# DIRECTORS' REPORT 2018
## GRIEG STAR GROUP AS – CONSOLIDATED

## THE BUSINESS

Grieg Star is a maritime corporation[1] with activities within ship owning, management and development. The company is part of the Grieg Group, with history back to 1884. Together with Gearbulk, Grieg Star owns the largest open hatch company in the world, G2 Ocean. Grieg Star controls between 35-40 open hatch and dry bulk vessels at any given time, served by approximately 850 employees. Part of the shipping group is also Grieg Green, one of few companies providing environmentally friendly ship and rig recycling worldwide. The group has offices in China and the Philippines, in addition to its headquarters in Norway.

Grieg Star is raising the bar when it comes to investing in digital resources and new technologies to develop smarter solutions as well as increasing its commitment to integrate sustainability into its' business strategy.

### Areas of operation

#### Owner of commercial operator G2 Ocean

In May 2017, Grieg Star and Gearbulk established their joint venture G2 Ocean; a customer oriented, worldwide dry bulk shipping company. G2 Ocean combines the two's global commercial expertise, operating their combined fleet of more than 130 vessels, in one open hatch and one dry bulk pool. The open hatch pool's worldwide trading pattern is built around long-term cargo contracts with pulp and paper producers as well as transport of steel and project cargoes for e.g. energy and infrastructure developers. The operation's success criteria is the ability to establish optimal sailing patterns, combining various types of cargoes coupled with efficient port operations.

#### Owner and manager of open hatch vessels

Grieg Star's open hatch fleet is constructed to offer a broad break bulk carrier concept, involving complex handling and loading operations. This requires a diversified fleet, safe and up to date ship management as well as a competent organisation. The group's 32 vessels, having an average age of 13 years, are custom built and equipped with either gantry or specialised swing cranes. The majority of the vessels are managed in-house and staffed with seafarers trained for Grieg Star's operations.

#### Owner and manager of dry bulk vessels

Grieg Star's conventional dry bulk activity consists of a fleet of 4 owned vessels and 3 vessels on long term time charter, having an average age of 4 years. After year end, Grieg Star has sold its 2 supramax vessels to Grieg Maas AS, a joint venture controlled 50/50 by Grieg Star and Maas Capital.

#### Financial asset management

The main objective of Grieg Star's financial investment portfolio is to provide overall financial stability and solidity to the group. The investment policy is long-term and follows a traditional asset allocation model, with capital allocated to various asset classes and is managed through mutual funds.

#### Green recycling and IHM

Grieg Green provides services in connection with environmentally sound recycling at pre-approved shipyards. So far more than 100 ship- and offshore recycling projects have been completed, and more than 250 IHMs have been issued.

## ANNUAL ACCOUNTS

Improved market conditions together with increased synergies from the G2 Ocean JV, contributed to better earnings in 2018. After the market bottomed out in 2016, the result from the group's conventional dry bulk activities returned back to black. Open hatch experienced also an improvement in earnings, through amongst others renewal of cargo contracts. With the break bulk terminal in Canada no longer being considered part of the group's core business, a sale was concluded first half 2018. Grieg Green reinforced on the other hand, its position as a sustainable recycling player, delivering record revenues and earnings. Despite overall improved earnings, including positive returns on the group's financial portfolio, Grieg Star recorded a deficit in 2018 as expected, as the shipping market recovery progresses slowly.

### Earnings, operations and result

Grieg Star's revenues consist mainly of freight income, which is made up of net time charter hire on the open hatch and dry bulk fleet[2]. Total revenues in 2018 increased to USD 170.0m (USD 161.6m), which was mainly due to better shipping markets and higher freight earnings.

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[1] Grieg Star Group AS ("GSG") is the parent and holding company of the consolidated group of companies in Grieg Star. GSG supplies management services to its subsidiaries within strategy, administration, accounting, finance, legal, business processes and HR. The vessels are owned by tonnage taxed companies. Ship management is provided by Grieg Star AS.

[2] Up until 2016, when commercial operations was carried out by Grieg Star, P&L voyage related items were record line-by-line for gross freight, voyage expenses, short term TC hire as well as for commercial administration costs. When the commercial operation was outsourced to G2 Ocean ("G2O")in 2017, the net result of these P&L items sums up to TC income from the two G2O pools, which is recorded as Grieg Star's operating revenues in Grieg Star's accounts. Although Grieg Star controls G2O jointly, it has been decided to apply the equity method when consolidating Grieg Stars' 35% shareholding in G2O into Grieg Star's consolidated accounts.

Total operating costs decreased in 2018 to USD 163.8m (USD 176.0m), primarily as a result of the business returning to more normal operations, as the 2017 figures were influenced by setting up G2 Ocean. The vessels' operating expenses at USD 67.6m, which is the single largest cost element in Grieg Star, increased with USD 1.6m compared to 2017. This was partly due to an increase in the number of ships managed, which hiked from 33 to 34 vessels, when Grieg Star bought the 2009 built semi-open hatch vessel Star Majesty in September 2018. Besides this, higher vessel operating costs mainly came as a result of increased provisions for dry dockings, as several vessels were dry docked for their first time. This more than out-weighted savings on several other cost elements. The cost of hiring vessels was unchanged at USD 35.5m (USD 35.4m), as vessels chartered in long term stayed the same. Despite of acquiring one additional vessel, depreciation charges were down to USD 41.2m (USD 45.2m), as the 2017 figure was extra ordinary high due to accounting effects from establishing G2 Ocean. Administration and payroll costs also decreased, down to USD 19.7m (USD 26.1m), as the 2017 number included almost USD 10m in one-off costs related to the restructuring of Grieg Star when starting up G2 Ocean. Finally, 2018 operating costs were positively affected by USD 3.0m (USD 6.3m), being a reversal of a previous loss provision related to time-charted long-term dry bulk vessels.

With higher revenues and lower operating costs, Grieg Star's operating profit improved from minus USD 14.4m in 2017 to positive USD 6.2m in 2018. Similarly, adjusted EBITDA (i.e. before depreciations, write-downs and loss provision) increased to USD 44.4m (USD 24.5m).

Net financial items were minus USD 22.5m in 2018 (USD -16.3m). The negative development was mainly due to a lower result on the group's financial portfolio, which achieved a return of USD 0.9m (USD 9.4). Interest expenses were unchanged in 2018, being at USD 23.1m (USD 23.2m), despite higher interest rates and the financing of one additional vessel. Finally, the result from Grieg Star's 35% holding in G2 Ocean, which is accounted for applying the equity method was USD 0,7m vs. minus USD 1.7m for the first eight months of operations in 2017.

In total, Grieg Star's result before tax ended at USD minus 16.3m in 2018 (USD -30.6m). The result after tax is minus USD 16.1m in 2018 (USD -30.2m).

### Balance sheet, financial situation and cash flow

Based on negative net cash flows from operations of USD 49.1m, a negative cash flow from investments of USD 4.6m and a net cash flow of minus USD 49.5m from financing activities, the group's net change in liquid funds in 2018 was negative USD 4.9m. Long-term interest bearing debt by year end 2018 is USD 443.8m (USD 493.3m). There were no changes in Grieg Star's lease arrangements or long-term hire agreements during 2018, while several of the group's revolving credit facilities, financing the group's vessels, have been amended or refinanced.

Group book equity was USD 397.4m at year-end 2018 (USD 416.7m), which gives a 45% (44%) equity ratio. By the end of 2018, the group had total assets USD 886.76m (USD 956.6m), with current assets accounting for USD 71.6m, of which the financial portfolio of USD 41.6m constitutes 58%. Liquidity in the form of bank deposits and cash at year-end totalled USD 9.9m [3].

## WORKING ENVIRONMENT AND OCCUPATIONAL HEALTH

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

The number of shore-based employees increased in 2018 due to various development activities. At year-end, Grieg Star had 855 (850) employees of which 90 (107) were shore-based and 765 (743) at sea. Of the on-shore-based personnel, 46 (49) were employed in Norway and 44 (58) abroad.

### Health, environment and safety

Grieg Star maintains overview of sick leave in accordance with laws and regulations. In 2018, the general sick leave for the global on-shore organisation was 1.3% (1.6%). Sick leave for the Norwegian based employees went from 2.6% to 2.2% and from 0.8% to 0.3% in the offices abroad. Besides medical follow-ups, the group encourages and facilitates participation in physical activities for its personnel to stay fit.

Records show no (0) injuries on-shore in 2018, while at sea there were 4 (4) cases of sign-off due to illness and 6 (10) due to accidents. The number of repatriations due to onboard accidents is still too high, even if there has been a noticeable drop throughout 2018. Efforts to reduce this continues. Findings from an onboard employee welfare survey

[3] Grieg Star Group AS' company accounts for 2018 shows a result before tax of minus USD 3.2m, which results from supplying management services to group companies and return on the company's financial portfolio. The result is lower than USD 27.6m in 2017, mainly due lower financial returns. No dividend has been paid from its subsidiaries in 2018, except USD 0.1m from Grieg Green. Total assets by year end is USD 424.2m (USD 430.3m 2017). The 89% equity ratio by year end reflects that the company's main assets are shares in subsidiaries.

initiated amongst other a Health and Wellness Project being carried out through 2018 and 2019. This focuses on preventing illness, improving health and increasing focus on exercising; believing that these areas are vital to avoid accidents. A similar survey will be done for the Philippine shore organisation in 2019, while the Norwegian organisation will respond to a co-worker survey.

Continuous training remains high on the agenda for the seafarers, and efforts for the shore organisation has been moved up as well. A mapping of competence has been started as part of this, which will be the foundation for which in-service training each employee shall take on. Life-long learning is becoming increasingly important.

### 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 2018, the land-based workforce reflected a gender distribution of 46% (49%) women and 54% (51%) men. 36% (43%) of the onshore female workforce holds management positions, and 38% (38%) within the top management team are females. During 2018, the group's Board of Directors has consisted of 60 (60%) women and 40% (40%) men. Grieg Star trains female cadets for future officer positions on its vessels; in 2018, 14 (8) out of the 765 (743) seafarers are women.

## EXTERNAL ENVIRONMENT

Shipping operations entail discharge of harmful emissions. Grieg Star works continuously to be a distinct contributor to improving the environment and reduce the footprint of its operations. Since establishing G2 Ocean, environmental targets are primarily related to where the company can have a direct impact, i.e. on the vessels' operational performance. The vision: "No harmful emissions to air, sea and land" remains, however, intact.

In 2018, Grieg Star completed its certification according to the Environmental ISO 14001-2015 standard. 2018 also marked the completion of the main engine auto tuning project, where specific equipment has been installed on ship's main engine to continuously optimize a variety of parameters, to increase engine power and reduce fuel consumption. So far, measurement data shows fuel savings of 1-2%. Further, Grieg Star has modified the system onboard some vessels to allow for heating of the main engine, by using cooling water from auxiliary engines. A saving of 0.5 MT per day is identified. Another project is the new fuel performance monitoring, established together with G2 Ocean and Gearbulk, producing common quarterly fuel performance reports for the G2 Ocean fleet. These reports give added value for amongst other decisions support for selection of proper antifouling system during dry dockings.

As part of following up the environmental strategy and working systematically to improve the group's environmental footprint, Grieg Star also collaborates with industry and research institutes. In the two projects Smart Maritime and Tools for Optimizing Performance of Voyages at Sea (TOPVOYS), Sintef Ocean and Nansen Environmental and Remote Sensing Center are the respective project partners. During 2018, Grieg Star was also granted a new research project, called 'Rutesim', for optimized route execution by using ocean currents combined with a detailed ship model for simulation and calculation of the optimal crossing of a voyage. Partners on this are Sintef Ocean, Nansen, KGJS and Wilhelmsen.

## SUSTAINABILITY AND INTEGRITY

Grieg Star is committed to UN Global Compact and transparent reporting on progress. Raising the bar on compliance matters in shipping is vital. Grieg Star uses amongst others its membership in the Maritime Anti-Corruption Network (MACN) to actively fight and report corruption and facilitation payments. Through its Compliance & Risk Forum and participation in the G2 Ocean's Compliance Committee, matters of concern are targeted and solutions sought. This as well as e-learning modules, a whistleblower channel and the transparent culture within Grieg Star, facilitate continued focus on compliance and builds integrity.

During 2018, Grieg Star has adopted EU's general data protection regulations (GDPR) for safe processing of personal data and protection of data subjects rights. Considerable engagement has also been triggered in the process of selecting UN's Sustainable Development Goals: "Quality Education", "Gender Equality", "Industry, Innovation and Infrastructure", "Climate Action" and "Life Below Water," as Grieg Star's targeted areas to work and report on for more sustainable business practices.

## RISK

Managing risk is important for value creation and an integrated part of the group's management and governing model. Grieg Star's key risks relate to market operations, financial management, compliance and regulatory framework as well as security and cyber risks. Strategy and policy development and risk mitigating, all play vital roles in managing and reducing these risks.

Grieg Star's financial and market risk is mainly composed by risks related to the development of freight rates, ship values, currency and interest rates as well as equity prices. 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 group's dry bulk activity is on the other hand more exposed to spot movements.

Changing equity prices and interest rates affect the group's financial investments. The portfolio is managed under a long-term strategy reflecting Grieg Star's business principles and risk capacity to ensure that group can withstand significant market fluctuations. There are also policies and strategies to reduce interest rate and currency risks. Given recent years' weak shipping markets, liquidity risk has increased, which is partly why the financial portfolio's equity allocation was reduced in 2018.

Grieg Star assumes counterparty risk in several areas of its business. Issues related to credit risk as well as sanctions regulations are regularly controlled and considered part of the daily business.

Identifying, understanding and acting to reduce Grieg Star's security risks, regarding amongst other cyber risks, has during 2018 and will going forward be given increased attention, in order to safeguard the company's physical and intangible values.

## THE MARKET AND OUTLOOK

For shipping, 2018 was a year characterized by much uncertainty. Despite increased vessel earnings across shipping segments, it was the negative news and incidents that made headlines. On the positive side, world seaborn dry bulk trade continued to grow throughout the year, and newbuild deliveries remained low. However, several factors like iron ore supply disruptions, combined with soft demand from China, Chinese coal import restrictions and the US-China trade war dispute, clearly affected markets in a negative direction during the year.

The soft end to 2018 has continued into 2019 with weak freight earnings recorded for the first two months of the new year. For supra-/ultramax, where Grieg Star is exposed, the market outlook for the remaining part of 2019 looks, however, positive. Vessel order book is low, seaborn trade is expected to continue to grow, especially for minor bulk, thus the outlook for dry bulk demand seems healthy.

World seaborne pulp demand seems sound and is expected to continue with stable growth in seaborne volumes, primarily from Americas to Asia, and as such, the group prepares for a moderate rate scenario in open hatch going forward. Continued work to improve freight earnings from the G2 Ocean pools and to reduce costs related to owned and chartered fleet is also part of this.

Focusing on strengthening core activities through fleet renewals and divestment of non-core, like selling the terminal business in Canada was important themes in 2018. A part of this is also the creation of the new ship owning joint venture Grieg Maas, with Maas Capital, as the intended dry bulk ship owning platform going forward. The market outlook for green service offering and especially IHMs, looks very promising in the years to come, and Grieg Green is positioned well to continue to grow its business.

Going forward, Grieg Star is also looking for new business opportunities in niche shipping segments where green sustainable solutions are feasible and where current capabilities could be leveraged on. Several opportunities will be explored based on a structured mapping of internal capabilities and strategic fit with the market attractiveness of various potential opportunities.

## A PART OF THE GRIEG GROUP

Grieg Star is part of the Grieg Group, established in 1884. The Grieg Group is a family owned group, where the Grieg family owns 75% and Grieg Foundation owns 25%. The Grieg Group has focused its activities on three core business areas: Shipping and logistics, seafood and investments. The group's structure as a family owned business, together with the strength of its company culture and dedicated employees, give the group the ability to always view the business in a long-term prospective and be responsive to changes in its business environment. The Grieg Group emphasizes creating economic and social values. Through the benevolent Grieg Foundation, the group contributes substantial amounts to a wide range of activities.

## 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 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. No events have taken place after the balance sheet date, which significantly would affect the accounts.

The Board would like to thank all employees for their great effort throughout the year.

Bergen, 14 March 2019

The Board of Directors of
Grieg Star Group AS

Michelle Williams
Board Member

Elisabeth Grieg
Chair

Didrik O. Munch
Board Member

Kai Grøtterud
Board Member

Camilla Grieg
CEO/Board Member

GRIEG STAR GROUP AS | GRIEG STAR CONSOLIDATED

## INCOME STATEMENT

(figures in usd 1000) | (figures in usd 1000)

| 2018 | 2017 | Note | | 2018 | 2017 |
|---|---|---|---|---|---|
| | | | Revenues | | |
| 6 159 | 8 616 | | Operating revenue | 159 765 | 133 995 |
| - | - | | Other income | 10 222 | 27 604 |
| 6 159 | 8 616 | | Total revenues | 169 987 | 161 600 |
| | | | | | |
| | | | Operating expenses | | |
| - | - | | Vessel operating expenses | 67 645 | 66 093 |
| - | - | | Terminal costs | 2 664 | 9 395 |
| - | - | 18 | TC and BB-hire | 35 519 | 35 448 |
| - | - | 18 | Provision TC contracts vessels | -3 000 | -6 300 |
| 3 700 | 7 195 | 13,14 | Payroll and social security expenses | 10 579 | 16 563 |
| 4 140 | 3 330 | 10,15 | Other operating expenses | 9 141 | 9 578 |
| 125 | 144 | 3,4 | Depreciation | 41 219 | 45 208 |
| - | - | | Write-downs | - | - |
| 7 965 | 10 670 | | Total operating expenses | 163 768 | 175 985 |
| | | | | | |
| -1 806 | -2 054 | | Operating profit | 6 220 | -14 385 |
| | | | | | |
| | | | Financial items | | |
| 143 | 30 | 10 | Interest income | 481 | 97 |
| 1 056 | 186 | | Interest income group | - | - |
| 265 | - | | Other financial income | - | - |
| -0 | | 9 | Interest expenses | -23 063 | -23 220 |
| -1 229 | -306 | 10 | Interest expenses group | - | - |
| 615 | 1 397 | | Dividend from subsidiaries | - | - |
| - | - | | Writedown shares in subsidiaries | - | - |
| -3 705 | -15 | | Other financial expenses | -821 | -78 |
| - | - | | company | 700 | -1 726 |
| -2 505 | 2 353 | 7 | Change in value of financial investments | -6 519 | 1 487 |
| 2 701 | 26 029 | 7 | Investm. | 7 411 | 7 899 |
| 1 278 | -50 | | Gain/loss on foreign exchange | -716 | -715 |
| -1 382 | 29 624 | | | -22 528 | -16 256 |
| | | | | | |
| -3 188 | 27 570 | | Profit before tax | -16 308 | -30 641 |
| | | | | | |
| 33 | -297 | 12 | Tax | 198 | -486 |
| | | | | | |
| -3 221 | 27 867 | | Profit for the year | -16 110 | -30 155 |
| | | | | | |
| 3 798 | - | | Proposed dividend | | |
| | 6 000 | | Group contribution | | |
| -7 019 | 21 867 | | To or (from) other equity | | |
| -3 221 | 27 867 | | | | |

| GRIEG STAR GROUP AS | | | BALANCE SHEET | GRIEG STAR CONSOLIDATED | |
|---|---|---|---|---|---|
| (figures in usd 1 000) | | | | (figures in usd 1 000) | |
| **2018** | **2017** | Note | | **2018** | **2017** |
| | | | **ASSETS** | | |
| | | | **FIXED ASSETS** | | |
| | | | **Intangible fixed assets** | | |
| **-** | **-** | 3 | Contracts | **2 913** | **3 836** |
| **-** | **-** | 3 | Goodwill | **1 327** | **1 716** |
| **598** | **668** | 12 | Deferred tax asset | **3 286** | **-** |
| **598** | **668** | | **Total intangible assets** | **7 526** | **5 552** |
| | | | **Tangible assets** | | |
| **174** | **281** | 4 | Fixtures and fittings, other equipment | **216** | **2 117** |
| **518** | **518** | 4 | Terminal and other property | **518** | **26 938** |
| **-** | **-** | 4,9 | Vessels | **772 422** | **794 275** |
| **692** | **799** | | **Total fixed tangible assets** | **773 156** | **823 330** |
| | | | **Fixed financial assets** | | |
| **317 885** | **341 993** | 5 | Investments in subsidiaries | **-** | **-** |
| **9 927** | **9 841** | 6 | Investments in shares | **9 340** | **8 397** |
| **34 538** | **13 538** | 10 | Long term receivables group companies | | |
| **20 417** | | 10 | Long term receivables associated | **20 417** | |
| **529** | | 8 | Long term receivables | **607** | **675** |
| **383 296** | **365 371** | | **Total fixed financial assets** | **30 364** | **9 072** |
| **384 586** | **366 839** | | **Total fixed assets** | **811 046** | **837 953** |
| | | | **CURRENT ASSETS** | | |
| | | | **Accounts receivable** | | |
| **15 072** | **14 526** | 10 | Receivables from group companies | **159** | **372** |
| **3 799** | **2** | 10 | Receivables from associated companies | **3 799** | **23 526** |
| **-** | **-** | | Freight receivables | **-** | **3 400** |
| **-** | **-** | | Inventory | **3 713** | **3 712** |
| **1 944** | **20 467** | | Other receivables | **12 481** | **11 598** |
| **20 816** | **34 993** | | **Total receivables** | **20 152** | **42 608** |
| **9 923** | **25 244** | 7 | **Market-based investments** | **41 611** | **61 186** |
| **8 890** | **3 226** | 16 | **Bank deposits, cash in hand, etc** | **9 866** | **14 809** |
| **39 628** | **63 464** | | **Total current assets** | **71 630** | **118 602** |
| **424 214** | **430 303** | | **TOTAL ASSETS** | **882 677** | **956 556** |

| GRIEG STAR GROUP AS | | | BALANCE SHEET | GRIEG STAR CONSOLIDATED | |
|---|---|---|---|---|---|
| (figures in usd 1 000) | | | | (figures in usd 1 000) | |
| 2018 | 2017 | Note | | 2018 | 2017 |
| | | | 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 | | |
| 146 224 | 153 243 | 2 | Other equity | 35 354 | 54 717 |
| 146 224 | 153 243 | | Total retained earnings | 35 354 | 54 717 |
| 377 333 | 384 352 | 2 | Total equity | 397 372 | 416 735 |
| | | | LIABILITIES | | |
| | | | Provisions | | |
| 717 | 813 | 14 | Pension liabilities | 4 648 | 5 100 |
| - | - | | Deferred tax | | 2 107 |
| 717 | 813 | | Total provisions | 4 648 | 7 207 |
| | | | Long-term liabilities | | |
| - | - | 9 | Liabilities to financial institutions | 443 806 | 493 299 |
| 1 477 | 1 897 | | Other long-term liabilities | 2 026 | 2 604 |
| 17 488 | 29 662 | 10 | Liability to group companies | - | - |
| 18 965 | 31 559 | | Total long-term liabilities | 445 832 | 495 903 |
| | | | Current liabilities | | |
| 8 898 | 12 165 | 10 | Liabilities to group companies | 314 | 15 |
| 13 699 | | 10 | Liabilities to associated companies | 13 699 | 10 928 |
| 100 | 275 | | Accounts payable | 4 700 | 2 873 |
| 420 | 491 | | Public duties payable | 1 232 | 1 774 |
| 3 798 | 0 | 2 | Dividend | 3 798 | |
| - | - | 12 | Taxes payable | 484 | 384 |
| 283 | 650 | | Other short-term liabilities | 10 598 | 20 737 |
| 27 198 | 13 580 | | Total current liabilities | 34 825 | 36 711 |
| 46 881 | 45 952 | | Total liabilities | 485 305 | 539 821 |
| 424 214 | 430 305 | | TOTAL EQUITY AND LIABILITIES | 882 677 | 956 556 |

Bergen, 14th of March 2019
The Board of Directors Grieg Star Group AS

| Elisabeth Grieg | Didrik Munch | Michelle Williams | Kai Grøtterud | Camilla Grieg |
|---|---|---|---|---|
| Chair | Boardmember | Boardmember | Boardmember | CEO/Boardmember |

| Parent USD 1000 | | | Consolidated USD 1000 | |
|---|---|---|---|---|
| 2018 | 2017 | | 2018 | 2017 |
| | | **Cash flow statement Grieg Star Group** | | |
| | | Cash flow from operations | | |
| -3 953 | 27 570 | Profit before income taxes | -16 308 | -30 641 |
| | | Unpaid tonnage tax classified as operating expenses | | |
| | | Taxes paid in the period | -384 | -870 |
| 2 231 | -28 382 | Gain/loss from sale of market based investments and subsidiaries | -176 | -16 317 |
| 125 | 144 | Depreciation incl docking | 49 109 | 49 897 |
| -324 | 1 513 | Pension costs without cash effect | 4 383 | -1 097 |
| | | Share of (profit)/loss from associates | -700 | 1 726 |
| -57 | -64 | Gain/loss from sale of fixed assets | | -64 |
| | - | Impairment of fixed assets | | |
| | | Change in inventory | -1 | 11 933 |
| -71 | -70 | Change in trade debtors | 3 400 | 9 531 |
| -223 | 245 | Change in trade creditors | 1 827 | -4 690 |
| 569 | -2 561 | Change in group debtors | 213 | -326 |
| - | 4 956 | Change in group creditors | 299 | -52 |
| -71 | -36 | Change in public debt and other short term d | -542 | 124 |
| 14 196 | -20 165 | Change in other provisions | 8 014 | -52 173 |
| | | Effect of exchange fluctuations | | 2 072 |
| | | Items classified as investments or financing | | |
| 12 423 | -16 850 | Net cash flow from operations | 49 134 | -30 947 |
| | | Cash flow from investments | | |
| 51 | 92 | Proceeds from sale of fixed assets | 26 420 | 1 056 |
| | | Payments new building contracts | | 14 197 |
| | | Purchase of fixed assets | -25 355 | -9 917 |
| 14 857 | 20 118 | Proceeds from sale of market based investm | 34 417,97 | 83 351 |
| -2 002 | | Purchase of market based investments | -19 633 | -15 483 |
| | | Loan repayments received from Group companies | | |
| | | Loan to associate | | |
| 24 108 | 26 757 | Proceeds sale of subsidiaries | -20 349 | 30 727 |
| -85 | -39 503 | Shares in subsidiaries and associated compa | -85 | -9 827 |
| 36 930 | 7 464 | Net cash flow from investments | -4 583 | 94 106 |
| | | Cash flow from financing | | |
| | | Proceeds from long term loans | 166 247 | |
| | | Repayment of long term loans | -215 740 | -54 982 |
| -43 159 | 16 124 | Proceeds from long-term Group loans | | |
| | | Repayment of Group loans | | |
| | | Repayment intercompany | | |
| | -5 681 | Payment of dividend | | -5 681 |
| -43 159 | 10 443 | Net cash flow from financing | -49 493 | -60 663 |
| 6 193 | 1 057 | Net change in cash and cash equivalents | -4 942 | 2 496 |
| 3 226 | 2 169 | Cash and cash equivalents at the beginning | 14 809 | 11 807 |
| - | - | Currency translation differences | | 506 |
| 9 419 | 3 226 | Cash and cash equivalents at the end of t | 9 867 | 14 809 |
| | | Cash and cash equivalents at the end of the period consists of: | | |
| 9 419 | 3 226 | Bank deposits | 9 866 | 14 809 |
| - | - | Bank deposits cash pool agreement within the Grieg Star Group | | |
| 9 419 | 3 226 | | 9 866 | 14 809 |
| | | In addition the Group has an undrawn credit | - | 10 000 |

## 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 have been sailing in a pool which has been marketed and operated by Grieg Star Shipping AS until 1st of May 2017. 2nd of May 2017 Grieg Star Shipping AS merged with Gearbulk AS to a new company called G2 Ocean AS, which now markets and operates the Group's vessels in an open hatch pool.

Vessels, other than open hatch vessels, have until 1st of May 2017 been managed within the Group's bulk operation, consisting of cargo contracts, owned and chartered vessels. Also for the bulk division, G2 Ocean AS, now markets and operates the vessels in Grieg Star Bulk AS in an 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 31.12.2018 is NOK/USD: 8.6885. 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.

### 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 contrinutions 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 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 Sipping III 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. The European Surveillance 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 same restrictions. The restrictions have no material or negative effect for the Group.

### 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 elimінted. 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 2018. 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 and development | 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 Shipping III 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 % |
| | | |
| GriegMaas AS - shipowning holding company | 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 | 153 243 | 384 352 |
| Profit for the year | | | (3 221) | (3 221) |
| Group contribution, net | | | | 0 |
| Provision for dividends | | | (3 798) | (3 798) |
| Equity at 31.12 | 15 899 | 215 210 | 146 224 | 377 333 |

### 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 | 54 717 | 416 734 |
| Profit for the year | | | (16 110) | (16 110) |
| Provision for dividends | | | (3 798) | (3 798) |
| Net Group contribution | | | 69 | 69 |
| Currency translation differences | | | 477 | 477 |
| Equity at 31.12 | 24 621 | 337 397 | 35 355 | 397 372 |

## 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 | 6 464 | 14 617 | 21 081 |
| Book value at 31.12 | 1 327 | 2 913 | 4 240 |
| 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 | 78 | 866 | 1 462 |
| Additions | | | 69 | 69 |
| Disposals | | -78 | | -78 |
| Acquisition cost at 31.12 | 518 | 0 | 935 | 1 453 |
| Accumulated depreciation at 31.12 | 0 | 0 | 761 | 761 |
| Book value at 31.12 | 518 | 0 | 174 | 692 |
| | | | | |
| Depreciation | | 5 | 120 | 125 |
| 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 | 1 295 972 | 43 477 | 0 | 1 339 448 |
| Additions | 15 773 | 9 545 | 0 | 25 318 |
| Reclassification | | 0 | 0 | 0 |
| Disposals | 0 | | 0 | 0 |
| Acquisition cost at 31.12 | 1 311 745 | 53 022 | 0 | 1 364 766 |
| Accumulated depreciation at 31.12 | 534 579 | 29 092 | | 563 671 |
| Accumulated write-downs | 28 673 | | | 28 673 |
| Book value at 31.12 | 748 494 | 23 930 | 0 | 772 422 |
| | | | | |
| Depreciation charge for the year | 39 359 | 7 813 | | 47 171 |
| | | | | |
| Depreciation plan | Straight-line | Straight-line | None | |
| Depreciation period | 25-30 years | 5-7.5 years | | |

| | Squamish | Other property | Machinery, vehicles etc. | | Total |
|---|---|---|---|---|---|
| Acquisition cost at 01.01 | 53 447 | 631 | 1 354 | | 55 432 |
| Conversion difference | 504 | 83 | | | 587 |
| Corrected acquisition cost | 53 950 | 714 | 1 354 | | 56 018 |
| Additions | | 0 | 120 | | 120 |
| Disposals | 53 950 | 196 | 78 | | 54 224 |
| Acquisition cost at 31.12 | 0 | 518 | 1 395 | | 1 913 |
| Conversion difference | | | | | 0 |
| Accumulated depreciation at 31.12 | | 0 | 1 179 | | 1 179 |
| Book value at 31.12 | 0 | 518 | 216 | | 734 |
| | | | | | |
| Depreciation charge for the year | 415 | 0 | 134 | | 549 |
| | | | | | |
| Depreciation plan | Straight-line | None | Straight-line | Straight-line | |
| Depreciation period | 30 years | | 3-10 years | 10 years | |

## Note 5 Subsidiaries

PARENT COMPANY
Figures in USD 1 000

| Subsidiary | Denomi-nated in | Registered office | Ownership / voting rights | Equity 2018 (100%) | Result 2018 (100%) | Book value (100%) |
|---|---|---|---|---|---|---|
| Grieg Shipping II AS | USD | Bergen | 100 % | 208 999 | (12 218) | |
| Grieg International II AS | USD | Oslo | 100 % | 93 287 | (2 140) | |
| Grieg Shipowning AS * | USD | Bergen | 100 % | 302 782 | (13 966) | 299 164 |
| Grieg Shipping III AS | USD | Bergen | 100 % | 5 371 | (183) | 5 554 |
| Grieg Star AS | USD | Bergen | 100 % | 234 | 289 | 711 |
| Grieg Star 2017 AS | USD | Bergen | 100 % | 6 241 | (1 880) | 1 221 |
| Grieg Star Bulk AS | USD | Bergen | 100 % | 12 904 | 1 101 | 10 605 |
| Grieg Green AS | USD | Bergen | 100 % | 1 485 | 856 | 631 |
| Book value at 31.12 | | | | | | 317 885 |

* Grieg Shipowning AS owns 100 % of Grieg Shipping II AS and Grieg International II AS
USD 14,4 M of the result is writedown of the shares in subsidiaries.

## 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 % | 53 |
| Star Blue Holding Inc | Makati City | 25 % | 10 |
| Grieg Star Philippines Inc. | Makati City | 100 % | 200 |
| GriegMaas AS | Bergen | 50 % | 2 |
| UACC Ross Tanker DIS | Oslo | 3 % | 258 |
| G2 Ocean Holding AS (joint venture) | Bergen | 35 % | 8 815 |
| Book value at 31.12 | | | 9 340 |

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

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.

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 2018 | Market value 2018 | Acquisition cost 2017 | Market value 2017 |
|---|---|---|---|---|
| Mutual funds | 2 290 | 2 364 | 16 446 | 23 053 |
| Bonds | 14 969 | 15 241 | 28 182 | 28 806 |
| Money market funds | 24 516 | 24 007 | 9 228 | 9 327 |
| Book value at 31.12 | 41 774 | 41 611 | 53 855 | 61 186 |

| | 2018 | | |
|---|---|---|---|
| | Realised | Unrealised | Total profit/loss |
| Mutual funds | 6 919 | -5 786 | 1 133 |
| Bonds | 323 | -239 | 84 |
| Money market funds | 170 | -494 | -324 |
| Proft/loss from market-based investments | 7 411 | -6 519 | 893 |

| | 2017 | | |
|---|---|---|---|
| | Realised | Unrealised | Total profit/loss |
| Mutual funds | 5 811 | 2 170 | 7 981 |
| Bonds | 1 996 | -733 | 1 262 |
| Money market funds | 93 | 51 | 144 |
| Proft/loss from market-based investments | 7 900 | 1 488 | 9 387 |

## Note 8 Receivables maturing later than one year

GROUP
Figures in USD 1 000

| | 2018 | 2017 |
|---|---|---|
| Other loans | 78 | 115 |
| Deposit on office rent | 529 | 560 |
| Total | 607 | 675 |

## Note 9 Interest-bearing debt

Grieg Star Group AS is providing guarantees in the amount of USD 5.9 m per 31.12.2018 for two of the Grieg Star Bulk AS vessels.

### GROUP
Figures in USD 1 000

**Mortgage loans**
As of 31.12.18, the Group has 12 mortgage loans. All loans are denominated in USD.

**Loan covenants**
The Group is per year end 2018 required to have minimum liquid funds of USD 25m. A common covenant for all mortgage loans is that the Group must continue to be controlled by the Grieg family and have a book equity ratio >25%. The Group has met its loan covenant commitments throughout the year.

Grieg Shipowning AS is providing guarantees in the amount of USD 47.4m per 31.12.2018 for the Grieg International II AS vessels, and in addition USD 103.5m for the Grieg Shipping II AS vessels.
Grieg Shipping II AS is providing guarantees in the amount of USD 10.4m per 31.12.2018 for the Grieg Shipping III AS vessel.
Grieg Shipping II AS and Grieg International II AS is providing guarantees in the amount of USD 43m for Grieg Shipowning AS.

| | | |
|---|---|---|
| Mortgage loans (1st priority) | 443 806 | 493 299 |
| Total | 443 806 | 493 299 |

| Of which long-term debt with maturity later than 5 years | 2018 | 2017 |
|---|---|---|
| Debt to credit institutions | 7 292 | 43 382 |
| Total | 7 292 | 43 382 |

| Balance value of mortgaged assets | 2018 | 2017 |
|---|---|---|
| Vessels | 759 685 | 785 165 |
| New building contracts (booked as receivables) | 0 | 0 |
| Total | 759 685 | 785 165 |

**Undrawn borrowing facilities**

| | | | |
|---|---|---|---|
| Grieg Star Group AS | floating rate, bank overdraft in Grieg Star Group AS | 0 | 10 000 |

## Note 10 Related parties

### PARENT COMPANY
Figures in USD 1 000

| Other receivables | 2018 | 2017 |
|---|---|---|
| Grieg Shipowning AS | 177 | 0 |
| Grieg Green AS | 309 | 413 |
| Joachim Grieg Star KS | 0 | 22 |
| Grieg Shipbrokers KS | 21 | 0 |
| Grieg Star AS | 481 | 7 |
| Grieg International AS/Grieg Kapital | 9 | 8 |
| Grieg Investor AS | 25 | 29 |
| Grieg Maturitas II AS | 41 | 0 |
| Grieg Group Resources AS | 2 | 0 |
| Grieg Strat. Services AS | 3 | 0 |
| Grieg Star Bulk AS | 1 807 | 2 202 |
| Grieg International II AS | 151 | 3 |
| Grieg Shipping II AS | 342 | 12 |
| Grieg Star 2017 | 11 704 | 11 830 |
| Total | 15 072 | 14 526 |

| Short term receivables associated companies | 2 018 | 2 017 |
|---|---|---|
| G2 Ocean AS | 3 789 | 0 |
| Fram Marine AS | 10 | 2 |
| Total | 3 799 | 2 |

| Long-term receivables group companies | 2018 | 2017 |
|---|---|---|
| Grieg Shipping II AS | 21 938 | 10 438 |
| Grieg International II AS | 12 600 | 3 100 |
| Total | 34 538 | 13 538 |

| Long term receivables associated companies | 2 018 | 2 017 |
|---|---|---|
| G2 Ocean AS | 20 417 | 0 |
| Total | 20 417 | 0 |

| Other current liabilities | 2018 | 2017 |
|---|---|---|
| Grieg Group Resources AS | 7 | 3 |
| Grieg Gaarden AS | 0 | 4 |
| Grieg International AS/Grieg Maturitas II AS | 274 | 3 |
| Grieg Green AS | (500) | - |
| Grtieg Star Bulk AS | | 6 000 |
| Grieg Star AS | 1 008 | 903 |
| Grieg Shipowning AS | 1 323 | 22 |
| Grieg Shipping II AS | 286 | 848 |
| Grieg Shipping III AS | 374 | - |
| Grieg International II AS | 791 | 130 |
| Grieg Star 2017 AS | 5 324 | 4 252 |
| Grieg Investor | 11 | - |
| Total | 8 898 | 12 165 |

| Current liabilities to associated companies | 2 018 | 2 017 |
|---|---|---|
| G2 Ocean AS | 13 699 | - |
| Total | 13 699 | - |

| Long-term liabilities | 2018 | 2017 |
|---|---|---|
| Grieg Star 2017 AS | 17 488 | 29 662 |
| Total | 17 488 | 29 662 |

Transactions with related parties

| Company | Type of services | 2018 | 2017 |
|---|---|---|---|
| Revenue | | | |
| Grieg Star Shipping AS/Grieg Star 2017 AS | Management, rental and IT fee | 65 | 1 190 |
| Grieg Star Bulk AS | Management fee | 362 | 871 |
| | Financial/performance guarantee | 151 | 165 |
| Grieg Star AS | Management, rental and IT fee | 2 638 | 2 710 |
| Grieg Green AS | Rental and IT fee | 97 | 66 |
| | Financial guarantee | 0 | 5 |
| Grieg Shipowning AS | Management fee | 29 | 18 |
| Grieg Shipping II AS | Management fee | 1 354 | 1 343 |
| | Interest income | 651 | 12 |
| Grieg Shipping III AS | Managment fee | 13 | 0 |
| Grieg International II AS | Management fee | 558 | 604 |
| | Interest income | 253 | 3 |
| Fram Marine AS | Advisory, rental | 92 | 51 |
| Grieg International AS | Management, rental and IT fee | 82 | 222 |
| | Advisory | 3 | 16 |
| Grieg Maturitas II AS | Managment fee | 33 | 0 |
| Grieg Shipbrokers KS | Advisory, rental | 197 | 187 |
| Grieg Strat. Services AS | Advisory, rental | 41 | 0 |
| J. Grieg Star KS | Rental | | 25 |
| Grieg Investor AS | Advisory, rental | 266 | 240 |
| | Advisory | 13 | 21 |
| Other group companies | Service fee | 178 | 1 052 |
| Total | | 7 079 | 8 801 |
| Expenses | | | |
| Grieg Star 2017 AS | Interest expense | 1 221 | 283 |
| Grieg Star AS | Interest expense | 2 | 24 |
| Grieg Star Bulk AS | Interest expense | 6 | 0 |
| Grieg International AS | Service fee | 13 | 377 |
| Grieg Maturitas II AS | Service fee | 217 | - |
| Grieg Group Resources AS | Service and IT fee | 284 | 221 |

GROUP
Figures in USD 1 000

| Other short-term receivables | 2018 | 2017 |
|---|---|---|
| Joachim Grieg Star KS | | 316 |
| Grieg Shipbrokers Serv. KS | 21 | 0 |
| Grieg Maturitas II AS | 41 | 0 |
| Grieg International AS/Grieg Kapital AS | 9 | 6 |
| Grig Strat. Serv. AS | 3 | 0 |
| Fram Marine AS | 10 | 2 |
| Grieg Investor AS | 25 | 29 |
| Grieg Group Resources AS | 2 | 20 |
| G2 Ocean Far East AS | | 622 |
| G2 Ocean AS | 3 789 | 23 526 |
| Total | 3 900 | 24 520 |

| Other short-term liablilities | 2018 | 2017 |
|---|---|---|
| Grieg Group Resources AS | 9 | 10 |
| Grieg Maturitas II AS | 274 | 0 |
| Grieg Shipbrokers Serv. KS | 3 | 0 |
| Grieg International AS | | 2 |
| Grieg Investor AS | 28 | 0 |
| Grieg Gaarden AS | 0 | 4 |
| G2 Ocean AS | 13 699 | 10 928 |
| Total | 14 013 | 10 944 |

| Transactions with related parties | 2018 | 2017 |
|---|---|---|
| Office services from Grieg Group Resources AS to the Group | 539 | 500 |
| Office and parking rental agreement between the Group and Grieg Gaarden AS | 709 | 752 |
| Commission agreement and compensation between the Group and KS Joachim Grieg Star | 653 | 2 231 |
| Grieg Logistics AS | 0 | 46 |

## 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 % |
| Total | 1 035 835 | 334 688 | 1 370 523 | 100 % |

## Note 12 Taxes

PARENT COMPANY
Figures in USD 1 000

### Tax charge and tax payable in the accounts

| Temporary differences | 2018 | 2017 |
|---|---|---|
| Fixed assets | (94) | (68) |
| Early retirement | (1 477) | (1 897) |
| Pensions | (717) | (813) |
| Net temporary differences | (2 289) | (2 778) |
| Tax losses carried forward | (428) | (127) |
| Basis for deferred tax/(deferred tax assets) | (2 717) | (2 905) |
| Deferred tax/deferred tax assets | (598) | (668) |
| Deferred tax/(deferred tax assets) in the balance sheet | (598) | (668) |

### Basis for taxation, change in deferred tax and tax payable

| | | |
|---|---|---|
| Profit before tax | (3 188) | 22 951 |
| Permanent differences | 3 331 | (24 309) |
| Basis of tax charge for the year | 143 | (1 358) |
| Change in temporary differences | (445) | |
| Tax losses carried forward | 301 | |
| Basis for payable taxes in the income statement | - | (1 358) |
| +/- Group contribution received/given | - | - |
| Taxable income (basis for tax payable in the balance sheet) | - | |

### Tax expense consists of

| | | |
|---|---|---|
| Tax payable (23% of basis for tax payable in the profit and loss account) | - | - |
| Tax cost group contribution | - | (326) |
| Currency effects | (37) | |
| Change in deferred tax | 77 | |
| Change in deferred tax, due to change in tax rate | (7) | 29 |
| Tax charge / (tax income) | 33 | (297) |

### Reconciliation of the tax expense

| | | |
|---|---|---|
| Result before taxes | -3 188 | 22 951 |
| Calculated tax 23% | -733 | 5 508 |
| Tax expense | 33 | (297) |
| Difference | 767 | -5 805 |
| | | |
| The difference consist of: | | |
| 23% of permanent differences | 766 | -5 834 |
| Change in deferred tax due to change in tax rate | -7 | 29 |
| Change in deferred tax due to change in tax rate | 0 | 0 |
| Other differences | 8 | 0 |
| Sum explained differences | 767 | -5 805 |

### Tax payable in the balance sheet

| | | |
|---|---|---|
| Tax payable (23% 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

| | 2018 | 2017 |
|---|---|---|
| **Tax expense consists of:** | | |
| Tax payable on taxable income | 181 | 488 |
| Change in deferred tax | (714) | (882) |
| Deferred tax benefit not shown in the balance sheet | - | - |
| Group contribution, tax effect | 334 | 235 |
| Adjustment with respect of prior years | - | - |
| Tax expense (income) | (198) | (160) |
| | | |
| Tonnage tax (classified as an operating expense in the income statement): | 443 | 458 |
| | | |
| **Deferred tax:** | | |
| Long-term debt | | (3 860) |
| Fixed assets | (140) | 19 742 |
| Shares in subsidiaries | (78) - | |
| Early retirement | (4 487) | (5 707) |
| Pension | (717) | (1 697) |
| Other temporary differences | 1 897 | (600) |
| Financial instruments and other short-term investments | (3 163) | (139) |
| Profit/loss account | 714 | 945 |
| Tax loss carry forwards | (45 233) | (43 644) |
| Basis for deferred tax/(deferred tax assets) | (51 207) | (34 961) |
| Deferred tax/(deferred tax assets) | (11 266) | (7 304) |
| Deferred tax assets not recognised in the balance sheet | 7 980 | 9 411 |
| Deferred tax/(deferred tax assets) recognised in the balance sheet | (3 285) | 2 107 |
| | | |
| **Tax payable consists of:** | | |
| Taxable financial income for companies under Chapter 8 of Taxation Act | 179 | 236 |
| Profit before tax subject to ordinary income tax | (18 101) | 20 862 |
| Permanent differences | 17 949 | (27 510) |
| Changes in differences included in the basis for deferred tax/deferred tax assets | 1 605 | 9 229 |
| Group contribution | - | |
| Changes in deficit and remuneration brought forward | - | - |
| Basis of tax charge for the year | 1 632 | 2 817 |
| Current tax payable of net income | 375 | 709 |
| Adjustment with respect of prior years | - | |
| Tonnage tax | 443 | 458 |
| Tax prepaid | - | (547) |
| Effect of Group contribution | (334) | (235) |
| Tax payable in the accounts | 484 | 384 |

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

PARENT COMPANY
Figures in USD 1 000

| Payroll expenses | 2018 | 2017 |
|---|---|---|
| Salary including bonus | 2 433 | 3 520 |
| Employers' national insurance contributions | 57 | 443 |
| Pension costs | 185 | 461 |
| Other remuneration | 1 025 | 2 772 |
| Total | 3 700 | 7 195 |

| Remuneration to management | CEO | Board |
|---|---|---|
| Salary | 423 | 137 |
| Pension costs | 19 | |
| Other remuneration | 3 | |

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 | 2018 | 2017 |
|---|---|---|
| Salary including bonus | 7 749 | 15 687 |
| Employer's national insurance contributions | 728 | 1 688 |
| Pension costs | 886 | 2 403 |
| Other remuneration | 1 217 | 3 500 |
| Grieg Star 2017 netted in consolidated financial statement | 0 | -6 714 |
| Total | 10 580 | 16 563 |

| | | |
|---|---|---|
| The average number of employees in the year was | 42 | 104 |
| The average number of sailing personnel was | 765 | 743 |

Salary costs related to sailing personnel (employed by Grieg Philippines and other manning companies) totalled USD 30m.
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 | 2018 | 2017 |
|---|---|---|
| Payments to the contribution based pension scheme | 200 | 262 |

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 individuals, ref note below for the Group.

| Defined benefit pension scheme | 2018 | 2017 |
|---|---|---|
| Current service cost | 24 | 103 |
| Interest cost | 66 | 62 |
| Expected return on plan assets | (82) | (59) |
| Social security cost | 1 | 15 |
| Administrative expenses | 24 | 27 |
| Actuarial (gains) losses | -3,98 | (34) |
| Net pension expenses | 29 | 114 |

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

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 |

Specification of pension assets and liabilities:

| Distribution by scheme at 31.12.17 | Funded<br>Committed pensions | Unfunded<br>Aged 65-67 | Total |
|---|---|---|---|
| Present value of obligations | 2 548 | 252 | 2 799 |
| Fair value of plan assets | (2 029) | - | (2 029) |
| Surplus (deficit) of pension plans | 519 | 252 | 771 |
| Actuarial (gains)/losses | (111) | 45 | (66) |
| Social security | 73 | 35 | 109 |
| Liability in the balance sheet | 482 | 332 | 813 |

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 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 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 55 people as at 31.12.2018.

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 | Figures in USD 1000 | 2018 | 2017 |
|---|---|---|---|
| Current service cost | | 63 | 103 |
| Interest cost | | 340 | 231 |
| Expected return on plan assets | | (445) | (243) |
| Social security | | (11) | 13 |
| Administrative expenses | | 129 | 106 |
| Actuarial (gains) / losses | | (4) | 215 |
| Net pension expenses | | 72 | 425 |

| Contribution based pension scheme | Figures in USD 1000 | 2018 | 2017 |
|---|---|---|---|
| Payments to the contribution based pension scheme (Norway) | | 200 | 1 008 |
| Pension abroad | | - | 200 |
| Sum | | 200 | 1 208 |
| | | | |
| Total pension cost | | 272 | 1 633 |

Economic assumptions:

| | 2018<br>Norway | 2018<br>Canada | 2017<br>Norway |
|---|---|---|---|
| Discount rate | 2,60 % | 3,60 % | 2,40 % |
| Anticipated rise in salaries | 2,75 % | | 2,50 % |
| | | | |
| Anticipated return on pension fund assets | 4,30 % | | 4,10 % |
| Anticipated increase in National Insurance base rate | 2,50 % | | 2,25 % |
| Anticipated rise in pensions paid | 2,50 % | | 2,25 % |

The actuarial assumptions for 2018 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 31.12.18 | | | | Total |
| 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 | - | (132) | 55 | (76) |
| Social security | - | 305 | 181 | 486 |
| Liability in the balance sheet | 964 | 2 336 | 1 346 | 4 648 |

| Figures in USD 1000 | Canada Funded | Norway Funded | Norway Unfunded | Consolidated |
|---|---|---|---|---|
| Distribution by scheme at 31.12.17 | | | | |
| Present value of obligations | 1 338 | 13 643 | 942 | 15 923 |
| Fair value of plan assets | -255 | (11 095) | - | (11 350) |
| Surplus (deficit) of pension plans | 1 590 | 2 548 | 942 | 4 573 |
| Actuarial (gains)/losses not recognised | 101 | (111) | 45 | 35 |
| Social security | 0 | 359 | 133 | 492 |
| Liability in the balance sheet | 1 184 | 2 797 | 1 119 | 5 100 |

| Asset Allocation in Norway as of 30.09: | 2018 | 2017 |
|---|---|---|
| Shares | 12,8 % | 10,9 % |
| Bonds | 43,1 % | 40,4 % |
| Property | 9,1 % | 10,0 % |
| Money market | 10,2 % | 14,0 % |
| Other | 24,8 % | 24,7 % |

## Note 15 Auditor's fee

PARENT COMPANY
Figures in USD 1 000

| Auditor's fee | 2018 | 2017 |
|---|---|---|
| Statutory audit | 21 | 16 |
| Tax advisory fee (incl. technical assistance) | 29 | 8 |
| Other non-audit services | 0 | 0 |
| Total fee to auditor excl. v.a.t. | 50 | 25 |

GROUP
Figures in USD 1 000

Auditor's fee

| Group auditor | Norway | Abroad | 2018 | 2017 |
|---|---|---|---|---|
| Statutory audit | 146 | | 146 | 178 |

## Note 16 Restricted bank deposits

PARENT COMPANY

| Figures in USD 1 000 | 2018 | 2017 |
| --- | --- | --- |
| Restricted deposits on the tax deduction account | 153 | 171 |

GROUP

| Figures in USD 1000 | 2018 | 2017 |
| --- | --- | --- |
| Other restricted deposits | 401 | 679 |

## 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 31.12.18 the Group held interest rate swap agreements of USD 220m. Total unrealised MTM value, not recognised in the balance sheet, was USD -1.7m.

### Foreign exchange risk

The company hedges expenditures in currencies other than USD through forward contracts. At 31.12.18 the company had entered into hedging agreements through the use of currency swaps for USD 10.8m. Total unrealised MTM value, not recognised in the balance sheet, at 31.12.18 was USD -0.43m.

### 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 31.12.18, 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 0,04 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 - 14 years | USD 12.9 m |
| Long-term time charter vessels | 5 | 0 - 4 years | USD 22.5 m |

## Note 19 Undrawn overdraft facilities

GROUP

| | 2018 | 2017 |
|---|---|---|
| Undrawn overdraft facilities | USD 0 m | USD 10 m |

## Note 20 Guarantee

PARENT

The parent company has issued a performance guarantee for three of the TC vessels hired on long term 5 to 7 years by Grieg Star Bulk AS. The remaing lease debt as of 31.12.2018 is USD 63,5m.

## Note 21 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 | 2 018 | 2017 |
|---|---|---|
| Opening net assets 1 January | 8 116 | 0 |
| Acquisition cost | | 9 827 |
| Share of profit | 700 | 700 |
| Eliminations | | -2 412 |
| Carrying amount at 31 December | 8 816 | 8 116 |

Summarised consolidated financial information 2018 joint ventures:

| In USD 1000 | Share of equity | Equity | Profit/loss |
|---|---|---|---|
| G2 Ocean Holding | 35 % | 29 118 | 700 |

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 2018, 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 2018, 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 2018, 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 2018, 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.

## 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 pwc

## 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 proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

### Opinion on Registration and Documentation

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

Bergen, 14 March 2019
**PricewaterhouseCoopers AS**

Jon Haugervåg
State Authorised Public Accountant