shifting.

Financial asset management: The main objective of Grieg Star's financial portfolio is to provide overall financial stability and solidity to the Group. The capital is managed in mutual funds, based on a long-term investment policy with defined ESG requirements.

Green recycling and IHM: Grieg Green provides services in connection with environmentally sound recycling at pre-approved shipyards. So far, more than 100 ships and offshore recycling projects have been completed, and 500+ Inventory of Hazardous Materials have been issued.

G2 Ocean
delivered over
4,000
port calls in 2019

Average age
of our Open Hatch ships
13
years

GriegMaas
is owned
50/50
by Maas Capital and Grieg Star Group

Grieg Green
has issued
500+
Inventory of Hazardous Materials

8 DECENT WORK AND ECONOMIC GROWTH

Annual Accounts

Improved market conditions and reduced costsin the Group's main business segment, contributed to a stronger result in 2019, as open hatch freight earnings ended up close to initial expectations for the year. The conventional dry bulk activities were, on the other hand, hit by weaker spot markets, resulting in lower earnings and results compared to 2018. The green service and recycling business continued to grow and contributed noteworthy to the Group's 2019 bottom line. Also, the financial portfolio had a good year return-wise. Although most business areas improved in 2019, Grieg Star still recorded a deficit, albeit less than in the previous year. More positive is the Group's liquidity development, as liquid assets remained intact from 2018 to 2019.

EARNINGS, OPERATIONS AND RESULT: Grieg Star's revenues consist mainly of freight income, which is accounted for as time charter hire on the open hatch and dry bulk fleet. Total revenues increased only marginally in 2019, to USD 170.3m (USD 170.0m) as the increase in open hatch income was offset by weaker dry bulk earnings. Total operating costs did, however, decrease to USD 156.8m in 2019 (USD 163.8m), primarily as a result of lower charter and administration costs. The vessels' operating expenses at USD 67.6m, were unchanged compared to 2018, also when adjusting for changes in the open hatch and dry bulk fleets during 2018 and 2019. Bareboat and particularly time charter costs decreased in 2019 to USD 32.9m (USD 35.5m). Depreciation charges were down to USD 40.4m (USD 41.2m), which was mainly due to the establishing of the GriegMaas JV. For Grieg Star, this involved the sale of 50% of four dry bulk vessels, previously owned 100%, and subsequent joint acquisition of two ultramax ships. Offsetting part of the reduced depreciation costs related to dry bulk was, however, the full-year effect for a semi-open hatch vessel purchased autumn 2018, as well as deprecation costs related to the installation of Ballast Water Treatment Systems on six open hatch vessels completing drydocking in 2019. Payroll and administration costs decreased in 2019 to USD 16.0m (USD 19.7m), mainly as a result of currency effects given a weaker NOK vs the USD.

[2] The 2019 result is when applying NGAAP, which is Grieg Star's accounting standard, while the 2018 figure was based on G2 Ocean's standard which is USGAAP. If using USGAAP also in 2019, the result would be an improvement of USD 1.7m which is mainly related to goodwill depreciations which are not applicable in the USGAAP accounts.

[3] Grieg Star Group AS' company accounts for 2019 shows a result before tax of minus USD 4.8m vs. minus USD 3.2m in 2018. The negative results were mainly due write down of shares in subsidiaries, both in 2018 and 2019. Total assets per year end 2019 is USD 429.5m (USD 424.2m). The 86% equity ratio (89%) reflects that the company's main assets are shares in subsidiaries.

Based on unchanged revenues, but lower operating costs, Grieg Star's operating profit doubled from USD 6.2m in 2018 to USD 13.4m in 2019 while adjusted EBITDA (i.e. before depreciations, write-downs and loss provision) increased to USD 53.8m (USD 44.4m).

Net financial items were minus USD 20.7m in 2019 (USD -22.5m). The positive development was mainly a result of a strong result on the Group's financial portfolio, which achieved a return of USD 1.9m (USD 0.9). In addition, interest expenses decreased to USD 22.4m (USD 23.5m) as outstanding loans were reduced through debt repayments and effects of a lower Libor rate. The result from Grieg Star's 35% holding in G2 Ocean, which is accounted for applying the equity method, was USD 0.5m in 2019 (USD 0.7m) .

In total, Grieg Star's result before tax in 2019 was minus USD 7.3m, an improvement of USD 8.6m compared to the 2018 result. The after-tax result is minus USD 7.8.m for 2019 (USD -16.1m).

BALANCE SHEET, FINANCIAL SITUATION AND CASH FLOW: Based on net cash flows from operations of USD 36.2m, cash flow from investments of USD 27.7m and net cash flow of minus USD 48.7m from financing activities, the Group's net change in liquid funds in 2019 was USD 15.1m. Long-term interest-bearing debt by year-end 2019 was USD 399.4m (USD 443.8m). Several of the Group's revolving credit facilities and lease arrangements financing the Group's vessels were refinanced during 2019. This reduces the Group's funding costs going forward.

Group book equity was USD 382.0m at year-end 2019 (USD 397.4m), which improved the Group equity ratio to 47% (45%). By end of 2019, Grieg Star had total assets of USD 806.7m (USD 886.76m). The reduction is mainly related to fixed assets, which were reduced from USD 811.0m in 2018 to USD 738.5m in 2019. Besides annual deprecation on the vessels' book values, the reduction is explained by Grieg Star's delivering of its bulk activity. Current assets accounted for USD 68.1m (USD 71.6m) at year-end 2019, where liquid funds constituted USD 51.7M (USD 51.5m).

Revenues
up from 170 to
170.3
million USD

Operating costs
down from 163.8 to
156.8
million USD

Adjusted EBITDA
up from 44.4 to
53.8
million USD

Result before tax
up from -16.3 to
-7.3
million USD

8 DECENT WORK AND ECONOMIC GROWTH

4 QUALITY EDUCATION

5 GENDER EQUALITY

17 PARTNERSHIPS FOR THE GOALS

Working environment and

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

Due to increased activities, particularly in Grieg Green, Grieg Star had at year end 829 (855) employees of which 109 (90) were shore-based and 720 (765) at sea. Of the on-shore-based personnel 59 (46) were employed in Norway and 50 (44) abroad.

HEALTH, ENVIRONMENT AND SAFETY: Grieg Star maintains an overview of sick leave in accordance with laws and regulations. In 2019, the general sick leave for the global onshore organisation was 1.6% (1.3%). Sick leave for the Norwegian based employees went from 2.2% to 2.7% and from 0.3% to 0.4% in the offices abroad.

Records showed no (0) injuries onshore in 2019. As in the five previous years, there were no fatal accidents at sea in 2019. Still, accidents happen, and the Group repatriated 3 (4) seafarers due to injuries after accidents in 2019, while 5 (4) were sent home because of illness. Initiatives taken to reduce the number of accidents seem to have paid off. At the end of 2018, the 12-month average Lost Time Injury Frequency Rate (LTIF) was 1.72. One year later, the LTIF is 0.87. The halved number is a testament to the effect of working proactively. Instead of settling with "cleaning up" after an incident, Grieg Star has increased its focus on addressing the root cause by employing a Marine Investigator, which further leads to deep dive of maintenance routines, quality of training, inadequate procedures, lack of supervision etc. This is the constructive way to ensure a lasting improvement in safety. Part of the success is also from utilizing the opportunities of digitization. It would have been an

Grieg Star is certified under the Maritime Labour Convention, and we adhere to the ILO conventions. International seafarers´ associations organise all our crew, covering them by collective bargaining agreements. Also, our onshore employees have freedom of organisation under Filippino and Norwegian law. Greg Star is a member of the Norwegian Shipowners Association, and thus have collective bargaining agreements with several Norwegian unions. Grieg Star also has a whistleblower programme in place with external handling of any messages regarding grievances.. Grieg Star does not employ any children in its operations; neither accept that its suppliers do.

occupational health

almost impossible task to extract the essence out of historical data without it.

Besides medical follow-ups, the group encourages and facilitates participation in physical activities for its personnel to stay fit. Input from employee surveys and appraisal dialogues serve as one of many inputs to management. In 2019, this resulted in amongst other changes in ship management team set-ups, to increase internal communications, clarifying roles and responsibilities.

To Grieg Star, innovation is the key to become sustainable. That is why the Group engages in several research initiatives as the outcome may help find more sustainable ways of building and operating ships in the future. That is also why Grieg Star at the outset of 2020, has started on a path to develop its company culture into embrace thinking differently. This is based on a belief that it is the human capital that will make businesses sustainable going forward. To achieve this, investment in competence development and diversity will be essential.

EQUAL OPPORTUNITIES: Grieg Star does not accept discrimination in any form. The business operations are to be conducted based on principles of equality and respect. At year-end 2019, the land-based workforce reflected a gender distribution of 47% (46%) women and 53% (54%) men. 31% (36%) of the onshore female workforce holds management positions, and 40% (38%) within the top management team are females. Grieg Star trains female cadets for officer positions on its vessels. In 2019, 14 (14) out of the 720 (765) seafarers were women, with one (1) holding a senior management position.

Partly as inspiration from Grieg Star ranking number 18 on the SHE Index, a gender equity policy was endorsed late 2019, setting out the principles to ensure that the Group maintains a gender equity-based approach to all its operational activities. Its requirements are to be communicated internally and externally vs partners and suppliers.

LTIF
Lost Time Incident Frequency
0.87

Marine Casualties
also called Medical Repatriation
3
None very serious or fatal

Sick Leave Shore
all offices
1,6%
up from 1,3% in 2018

Females shore
in percentagel
60/40/31/47
Board/Top Management/Management/Total

4 QUALITY EDUCATION

13 CLIMATE ACTION

14 LIFE BELOW WATER

17 PARTNERSHIPS FOR THE GOALS

External environment and

Grieg Star envisions a future with no harmful emissions to air, sea and land. The path to this is long, but as a responsible business, the Group is committed to walk the talk. Shipping, which transports about 90% of global goods is statistically the least environmentally damaging mode of transport when taking productivity into the equation. Still, emissions of greenhouse gases (GHG) from shipping constitutes about 2.5% of global emissions. In April 2018, the IMO's Marine Environment Protection Committee (MEPC) adopted a new strategy on the reduction of GHG emissions from ships. Their vision is to reduce total annual GHG emissions by at least 50% by 2050, compared to 2008. Grieg Star appreciates IMO's position, as the Group has worked for many years to reduce its emissions significantly. The IMO targets are also in line with the Group's environmental strategy for 2015-2020 as well as its long terms goals towards 2030. The aim is to be in accordance with or exceed any regulations before their implementation dates.

The Group's participation in ongoing R&D programs is part of the actions to meet its ambitions. An example in this respect is the SFI Smart Maritime project, with the objective to green maritime transport, enabling the Norwegian maritime cluster to be world-leading in 2025 in environmentally friendly shipping. The project has an eight years duration, with expected completion in 2023. A new project in 2019 is Rutesim, which is a research-based project to develop a planning tool taking vessel design, weather and ocean current into consideration for route planning.

Exploration of new technologies and digitalization is high on Grieg Star's agenda, as it will enable better insight and more efficient operations. The pilot installation of "Vessel Insight" on

We recycled our first vessel in 2001. Since then, we have been committed to sustainable recycling of our ships. Until the EU Ship Recycling Regulation came into force in 2019, we based our recycling on an extended version of what was agreed in the Hong Kong convention. Our policies on the matter clearly state that we should always recycle vessels "in accordance with the best industry practise including the European Ship Recycling Regulation (EU SSR) 1257/2013 which is based on the Hong Kong Convention (HKC) SR/CON/2009."

The global sulphur cap, IMO2020, triggered many companies to install scrubbers on their vessels. Grieg Star decided instead to replace Heavy Fuel Oil with Very-Low Sulphur Fuel Oil on all our ships. That will make sure we are compliant with IMO 2020, and helps us avoid any toxic residue and waste. Besides, we have several policies and guidelines ensuring we are compliant to different local low-sulphur regulations (ECAs).

sustainability

two vessels in 2019 is one example. The same applies to the CLIMMS research project which started up in 2019 intending to identify pathways for transforming the international shipping sector towards the IMO goal for 2050, i.e. "én route" to the 2ºC target. Finally, but not least Grieg Star replaced all the HSFO on its vessels with IMO compliant VLSFO during the last months of 2019 with success, to reach the deadline of the 2020 Sulphur Cap.

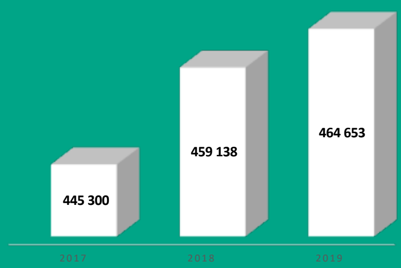
SUSTAINABILITY: In 2008, the Group committed to the 10 principles of the UN Global Compact. In 2019 Grieg Star decided to become a participant of same, as well as joining the UNGC Action Platform for Sustainable Ocean Business. This is done in recognition that the Group is not big enough to solve all challenges by itself but need to work together with partners. To guide Grieg Star in transforming into a sustainable company, experts on the subject has assisted in translating this into the business strategy. Basis for this work has been the UN Sustainable Development Goals, where Grieg Star is not just adding the SDGs to its strategy, but rather using the SDGs as the foundation on how to plan, operate and develop the business. The Group's shareholders have also set an ambitious and motivating purpose for this journey: "We shall restore our oceans."

Over the next years, Grieg Star will, therefore, focus on five SDGs that are strongly linked together; for a shipping company to become sustainable, one needs innovation. To be able to innovate, one needs an organisation rigged for innovation. That requires diversity and competence. Therefore, Grieg Star's strategy focuses on: "Quality Education", "Gender Equality", "Industry, Innovation and Infrastructure" "Life Below Water" and "Climate Action".

Ships recycled

2/2

ships recycled according to EU SRR in 2019

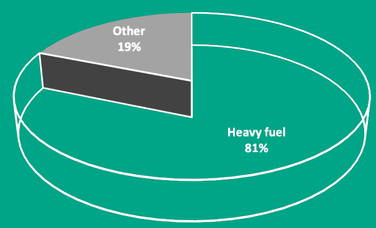


Scope 1 GHG emissions

Direct emissions (fuel consumed)

464,653

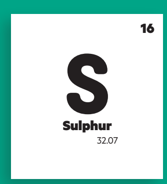
metric tonnes CO2-equivalents



Total energy consumed

6,225,004

gigajoules, of witch 0,01% is renewables



SO_x emissions

3,434

metric tonnes

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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Risk and compliance

Risk management is vital to protect people, the environment and the business' assets. Managing risk is also important for value creation and aimed to be an integrated part of the Group's governing model. Grieg Star's key risks relate to its operational activities, market and financial risk, compliance and regulatory framework as well as security, cyber and climate risks. Strategy, policy development and risk-mitigating, all play vital roles in managing and reducing these risks.

During 2019, the Group carried out a top-down risk evaluation, in or order make sure that all major risk elements are identified and assessed, in addition to regular review of the more well-known risks that are a natural part of the daily job.

In respect of operational risk, adhering to the requirements of being ISO 14401 compliant is a prerequisite. Further on, the Emergency Preparedness Team convenes whenever an incident occurs, and drills are carried out regularly both onshore and onboard, to ensure that the organization is fit for purpose.

Grieg Star's financial and market risk are mainly composed of risks related to development in freight rates, ship values, currencies and interest rates as well as equity prices. Several of these risks are strongly correlated to macro-economic development. The open hatch fleet's earnings are to a large extent linked to long term cargo contracts. 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. The dry bulk activity is, on the other hand, exposed to spot market movements.

Changing equity prices and interest rates affect the Group's financial investments and loans. The financial portfolio is managed under a long-term strategy reflecting Grieg Star's business principles and risk capacity to ensure that Group can withstand market fluctuations. There are policies in place to reduce interest rate risk related to the fleet's funding arrangements and currency exposure. In December 2019, Grieg Star concluded a refinancing process which started late 2018. Since then, all vessels are either refinanced with longer repayment profiles or sold to the GriegMaas JV or as part of sale-leaseback transactions. In result, cash-break-even levels are lower and overall liquidity improved, consequently reducing the liquidity risk.

Grieg Star assumes counterparty risk in several areas of its business. Issues related to credit risk as well as sanctions regulations are part of the daily business. The membership in the Maritime Anti-Corruption Network (MACN) is one tool to fight and report corruption and facilitation payments actively. In 2019 an increased amount of time has also been used on Know-Your Customer compliance, as in particular financial partners have raised their reporting related to anti-money laundry.

Identifying, understanding and acting to reduce the group's security risks, particularly cyber risks, has been high on the agenda also in 2019. A "new" risk which needs attention going forward is climate risk. Assessing Grieg Star's physical and transitional climate risks may be paramount to safeguard the Group's physical and intangible values under various future climate scenarios.

Port State Control
deficiencies
172
Of these are 119 in Tokyo MOU

Port State Control
detentions
3
All in Tokyo MOU

Bribes requested
number of times
7

Calls to high corruption risk ports
in the 20 lowest rankings countries
in Transparency International's Corruption Perception Index
19

The market and outlook

Throughout 2019 shipping markets, and especially the dry bulk market, has been challenging. Supramax earnings[4] averaged USD 9,914 per day in 2019, down from USD 11,485 per day in 2018. Soft trade demand combined with continued newbuilding deliveries and limited recycling activity caused a challenging market in 2019 with few period fixes and low spot rates.

China's share of dry bulk commodity imports has grown significantly over the past ten years from about 25% to about 40% in 2019 in volume terms. Entering 2020, the Coronavirus lockdown in China has reduced chartering activity, adding an extra layer of uncertainty to already unstable dry bulk fundamentals, making prospects for 2020 ambiguous. Demand for medium-sized supramax and ultramax vessels, which is closely linked to economic growth, is expected to remain soft some time ahead. A slowdown in deliveries after first half of 2020, should, on the other hand, contribute positively to the supply-demand balance. Some shipping analysts therefore believe that a market recovery will take place in 2020 and forecast supramax freight rates to gradually return to its 10-year historical average of USD 11,000 per day over the next 12-24 months.

In respect of open hatch, world seaborne pulp demand seems sound and is expected to continue with stable growth in seaborne volumes, primarily from the Americas to Asia. Together with increased project cargo volumes, Grieg Star, therefore, expects improved earnings in its core business in 2020 and beyond.

During 2019, the Zero Emission Energy Distribution at Sea (ZEEDS) initiative was launched, and new partnerships were established to explore the fastest way to zero-emission shipping. Aligned with the Grieg Group's ambition to "Restore our oceans", Grieg Star expects to leverage further on this initiative and new partnerships going into 2020. From January this year, a new business unit, Grieg Edge, is established to identify and develop new business opportunities within shipping, ship owning and related maritime segments, with a strong emphasis on sustainability. A multidisciplinary team with broad experience from shipping, finance, technology and start-ups are in place. With an increased focus on sustainability, transparency and a green transition of the maritime industry, Grieg Star expects several interesting opportunities to emerge during 2020.

[4] BSI 58TC

A part of the Grieg Group

Grieg Star is part of the Grieg Group, established in 1884. The Grieg Group is family-owned, where the Grieg family owns 75% and Grieg Foundation 25%. The Grieg Group focus its activities on three core business areas: Shipping and logistics, seafood and investments. Structured as a family-owned business, together with strong company culture and dedicated employees, give the Grieg Group the ability to view their business in a long-term perspective, but also being responsive to changes in the business environment. Through the benevolent Grieg Foundation, the Grieg Group contributes substantial amounts to a wide range of activities creating both economic and social values.

Going concern

The Board of Directors confirm 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 financial position and expectations of future earnings. The Board believes that the submitted annual accounts give a correct picture of the results, cash flows and economic situation.

After the balance sheet date, Grieg Star has acquired one second-hand semi-open hatch vessel as well as started a process to out-source technical ship management for approximately one-third of its fleet. These events are, however, not expected to significantly affect the accounts.

The Board would like to thank all employees for their continued efforts and commitment throughout the year.

Bergen, 11 March 2020
The Board of Directors of
Grieg Star Group AS

Rune Birkeland
Board Member

Camilla Grieg
Chair

Didrik O. Munch
Board Member

Kai Grøtterud
Board Member

Elisabeth Grieg
Board Member

Sirine Fodstad
Board Member

Matthew Robert Cagienard Duke
CEO

ESG-status - the numbers

Environment	**Climate Risk and Climate footprint**	Scope 1 GHG (Direct emissions of CO2 equivalents, metric tonnes)
		Scope 2 GHG (Indirect emissions of CO2 equivalents, metric tonnes)
		EEOI (Energy Efficiency Operational Indicator)
		Energy consumed, gigajoules
		Energy consumed: Heavy Fuel Oil %
		Energy consumed: renewable/low-carbon %
	Air pollution	SOx emissions, metric tonnes
		NOx emissions, metric tonnes
		Particular matter emissions
	Ship recycling	Number of ships recycled
		Number of ships recycled according to EU SRR
	Ecological Impacts	Days in marine protected areas
		Number of oil spills
		Aggregated tonnes potentially harmful oil spills
Social	**Accidents, Safety and Labour Rights**	LTIF
		BoD % women
		Top management % women
		Management % women
		Employees total % women
		Seafarers top management % women
		Seafarers management % women
		Seafarers % women
		PSC Deficiencies
		PSC Detentions
		Marine casualties
		Marine casualties, very serious %
		Marine casualties, deaths
		Sick leave shore
Governance	**Business Ethics**	Number of calls at ports that have the 20 lowest rankings in Transparency International's Corruption Perception Index
		Number of incidents where bribes have been requested.
		Total monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and/or regulations

We say you cannot have a sustainable business without having sustainability as one of your key targets. That is why we have incorporated sustainability as a critical component in our strategy. It is natural for us to use the UN Sustainable Development Goals as a tool to develop our sustainability targets. For the coming years, Grieg Star will focus on five SDGs, all heavily linked together. For a shipping company to become sustainable, we need innovation. To be able to innovate, we need an organisation rigged for innovation. That means diversity and competence.

We acknowledge that to stay ahead in a competitive business, our employees need continuously to learn and develop new competencies. That is why we have set targets to make sure the majority of our onshore employees are proficient in some essential software tools and data analytics by the end of 2020. To keep a high quality of our operations, we also need to make sure our seafarers hold a high competency level. In 2019 we defined what level we need at each position onboard.

Creativity and innovation demand a diverse workforce. For years, we have had a sound gender mix on top-level management and the Board of Directors. But we still have a way to go on mid-level management. By 2025, we shall have at least 40% of both genders on all leadership levels onshore. In December, we reached our 2019 target to have at least one female senior-level officer when Laarni B. Espinosa reached Chief Officer level. By the end of 2021, we target to have at least one female captain.

2019	2018	2017	2016	2015	2014	Comments	Ref
464 653	459 138	445 300	525 700	522 968	506 657		*GRI 305-1; SDG 13*
201	NA	NA	NA	NA	NA	*Not measured before 2019*	*GRI 305-2; SDG 13*
10,865	11,765	13,377	13,846	11,632	10,127	*Scope 1 divided by transport work*	*GRI 305-4; SDG 13*
6 225 004	NA	NA	NA	NA	NA	*Not measured before 2019*	*GRI 302-1; SDG 13*
81%	NA	NA	NA	NA	NA	*Not measured before 2019*	*GRI 302-1; SDG 13*
0,01%	NA	NA	NA	NA	NA	*Not measured before 2019*	*GRI 302-1, SDG 13*
3 434	3 561	3 494	3 870	3 465	3 557		*MARPOL Annex VI Reg. 14*
14 487	14 319	13 590	15 959	15 551	15 702		*GRI 305-7; SDG 3; MARPOL Annex VI Reg. 13/14*
NA	NA	NA	NA	NA	NA	*Not measured*	*GRI 305-7; SDG 3; MARPOL Annex VI Reg. 13/14*
2	-	-	1	4	1		*EU 1257/2013; SDG 8, 12, 14*
2	-	-	1	4	1	*According to extended interpretation of Hong Kong conv before 2019*	*EU 1257/2013; SDG 8, 12, 14*
NA	NA	NA	NA	NA	NA	*Not measured*	*SDG 14; GRI 304-2*
3	-	-	-	-	-		*SDG 14; GRI 306-3*
0,4	-	-	-	-	-		*SDG 14; GRI 306-3*
0,86	1,73	1,89	2,44	1,46	2,80		*GRI 403-9; IMO ISM Code; SDG 8*
60%	60%	50%	50%	50%	50%		*GRI 405-1; SDG 5, 10*
33%	38%	38%	44%	44%	33%		*GRI 405-1; SDG 5, 10*
31%	36%	43%	19%	19%	25%		*GRI 405-1; SDG 5, 10*
47%	46%	49%	39%	41%	41%		*GRI 405-1; SDG 5, 10*
0,1%	-	-	-	-	-		*GRI 405-1; SDG 5, 10*
0,4%	0,3%	0,1%	-	-	-		*GRI 405-1; SDG 5, 10*
1,4%	1,2%	0,6%	0,5%	0,2%	-		*GRI 405-1; SDG 5, 10*
1,40	1,12	1,22	0,80	0,78	0,90		*SDG 8, 14*
3	2	2	1	-	-		*SDG 8, 14*
3	5	10	3	2	6		*SDG 8*
-	-	-	-	-	-		*SDG 8*
-	-	-	-	-	-		*SDG 8*
1,6%	1,3%	1,6%	3,0%	2,2%	-	*No formal records of global sick leave in 2014*	*SDG 8*
19	NA	NA	NA	NA	NA	*Not measured before 2019*	*SDG16*
7	-	-	9	2			*SDG16*
0	0	0	0	0	0		*SDG16*

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

To us, innovation is vital to becoming sustainable. That is why we engage in several research initiatives. The outcome of those may help us find sustainable ways of building and operating a ship. For 2019, we wanted to be an active participant in the ZEEDS initiative. For 2020, we will continue that journey, hoping to find new, green solutions. We also plan to build or implement at least two new vessel technologies that improve operational capabilities or efficiencies by the end of 2020.

13 CLIMATE ACTION

The way we do business today is not sustainable. We do not have a viable option to replace traditional fuel oil on our deep-sea vessels completely. This is an industry-wide challenge and one we will be part of solving. The ZEEDS project is one attempt to find a solution. But in the meantime, we work hard to reduce the GHG-emissions from our operations. By the end of 2020, we will reduce our CO2 emissions by 25% compared to 2008-levels.

14 LIFE BELOW WATER

The Grieg Group has defined its purpose as "We shall restore our oceans". Our oceans are far more fragile than we believed just a few decades ago. The climate changes affect the oceans dramatically, so any measures to revert climate changes help us reach our purpose. Besides, we work to remove all single-use plastic onboard and make sure all other plastics are sustainably handled after use. We also make sure to have proper ballast water treatment installed in compliance with regulations.

GRIEG STAR GROUP AS
(figures in usd 1000)

INCOME STATEMENT

GRIEG STAR CONSOLIDATED
(figures in usd 1000)

2019	2018	Note		2019	2018
			Revenues		
5 815	6 159		Operating revenue	160 156	159 765
-	-		Other income	10 118	10 222
5 815	6 159		**Total revenues**	170 274	169 987
			Operating expenses		
-	-		Vessel operating expenses	67 618	67 645
-	-		Terminal costs	-	2 664
-	-	*18*	TC and BB-hire	32 875	35 519
-	-	*18*	Provision TC contracts vessels	-	-3 000
3 087	3 700	*13,14*	Payroll and social security expenses	9 111	10 579
4 428	4 140	*10,15*	Other operating expenses	6 862	9 141
117	125	*3,4*	Depreciation	40 380	41 219
-	-		Write-downs	-	-
7 631	7 965		**Total operating expenses**	156 846	163 768
-1 816	-1 806		**Operating profit**	13 428	6 220
			Financial items		
232	143	*10*	Interest income	985	481
2 126	1 056		Interest income group	-	-
54	265		Other financial income	-	-
-14	-0	*9*	Interest expenses	-22 400	-23 063
-1 089	-1 229	*10*	Interest expenses group	-	-
	615		Dividend from subsidiaries	-	-
-3 620	-		Writedown shares in subsidiaries	-	-
	-3 705		Other financial expenses	-815	-821
-	-		Result on investment in associated company	468	700
-198	-2 505	*7*	Change in value of financial investments	855	-6 519
603	2 701	*7*	Realized return on market-based fin. Investm.	1 070	7 411
-1 036	1 278		Gain/loss on foreign exchange	-887	-716
-2 942	-1 382		**Net financial items**	-20 724	-22 528
-4 758	-3 188		**Profit before tax**	-7 297	-16 308
187	-33	*12*	**Tax**	-675	198
-4 571	-3 221		**Profit for the year**	-7 972	-16 110

BALANCE SHEET

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

2019	2018	Note		2019	2018
			ASSETS		
			FIXED ASSETS		
			Intangible fixed assets		
-	-	*3*	Contracts	1 991	2 913
-	-	*3*	Goodwill	939	1 327
785	598	*12*	Deferred tax asset	2 645	3 286
785	598		Total intangible assets	5 574	7 526
			Tangible assets		
75	174	*4*	Fixtures and fittings, other equipment	108	216
518	518	*4*	Other property	518	518
-	-	*4,9*	Vessels	717 156	772 422
593	692		**Total fixed tangible assets**	717 781	773 156
			Fixed financial assets		
308 722	317 885	*5*	Investments in subsidiaries	-	-
30 222	9 927	*6*	Investments in shares	5 975	9 340
45 857	34 538	*10*	Long term receivables group companies		
5 250	20 417	*10*	Long term receivables associated	5 250	20 417
525	529	*8*	Long term receivables	3 959	607
390 576	383 296		**Total fixed financial assets**	15 184	30 364
391 954	384 586		**Total fixed assets**	738 540	811 046
			CURRENT ASSETS		
			Accounts receivable		
14 771	15 072	*10*	Receivables from group companies	79	159
7	3 799	*10*	Receivables from associated companies	633	3 799
	-		Inventory	3 470	3 713
1 317	1 944		Other receivables	12 250	12 481
16 096	20 816		**Total receivables**	16 434	20 152
-	9 923	*7*	**Market-based investments**	26 759	41 611
21 462	8 890	*16*	**Bank deposits, cash in hand, etc**	24 937	9 866
37 557	39 628		**Total current assets**	68 130	71 630
429 511	424 214		**TOTAL ASSETS**	806 669	882 677

GRIEG STAR GROUP AS

(figures in usd 1 000)

BALANCE SHEET

GRIEG STAR CONSOLIDATED

(figures in usd 1 000)

2019	2018	Note		2019	2018
			EQUITY AND LIABILITIES		
			EQUITY		
			Paid-in capital		
15 899	15 899	*11*	Share capital (1 370 523 shares à NOK 100)	24 621	24 621
215 210	215 210	*2*	Other paid-in capital	337 397	337 397
231 109	231 109		**Total paid-in capital**	362 018	362 018
			Retained earnings		
137 897	146 224	*2*	Other equity	19 830	35 354
137 897	146 224		**Total retained earnings**	19 830	35 354
369 006	377 333	*2*	**Total equity**	381 848	397 372
			LIABILITIES		
			Provisions		
630	717	*14*	Pension liabilities	4 198	4 648
-	-		Deferred tax		
630	717		**Total provisions**	4 198	4 648
			Long-term liabilities		
-	-	*9*	Liabilities to financial institutions	338 205	443 806
1 125	1 477		Other long-term liabilities	62 757	2 026
18 342	17 488	*10*	Liability to group companies	-	-
19 467	18 965		**Total long-term liabilities**	400 962	445 832
			Current liabilities		
34 669	8 898	*10*	Liabilities to group companies	27	314
335	13 699	*10*	Liabilities to associated companies	552	13 699
318	100		Accounts payable	2 360	4 700
257	420		Public duties payable	985	1 232
3 756	3 798	*2*	Dividend	3 756	3 798
	-	*12*	Taxes payable	429	484
1 075	283		Other short-term liabilities	11 552	10 598
40 408	27 198		**Total current liabilities**	19 661	34 825
60 505	46 881		**Total liabilities**	424 820	485 305
429 511	424 214		**TOTAL EQUITY AND LIABILITIES**	806 669	882 677

Bergen, 11 March 2020
The Board of Directors of
Grieg Star Group AS

Rune Birkeland
Board Member

Camilla Grieg
Chair

Didrik O. Munch
Board Member

Kai Grøtterud
Board Member

Elisabeth Grieg
Board Member

Sirine Fodstad
Board Member

Matthew Robert Cagienard Duke
CEO

CASH FLOW STATEMENT

GRIEG STAR GROUP

CONSOLIDATED | PARENT

CONSOLIDATED 2019	CONSOLIDATED 2018	CASH FLOW FROM OPERATIONS	PARENT 2019	PARENT 2018
-7 747	-16 308	Profit before income taxes	-4 758	-3 953
-484	-384	Taxes paid in the period	-	-
-1 037	-176	Gain/loss from sale of market based investments and subsidiaries	-405	2 231
48 592	49 109	Depreciation incl docking	117	125
-450	4 383	Pension costs without cash effect	-440	-324
-468	-700	Share of (profit)/loss from associates	-	-
-3 302	-	Gain/loss from sale of fixed assets	-	-57
-	-	Writedown shares in subsidaries	3 620	-
243	3 400	Change in inventory	-	-
-	1 827	Change in trade debtors	-	-71
-2 340	213	Change in trade creditors	601	-223
18 413	299	Change in group debtors	4 164	569
-13 434	-542	Change in group creditors	-8 602	-
-247	8 014	Change in public debt and other short term debt	-164	-71
-1 561	-	Change in other provisions	4 914	14 196
36 179	49 134	**NET CASH FLOW FROM OPERATIONS**	-952	12 423
		CASH FLOW FROM INVESTMENTS		
80 277	26 420	Proceeds from sale of fixed assets	-	51
-68 882	-25 355	Purchase of fixed assets	-18	-
16 175	34 418	Proceeds from sale of market based investments	10 533	14 857
-10	-19 633	Purchase of market based investments	0	-2 002
-	-20 349	Proceeds sale of subsidiaries	5 317	24 108
-	-85	Shares in subsidiaries and associated company	-20 294	-85
27 560	-4 583	**NET CASH FLOW FROM INVESTMENTS**	-4 462	36 930
		CASH FLOW FROM FINANCING		
71 253	166 247	Proceeds from long term loans	-	-
-116 123	-215 740	Repayment of long term loans	-	-
-	-	Proceeds from long-term Group loans	4 701	-43 159
-3 798		Payment of dividend	-3 798	-
-48 668	-49 493	**NET CASH FLOW FROM FINANCING**	903	-43 159
15 070	-4 942	**NET CHANGE IN CASH AND CASH EQUIVALENTS**	-4 511	6 193
9 867	14 809	Cash and cash equivalents at the beginning of the period	9 419	3 226
24 937	9 867	**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**	4 908	9 419
		Cash and cash equivalents at the end of the period consists of:		
24 937	9 866	**BANK DEPOSITS**	4 908	9 419

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
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. Investments in 50/50% joint ventures are stated according to the gross 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.

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 are market and operated by G2 Ocean AS.

Also for the bulk activities, consisting of cargo contracts, owned and chartered vessels, G2 Ocean AS markets and operates the vessels in Grieg Star Bulk and GriegMaas in a dry bulk supramax/ultramax pool.

Having the vessels sail in a pool 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 and the bulk fleet are therefore considered to be the respective cash-earnings of other vessels in the pool. The open hatch fleet and the bulk fleet are therefore considered to be the respective cash-generating units.

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 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 inventories
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 31.12.2019 is NOK/USD: 8.7803. 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 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.

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 risk hedging
Forward Freight Agreements (FFA) are recognised and classified in the same way as the related operating income.
The freight received/paid under the contract is therefore recognised in the same period as the hedged transactions occur.

Unrealised gain/loss on the FFA 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 benefits 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, penions 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 an 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.

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 is 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 chages in deferred tax. Deferred tax is calculated at 22% (with effect from January 1st 2019) 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 utillized. 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 Shipping III AS, Grieg Shipping II AS, Grieg International II AS, Grieg Star Bulk AS, GriegMaas AS,GriegMaas Supramax AS and GriegMaas Ultramax AS are shipowning companies which are taxed under the Norwegian tonnage tax system pursuant to chapter 8 of the Taxation Act. The European Survellance Authority announced in December 2017 that it had approved the Norwegian tonnage tax regime for a new 10 year period from January 1st 2018, with some adjustments.

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 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.

Group account cash pool agreement

The company is a part of a Group account cash pool agreement within the Grieg Star Group. Grieg Star Group 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 balance in the balance sheet statement of Grieg Star Group AS as Group Account Holder. Participating companies share of aggregated cash balance are recognised as intercompany balances in each participating company's balance sheet.

Consolidation

The consolidated accounts include the subsidiaries specified below and show the parent company and subsidiaires as a single enterprise. Shares in subsidiaries are eliminated using the purchase method. Shares in subsidiaries are set off in an amount correponding 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. Intra-group transactions and balances are eliminated. Conversion of subsidiaries with a currency other than USD is for items in the balance sheet recalculated at the exchange rate at year end.
Profit & loss is recalculated at the average exchange rate in 2019. Substantial items, if any are recalculated to the exchange rate on the day the transaction is accomplished. Conversion differences related to exchange rates are posted against the equity.

COMPANY	REGISTERED OFFICE	OWNERSHIP
Grieg Shipowning AS - shipowning holding company,	Bergen	100%
Grieg Star AS - ship managment	Bergen	100%
Grieg Star 2017 AS - administration company	Bergen	100%
Grieg Green AS - green recycling and certification services	Oslo	100%
Grieg Star Bulk AS - shipowning company, tonnage taxed	Bergen	100%
Grieg Star OH Pool AS - pool company	Bergen	100%
Grieg Maas AS - shipowning holding company	Bergen	50%
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 Shipping III AS - shipowning company, tonnage taxed	Bergen	100%
GriegMaas is a group which comprises the following companies:		
GriegMaas Supramax AS - shipowning company, tonnage taxed	Bergen	50%
GriegMaas Ultramax AS - shipowning company, tonnage taxed	Bergen	50%

Note 2 Equity

PARENT COMPANY
Figures in USD 1 000

Changes in equity	Share capital	Other paid-up equity	Other equity	Total
Equity at 01.01	15 899	215 210	146 224	377 333
Profit for the year			-4 571	-4 571
Provision for dividends			-3 756	-3 756
Equity at 31.12	**15 899**	**215 210**	**137 897**	**369 006**

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	35 355	397 372
Profit for the year			-7 972	-7 972
Provision for dividends			-3 756	-3 756
Net Group contribution				0
Equity G2 Ocean			-3 798	-3 798
Equity at 31.12	**24 621**	**337 397**	**19 829**	**381 848**

Note 3 Intangible assets

GROUP
Figures in USD 1 000

Intangible assets	Goodwill	Contracts	Total
Acquisition costs at 01.01	7 791	17 529	25 319
Additions		0	0
Disposals	0	0	0
Acquisition cost at 31.12	7 791	17 529	25 319
Accumulated depreciation at 31.12	6 853	15 539	22 392
Book value at 31.12	938	1 991	**2 929**
Depreciation	389	923	1 312
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 G2 Ocean pool.

Note 4 Fixed assets

PARENT COMPANY
Figures in USD 1 000

	Cabin	Cars	Office machines, furnitures, etc	Total
Acquisition costs at 01.01	518		935	1 453
Additions			18	18
Disposals				0
Acquisition cost at 31.12	518		953	1 471
Accumulated depreciation at 31.12	0		878	878
Book value at 31.12	518		75	593
Depreciation			117	117
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	1 311 745	53 022		1 364 767
Additions	54 722	10 568		65 290
Reclassification		0		0
Disposals	134 477	16 582		151 059
Acquisition cost at 31.12	1 231 990	47 008		1 278 998
Accumulated depreciation at 31.12	538 159	23 687		561 846
Accumulated write-downs				0
Book value at 31.12 *)	693 831	23 321		**717 156**
Share of leased operating assets of book value:				**123 397**
Depreciation charge for the year	38 973	8 212		47 185
Depreciation plan	Straight-line	Straight-line	None	
Depreciation period	25-30 years	5 years		

	Other property	Machinery, vehicles etc.	Total
Acquisition cost at 01.01	518	1 395	1 913
Additions	0	24	24
Disposals	0		0
Acquisition cost at 31.12	518	1 419	1 937
Conversion difference			0
Accumulated depreciation at 31.12	0	1 311	1 311
Book value at 31.12	518	108	626
Depreciation charge for the year	0	133	133
Depreciation plan	None	Straight-line	
Depreciation period		3-10 years	

Note 5 Subsidiaries

PARENT COMPANY
Figures in USD 1 000

Subsidiary	Denomi-nated in	Registered office	Ownership / voting rights	Equity 2019 (100%)	Result 2019 (100%)	Book value (100%)
Grieg Shipping II AS	USD	Bergen	100%	204 565	-4 434	
Grieg International II AS	USD	Oslo	100%	94 068	780	
Grieg Shipping III AS	USD	Bergen|	100%	5 645	274	
Grieg Shipowning AS *	USD	Bergen	100%	297 901	-4 881	297 901
Grieg Star OH Pool AS	USD	Bergen	100%	10	-1	11
Grieg Star AS	USD	Bergen	100%	378	375	711
Grieg Star 2017 AS	USD	Bergen	100%	10 007	1 455	1 221
Grieg Star Bulk AS	USD	Bergen	100%	12 904	1 101	8 248
Grieg Green AS	USD	Bergen	100%	1 427	2 019	631
Book value at 31.12						**308 722**

* Grieg Shipowning AS owns 100 % of Grieg Shipping II, Grieg International II AS and Grieg Shipping III AS
USD 4,4 M of the result is writedown of the shares in Grieg Shipping II AS.

Note 6 Investments in shares

GROUP
Figures in USD 1 000

	Registered office	Ownership	Book value
Incentra (co-operative)	Oslo	2.7%	2
Grieg Philippines Inc.	Makati City	25%	50
Star Blue Holding Inc	Makati City	25%	10
Grieg Star Philippines Inc.	Makati City	100%	200
UACC Ross Tanker DIS	Oslo	3%	226
G2 Ocean Holding AS (joint venture)	Bergen	35%	5 484
Book value at 31.12			**5 975**

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.

Grieg Philippines Inc. 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 Group AS and Grieg Shipowning AS, in total 3%.

Grieg Maas AS, (owned 50% by Grieg Star Group AS) is a new established company, owning 100% of GriegMaas Supramax AS and GriegMaas Ultramax AS.

G2 Ocean Holding AS is the holding company of G2 Ocean AS, marketing and operating the Group's vessels in one open hatch pool and one dry bulk pool,

Note 7 Market-based investments

GROUP
Figures in USD 1 000

	Acquisition cost	Market value	Acquisition cost	Market value
	2019	**2019**	**2018**	**2018**
Mutual funds	1 387	1 586	2 290	2 364
Bonds	8 444	9 337	14 969	15 241
Money market funds	15 258	15 836	24 516	24 007
Book value at 31.12	**25 089**	**26 759**	**41 774**	**41 611**

	2019		
	Realised	**Unrealised**	**Total profit/loss**
Mutual funds	289	18	307
Bonds	476	729	1 205
Money market funds	304	106	410
Proft/loss from market-based investments	1 070	855	1 922

	2018		
	Realised	**Unrealised**	**Total profit/loss**
Mutual funds	6 919	-5 786	1 133
Bonds	323	-239	83
Money market funds	170	-494	-324
Proft/loss from market-based investments	7 411	-6 519	892

Note 8 Receivables maturing later than one year

GROUP
Figures in USD 1 000

	2019	**2018**
Other loans	68	78
Deposit on office rent	525	529
Total	**593**	**607**
Other long term receivables	3 365	0
Total	**3 365**	**0**

Note 9 Interest-bearing debt

GROUP
Figures in USD 1 000

Mortgage loans
As of 31.12.19, the Group has 10 mortgage loans. All loans are denominated in USD.

Loan covenants
Covenants common to all mortgage loans is that the Group must continue to be controlled by the Grieg family, Grieg Shipowning on a consolidated basis must maintain a minimum of USD M25 / 5% of total interest bearing debt in liquidity and a book equity ratio >25%.
Grieg Shipowning AS is providing guarantees in the amount of USD 31.1m per 31.12.2019 for Grieg International II AS vessels, USD 75m for the Grieg Shipping II AS vessels, USD 9.6 for the Grieg Shipping III AS vessel and USD 51.9m for the GriegMaas Ultramax AS vessels. Grieg Shipping II AS and Grieg International II AS is providing guarantees in the amount of USD 188.3 m for Grieg Shipowning AS. The companies have been in compliance with the covenants throughout the year.

	2019	**2018**
Mortgage loans (1st priority)	338 205	443 806
Total	**338 205**	**443 806**

Of which long -term debt with maturity later than 5 years	**2019**	**2018**
Debt to credit institutions	0	7 292
Total	**0**	**7 292**

Balance value of mortgaged assets	**2019**	**2018**
Vessels	621 004	759 685
New building contracts (booked as receivables)	0	0
Total	**621 004**	**759 685**

Other long term debt	**2019**	**2018**
Financial leasing	61 197	0
Other long term debt	1 559	2 026
Total other long term debt	**62 757**	**2 026**

Note 10 Related parties

PARENT COMPANY
Figures in USD 1 000

Other receivables	**2019**	**2018**
Grieg Shipowning AS		177
Grieg Green AS	263	309
Grieg Shipbrokers KS	29	21
Grieg Star AS	12	481
Grieg Kapital AS	4	9
Grieg Investor AS	35	25
Grieg Maturitas II AS	5	41
Grieg Group Resources AS		2
Grieg Strat. Services AS	5	3
Grieg Star Bulk AS	94	1 807
Grieg International II AS		151
Grieg Shipping II AS	2 277	342
GriegMaas AS	250	0
Grieg Star 2017	11 796	11 704
Total	**14 771**	**15 072**

Short term receivables associated companies	2 019	2 018
G2 Ocean AS		3 789
Fram Marine AS	7	10
Total	**7**	**3 799**

Long-term receivables group companies	2019	2018
Grieg Shipping II AS	23 138	21 938
Grieg International II AS	12 600	12 600
Grieg Shipowning AS	10 120	0
Total	**45 857**	**21 938**

Long term receivables associated companies	2 019	2 018
G2 Ocean AS	5 250	20 417
Total	**5 250**	**20 417**

Other current liabilities	2019	2018
Grieg Group Resources AS	7	7
Grieg Maturitas II AS		274
Grieg Green AS		(500)
Grtieg Star Bulk AS	7 472	
Grieg Star AS	1 175	1 008
Grieg Shipowning AS	3 000	1 323
Grieg Shipping II AS	157	286
Grieg Shipping III AS	1 193	374
Grieg International II AS	15 427	791
Grieg Star 2017 AS	6 237	5 324
Grieg Investor		11
Total	**34 668**	**8 898**

Current liabilities to associated companies	2 019	2 018
G2 Ocean AS	335	13 699
Total	**335**	**13 699**

Long-term liabilities	2019	2018
Grieg Star 2017 AS	18 342	17 488
Total	**18 342**	**17 488**

Transactions with related parties

Company	Type of services	2019	2018
Revenue			
Grieg Star 2017 AS	Management, rental and IT fee	61	65
Grieg Star Bulk AS	Management fee	237	362
	Financial /performance guarantee		151
Grieg Star AS	Management, rental and IT fee	2 540	2 638
Grieg Green AS	Rental and IT fee	108	97
Grieg Shipowning AS	Management fee	159	29
	Interest income	361	0
Grieg Shipping II AS	Management fee	1 457	1 354
	Interest income	1 121	651
Grieg Shipping III AS	Managment fee	56	13
Grieg International II AS	Management fee	445	558
	Interest income	644	253
GriegMaas Supramax AS	Management fee	312	0
GriegMaas Ultramax AS	Management fee	6	0
G2 Ocean AS	Rental fee	33	0
Fram Marine AS	Rental	81	92
GriegKapital AS/ (Grieg International AS)	Management and rental	63	85
Grieg Maturitas II AS	Managment and rental fee	67	33
Grieg Shipbrokers KS	Rental	187	197
Grieg Strat. Services AS	Rental	45	41
Grieg Investor AS	Rental	255	279
Other group companies	Service fee	45	178
Total		8 284	7 079

Expenses			
Grieg Star 2017 AS	Interest expense	901	1 221
Grieg Star AS	Interest expense	0	2
	Management fee	284	0
Grieg Star Bulk AS	Interest expense	188	6
Grieg International AS	Service fee		13
Grieg Maturitas II AS	Service fee	223	217
Grieg Investor AS	Service fee	69	147
Grieg Group Resources AS	Service and IT fee	140	284

GROUP

Figures in USD 1 000

Other short-term receivables	**2019**	**2018**
Joachim Grieg Star KS		
Grieg Shipbrokers Serv. KS	29	21
Grieg Maturitas II AS	5	41
Grieg Kapital AS	4	9
Grig Strat. Serv. AS	5	3
Grieg Investor AS	35	25
Grieg Group Resources AS		2
G2 Ocean AS		3 789
Total	**79**	**3 889**

Other short-term liablilities	**2019**	**2018**
Grieg Group Resources AS	12	9
Grieg Maturitas II AS	0	274
Grieg Shipbrokers Serv. KS	0	3
Grieg Investor AS	15	28
Grieg Gaarden AS	1	0
G2 Ocean AS		13 699
Total	**28**	**14 013**

Transactions with related parties	**2019**	**2018**
Office services from Grieg Group Resources AS to the Group	367	539
Office and parking rental agreement between the Group and Grieg Gaarden AS	574	709
Commission agreement and compensation between the Group and KS Joachim Grieg Star	191	653
Commission agreement between the Group and Grieg Shipbrokers	96	0

Note 11 Share capital and shareholder information

PARENT COMPANY

The share capital consists of	**Number of shares**	**Nominal value**	**Book value in USD 1 000**
A shares	1 035 835	11,59	12 009
B shares	334 688	11,59	3 880
Total	**1 370 523**		**15 889**

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	1 035 835	334 688	1 370 523	100.00%

Note 12 Taxes

PARENT COMPANY
Figures in USD 1 000

Tax charge and tax payable in the accounts

Temporary differences	**2019**	**2018**
Fixed assets	(135)	(94)
Early retirement	(1 125)	(1 477)
Pensions	(630)	(717)
Net temporary differences	(1 890)	(2 289)
Tax losses carried forward	(1 679)	(428)
Basis for deferred tax/(deferred tax assets)	**(3 569)**	**(2 717)**
Deferred tax/deferred tax assets	(785)	(598)
Deferred tax/(deferred tax assets) in the balance sheet	**(785)**	**(598)**

Basis for taxation, change in deferred tax and tax payable

Profit before tax	(1 138)	(3 188)
Permanent differences	287	3 331
Basis of tax charge for the year	(852)	143
Change in temporary differences	(400)	(445)
Change tax losses carried forward	1 251	301
Basis for payable taxes in the income statement	**-**	**-**
+/- Group contribution received/given	-	-
Tax loss carried forward	-	-
Taxable income (basis for tax payable in the balance sheet)	**-**	**-**

Tax expense consists of

Tax payable (22% of basis for tax payable in the profit and loss account)	-	-
Under provision of tax in previous year	-	-
Tax cost group contribution	0	0
Currency effects	-	(37)
Change in deferred tax	(187)	77
Change in deferred tax, due to change in tax rate	-	(7)
Tax charge / (tax income)	**(187)**	**33**

Reconciliation of the tax expense

Result before taxes	-1 138	-3 188
Calculated tax 22%	-250	-733
Tax expense	-187	33
Difference	-438	-700
The difference consist of:		
22% of permanent differences	63	766
Change in deferred tax due to change in tax rate	0	-7
Change in deferred tax due to change in tax rate	0	0
Other differences	-413	-1 459
Sum explained differences	-350	-700

Tax payable in the balance sheet

Tax payable (22% of basis for taxes payable in the profit and loss account)	-	-
Under/over provision for tax payable	-	-
Tax payable in the balance sheet	**-**	**-**

GROUP

Figures in USD 1 000

	2019	2018
Tax expense consists of:		
Tax payable on taxable income	31	181
Change in deferred tax	644	(714)
Deferred tax benefit not shown in the balance sheet	-	-
Group contribution, tax effect	-	334
Adjustment with respect of prior years	-	-
Tax expense (income)	675	(198)
Tonnage tax (classified as an operating expense in the income statement):	397	443

Deferred tax:		
Long-term debt	-	-
Fixed assets	(176)	(140)
Shares in subsidiaries	(77)	(78)
Early retirement	(3 867)	(4 487)
Pension	(630)	(717)
Other temporary differences	1 723	1 897
Financial instruments and other short-term investments	(370)	(3 163)
Profit/loss account	565	714
Tax loss carry forwards	(44 502)	(45 233)
Basis for deferred tax/(deferred tax assets)	(47 334)	(51 207)
Deferred tax/(deferred tax assets)	(10 413)	(11 266)
Deferred tax assets not recognised in the balance sheet	7 772	7 980
Deferred tax/(deferred tax assets) recognised in the balance sheet	(2 645)	(3 285)

Tax payable consists of:		
Taxable financial income for companies under Chapter 8 of Taxation Act	141	179
Profit before tax subject to ordinary income tax	(1 306)	(18 101)
Permanent differences	5 353	17 949
Changes in differences included in the basis for deferred tax/deferred tax assets	(4 047)	1 605
Group contribution	-	-
Changes in deficit and remuneration brought forward	-	-
Basis of tax charge for the year	141	1 632
Current tax payable of net income	31	375
Adjustment with respect of prior years		
Tonnage tax	397	443
Tax prepaid		
Effect of Group contribution	-	(334)
Tax payable in the accounts	429	484

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

PARENT COMPANY
Figures in USD 1 000

Payroll expenses	2019	2018
Salary including bonus	1 794	2 433
Employers' national insurance contributions	46	57
Pension costs	109	185
Other remuneration	1 138	1 025
Total	**3 087**	**3 700**

Remuneration to management	CEO	Board
Salary	369	145
Pension costs	17	
Other remuneration	2	

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	2019	2018
Salary including bonus	5 906	7 749
Employer's national insurance contributions	726	728
Pension costs	509	886
Other remuneration	1 306	1 217
Total	**8 447**	**10 580**
The average number of employees in the year was	52	42
The average number of sailing personnel was	720	765

Salary costs related to sailing personnel (employed by Grieg Philippines and other manning companies) totalled USD 27.4m. The payroll expenses are recognised in the P&L as vessel operating expenses.

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	2019	2018
Payments to the contribution based pension scheme	157	200

Grieg Star Group AS 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 one individual. There is also an early retirement scheme for this individual, ref note below for the Group.

Defined benefit pension scheme	2019	2018
Current service cost	6	24
Interest cost	58	66
Expected return on plan assets	(67)	(82)
Social security cost	(0)	1
Administrative expenses	19	24
Plan change through profit/loss	(38)	
Actuarial (gains) losses	19	(4)

Specification of pension assets and liabilities:

	Funded	Unfunded	Total
Distribution by scheme at 31.12.19	**Committed pensions**	**Aged 65-67**	
Present value of obligations	1 951	236	2 186
Fair value of plan assets	(1 596)	-	(1 596)
Surplus (deficit) of pension plans	354	236	590
Actuarial (gains)/losses	(31)	(13)	(43)
Social security	50	33	83
Liability in the balance sheet	**374**	**256**	**630**

Specification of pension assets and liabilities:

	Funded	Unfunded	Total
Distribution by scheme at 31.12.18	**Committed pensions**	**Aged 65-67**	
Present value of obligations	2 384	247	2 631
Fair value of plan assets	(1 946)	-	(1 946)
Surplus (deficit) of pension plans	438	247	685
Actuarial (gains)/losses	(60)	2	(58)
Social security	62	35	97
Liability in the balance sheet	**440**	**284**	**724**

GROUP

Figures in USD 1 000

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 one individual.

Grieg Star 2017 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 at the time 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 2017 AS and Grieg Star Group AS. The pension scheme covered 57 people as at 31.12.2019.

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.

		2019	2018
Defined benefit pension scheme	Figures in USD 1000		
Current service cost		6	63
Interest cost		321	340
Expected return on plan assets		(407)	(445)
Social security		(11)	(11)
Administrative expenses		77	129
Plan change through profit/loss		(38)	-
Actuarial (gains) / losses		19	(4)
Net pension expenses		**(33)**	**72**

		2019	2018
Contribution based pension scheme	Figures in USD 1000		
Payments to the contribution based pension scheme (Norway)		157	200
Pension abroad		-	-
Sum		**157**	**200**
Total pension cost		123	272

Economic assumptions:

	2019 Norway	2019 Canada	2018 Norway
Discount rate	2,30%	2,90%	2,60%
Anticipated rise in salaries	2,25%		2,75%
Anticipated return on pension fund assets	3,80%		4,30%
Anticipated increase in National Insurance base rate	2,00%		2,50%
Anticipated rise in pensions paid	2,00%		2,50%

The actuarial assumptions for 2019 are based on assumptions generally applied within the insurance industry relating to demographic factors.

Figures in USD 1000	Canada Funded	Norway Funded	Norway Unfunded	Consolidated
Distribution by scheme at 31.12.19				**Total**
Present value of obligations	-	11 171	1 170	12 341
Fair value of plan assets	-	(9 511)	-	(9 511)
Surplus (deficit) of pension plans	-	1 660	1 170	2 829
Actuarial (gains)/losses not recognised	-	91	23	113
Social security	-	234	155	389
Liability in the balance sheet	**-**	**1 985**	**1 347**	**3 332**

Figures in USD 1000	Canada Funded	Norway Funded	Norway Unfunded	Consolidated
Distribution by scheme at 31.12.18				
Present value of obligations	1 134	12 505	1 110	14 750
Fair value of plan assets	-170	(10 343)	-	(10 513)
Surplus (deficit) of pension plans	964	2 162	1 110	4 236
Actuarial (gains)/losses not recognised	0	(132)	55	(76)
Social security	0	305	181	486
Liability in the balance sheet	**964**	**2 336**	**1 346**	**4 648**

Asset Allocation in Norway as of 30.09:	**2019**	**2018**
Shares	12,7 %	12,8 %
Bonds	44,9 %	43,1 %
Property	11,1 %	9,1 %
Money market	17,0 %	10,2 %
Other	14,3 %	24,8 %

Note 15 Auditor's fee

PARENT COMPANY
Figures in USD 1 000

Auditor's fee	**2019**	**2018**
Statutory audit	20	21
Tax advisory fee (incl. technical assistance)	17	29
Other non-audit services	0	0
Total fee to auditor excl. v.a.t.	37	50

GROUP
Figures in USD 1 000

Auditor's fee

Group auditor	**2019**	**2018**
Statutory audit	113	146

Note 16 Restricted bank deposits

PARENT COMPANY

Figures in USD 1 000	**2019**	**2018**
Restricted deposits on the tax deduction account	143	153

GROUP
Figures in USD 1000

	2019	**2018**
Other restricted deposits	380	401

Note 17 Financial market risk

Group

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

Interest rate risk
The Group's long term debt and bareboat charter contracts are at floating interest rate terms, exposing the company to interest rate risk in both short and long term. The Group's strategy is to hedge parts of its interest rate exposure by utilizing interest rate swap agreements. Gains and losses arising from interest rate swaps are recognised in the same period as the related interest expense.

At 31.12.19 the Group held interest rate swap agreements of USD 244,7m. Total unrealised MTM value, not recognised in the balance sheet, was USD -5.6m.

Foreign exchange risk
The company hedges expenditures in currencies other than USD through forward contracts. At 31.12.19 the company had entered into hedging agreements through the use of currency swaps for USD 7.8m. Total unrealised MTM value, not recognised in the balance sheet, at 31.12.19 was USD 0.2m.

Freight risk
Forward Freight Agreements (FFA) are from time to time used as a risk management instrument in order to smooth out freight volatility. The FFA contracts are settled as an adjustment of operating income. At 31.12.19, the Group had sold one supramx FFA contract for the calendar year 2020. Total unrealized MTM value, not recognized in the balance sheet, was USD 0,49 mill.

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
Bare-boat hire	4	1 - 13 years	USD 11.4 m
Long-term time charter vessels	6	0 - 5 years	USD 21.5 m

Note 19 Guarantee

PARENT

The parent company has issued a performance guarantee for four of the TC vessels hired on long term duration 4.26 years by Grieg Star Bulk AS. The remaing lease debt as of 31.12.2019 is USD 108,6m.

Note 20 Interests in joint ventures

As described in note 6, Grieg Star Group AS and Gearbulk established a joint venture, G2 Ocean, starting 2 May 2017. The interest in joint venture is accounted for using the equity method of accounting.

Reconciliation to carrying amounts:

In USD 1000	**2019**	**2018**
Opening net assets 1 January	8 816	8 116
Acquisition cost		
Share of profit	468	700
Effect of change revenue recognition principal	-3 798	
Carrying amount at 31 December	**5 486**	**8 816**

Summarised consolidated financial information 2018 joint ventures:

In USD 1000	Share of equity	Equity	Profit/loss
G2 Ocean Holding	35%	20 348	1 336

Note 21 Events after the Balance Sheet Day

Post end of the financial year 2019, the Group has purchased one Open Hatch carrier as well as started a process to out-source the technical management for approximately one-third of its fleet. These events are not expected to significantly affect the accounts. The recent outbreak of corona virus (COVID-19) has however stirred global market fundaments in a short amount of time, increasing uncertainty across industries world-wide including seaborn transportation activities. The impact on Grieg Star's business results are uncertain. At the time of submitting the 2019 accounts, this risk is considered to be on the down side vs. the Group's original expectations for 2020.

To the General Meeting of Grieg Star Group AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grieg Star Group AS, which comprise:

- The financial statements of the parent company Grieg Star Group AS (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Grieg Star Group AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Bergen, 11 March 2020
PricewaterhouseCoopers AS

Jon Haugervåg
State Authorised Public Accountant
(This document is signed electronically)

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

Photo: 3rd Officer Shanwtel Agujar