DIRECTORS' REPORT 2017
GRIEG STAR GROUP AS – CONSOLIDATED

THE BUSINESS

Grieg Star is a maritime corporation[1] with activities within ship owning, management and ship concept development. Grieg Star controls a fleet of around 40 vessels transporting parcel cargo, break bulk and dry bulk cargo, of which more than 30 vessels belong to the company's open hatch fleet. In addition, Grieg Star has several dry bulk carriers, owned and chartered long term. All vessels are part of the Grieg Star and Gearbulk jointly controlled G2 Ocean pools, the world's biggest shipping company within the open hatch segment.

Grieg Star also owns a break bulk ship terminal, Squamish Terminals in British Columbia and Grieg Green which delivers environmental friendly recycling solutions and certification services. The group has offices in Canada, China and the Philippines, in addition to its headquarters in Norway.

To move its business activities ahead and improve competitiveness, Grieg Star is raising the bar when it comes to investing in digital resources, new technologies and developing smarter solutions, while also making efforts to increase the company's integration of sustainability into its' business strategy.

Areas of operation

Open hatch forestry and other parcel cargo trades

Grieg Star's open hatch fleet offers a broad parcel cargo carrier concept, with vessels that transport a variety of different cargoes involving complex handling and loading operations. This requires a diversified fleet, safe and up to date ship management and a competent organisation. The group's 31 open hatch ships, with an average age of 12 years, are custom built, equipped with either gantry or specialised swing cranes. All vessels are managed in-house and staffed with seafarers trained for Grieg Star's operations. Commercially, the vessels are operated by G2 Ocean's open hatch pool, which enters into cargo contracts with international pulp and paper producers and other cargo owners. G2 Ocean's success criteria is the ability to establish optimal sailing patterns, combining various types of cargoes. Their trading pattern, which is worldwide, is built around North and South American pulp and paper exports as well as transport of steel and project cargoes for e.g. energy and infrastructure development.

[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 human resources. The group's vessels are owned by Grieg Shipping II AS, Grieg International II AS and Grieg Star Bulk AS. Ship management is provided by Grieg Star AS.

Dry bulk operation

Grieg Star's conventional dry bulk activities consists of a fleet of 3 vessels on long term time-charter and 4 owned vessels, having an average age of 3 years. Ship management and development of the fleet is done in-house, while commercial marketing and trading operations are carried out by G2 Ocean's bulk pool, which has an annualized activity level of approximately 25 vessels. During 2017, Grieg cancelled contracts for two supramax newbuildings, which should have originally been delivered in 2016 and 2017.

Financial asset management

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

Commercial operator G2 Ocean

On May 2nd, 2017, Grieg Star and Gearbulk established their new joint venture G2 Ocean; A highly versatile and customer oriented, worldwide dry bulk shipping company. G2 Ocean combines the two companies' global commercial resources and expertise operating the parties' combined fleet of open hatch, semi open hatch and conventional bulk vessels. The total number of vessels operated is over 130 vessels[2].

Green recycling and IHM

Grieg Green provides services in connection with environmentally sound recycling of ships and offshore units. The business model includes settlement services, implying that the company may buy, on a back-to-back basis, the ship to be recycled at a pre-approved shipyard. Other services include monitoring recycling processes and making Inventory of Hazardous Materials certification.

ANNUAL ACCOUNTS

Results, earnings and operations

Both shipping segments, but particularly open hatch had another tough year in 2017. While the over capacity of vessels in the dry bulk segment continued to weigh on supramax freight rates also in 2017, the earnings trend was positive through the entire year. For open hatch, however, previous

[2] G2 Ocean is an independent Norwegian company, with headquarters in Bergen, with its own resources and offices around the world. Gearbulk and Grieg Star have retained their independent technical ship management and ownership in the vessels trading in the G2 Ocean pools. Ownership in ship terminals also remain outside the scope of the JV.

years' low markets, was still impacting 2017 earnings, as the shift between low and high market earnings is far more slow for an industrial segment where the process of contract renewal takes several years before giving full effect. On the positive note, was a further reduction of the vessels' operating costs and a good result on the group's financial investments, both delivering better than expected, as well as the positive results from both Grieg Green and Squamish Terminals.

Although the establishment of G2 Ocean took place well into the financial year (i.e. May 2nd), Grieg Star's annual accounts have been restated for the entire of 2017, in order to reflect the actual situation going forward, where Grieg Star's freight income is made up of an equivalent to net time charter hire received on its open hatch and dry bulk fleet[3]. The 2017 figures are consequently, given the significant restructuring, not comparable to previous years' accounts.

Grieg Star's revenues consist mainly of freight income, but include also income from the ship terminal in Canada as well as net sales gain and commissions from the recycling business. Total revenues decreased from USD 457.0m in 2016 to USD 161.6m in 2017. The decrease in revenue is mainly due to the new organisational structure, but also the above mentioned lower freight earnings.

Total operating costs decreased in 2017, to USD 176.0m compared to USD 444.7m in 2016, mainly as a result of the new business setup. The vessels' operating expenses, at USD 66.1m, which is now the single largest cost element in Grieg Star, decreased with USD 2.0m compared to 2016. As the number of ships managed was unchanged (at 33 vessels), the reduction in costs is the result of a combination of continued processes of working smarter and lowering costs without compromising on safety, as well as the ability to realize cost synergies from the new partnership with Gearbulk, enabling e.g. savings on procurement. The cost of hiring in vessels is reduced to USD 35.4m in 2017 vs. USD 50.3m in 2016, which is primarily due to accounting effects of the new commercial set up. Depreciation charges were on the other hand somewhat up, to USD 45.2m in 2017 vs. USD 44.2m in 2016, given effects from revaluating parts of the business not becoming part of G2 Ocean. Administration and payroll costs decreased from USD 43.8m in 2016 to USD 26.1 m in 2017. This is due to the new organisational structure. However, the 2017 figure still includes almost USD 10m in one-off costs related to early retirement packages and severance costs as a result restructuring Grieg Star. Finally, the 2017 operating costs are positively affected by a USD 6.3m reversal of a loss provision (totalling USD 20.0m and carried out in 2015 of which USD 10.7m was reversed in 2016) related to the dry bulk operation's long-term time-chartered vessels.

With lower revenues and lower operating costs in 2017 than in 2016, Grieg Star's operating profit decreased from minus USD 12.3m in 2016 to minus USD 14.4m in 2017. Also Grieg Stars adjusted EBITDA, i.e. before depreciations, write-downs and loss provisions, ended up lower in 2017 with USD 24.5m vs. the 2016 figure at USD 45.8m.

Net financial items improved in 2017 with minus USD 16.3m vs. minus USD 19.9m in 2016. This is mainly due to the result of the group's financial portfolio, which achieved a result of USD 9.4 m vs. USD 7.9m in 2016. The group's interest expenses increased in 2017, up to USD 23.2m vs. USD 21.7m in 2016, which is caused by higher interest rates. Finally, the combined financial result of G2 Ocean first eight months of operations and the accounting effects of restructuring previously 100% owned Grieg Star Shipping AS into a 35% share in G2 Ocean Holding AS, is minus USD 1.7m.

In total, Grieg Star's result before tax ended at minus USD 30.6m in 2017 vs. minus USD 7.6m in 2016. The result after tax is minus USD 30.2m for 2017 (minus USD 11.8m in 2016).

Balance sheet, financial situation and cash flow

Based on negative net cash flows from operations of minus USD30.9m, a net cash flow from investments of USD 94,1m and a net cash flow of minus USD 65.7m from financing activities, the group's net change in liquid funds in 2017 was USD 2.4m. Long-term interest bearing debt decreased from USD 550.7m in 2016 to USD 493.3m in 2017. There were no changes in Grieg Star's long term debt, lease arrangements or other long term hire agreements during 2017.

Group book equity was USD 416.7m at year-end, down from USD 444.4m in 2016, which gives a 44% equity ratio, up from 41% at yearend 2016. By the end of 2017, the group had total assets of USD 956.6m, down from USD 1,074.9m in 2016, with current assets accounting for USD 118.6m, of which the financial portfolio of USD 61.2m constitutes 52%. Liquidity in the form of bank deposits and cash at year-end totalled USD 14.8m[4].

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[3] As long as the commercial operation was carried out in-house, the P&L voyage related items has been to record, line-by-line: gross freight revenues, voyage expenses, short term TC hire costs as well as commercial administration and other operating costs. When the commercial operation now is outsourced to the G2 Ocean pools, the net result of these items sums up to time charter income which is recorded as operating revenues. Grieg Star has chosen to apply the equity method when consolidating G2 Ocean into its consolidated accounts; Although the JV is jointly controlled, Gearbulk owns 65% and Grieg Star 35% of the shares in G2 Ocean Holding AS.

[4] Grieg Star Group AS' company accounts for 2017 shows a result before tax of USD 27.9m, which results from supplying management services to group companies and return on the company's financial investment portfolio. The result is lower than the USD 37.1m result in 2016, which is due to that almost

WORKING ENVIRONMENT AND OCCUPATIONAL HEALTH

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

The number of shore-based employees decreased significantly in 2017 due to the restructuring of Grieg Star's commercial operations into G2 Ocean. At year-end, Grieg Star had 850 (999) employees of which 107 (244) were shore-based and 743 (755) at sea. Of the on-shore-based personnel, 49 (111) were employed in Norway and 58 (133) abroad.

Health, environment and safety

Grieg Star maintains an overview of sick leave in accordance with current laws and regulations. In 2017 the general sick leave for the global on-shore organisation was 1.6% (3.0%) of which 0.8% was due to long term absence. Sick leave for the Norwegian based employees went down from 3.0% to 2.6%, and from 1.9% to 0.8% for employees in the offices abroad. Besides medical follow-ups, the group encourages and facilitates participation in physical activities for its personnel to stay fit.

The records show no (0) injuries on-shore in 2017, while at sea there were 4 (13) cases of sign-off due to illness and 10 (3) due to accidents. The number due to accidents is not acceptable, and measures are being implemented to reduce risk and increase safety focus for all on-board staff. As one cannot conclude that several cases have the same root cause, nor that accidents relates to any specific position on board, the approach is wide and is addressed in meetings and occasions on board and ashore. A safety video has been made, which is compulsory to all travelling with Grieg Star's vessels. Further, safety gear used have been evaluated and partly altered, as well as the requirements for when to use. Prohibiting usage of cellular phones in all working areas during working hours is also a newly implemented measure.

Throughout the organisation there are on-going training and learning activities, taking place in various formats and contexts. Their objectives range from developing management skills, to anti-corruption training, manoeuvring the group's vessels more optimal as well as learning about rules and regulations or training to maintain certificates.

no dividend is paid from its subsidiaries in 2017. Total assets by year end 2017 is USD 430.0m (USD 371.6m in 2016). This together with an equity ratio of 89% by year end 2017, reflects that the company's main assets and activity is to own shares in the group's subsidiaries.

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 2017, the land-based workforce reflected a distribution between the genders of 49% (39%) women and 51% (61%) men. There are 38% (44%) females within the top management team and about 43% (19%) females with management positions. During 2017, the group's Board of Directors has consisted of 60 (50%) women and 40% (50%) men. Grieg Star trains female cadets for future officer positions on its vessels; in 2017, 8 (9) out of the 743 (755) seafarers are women. The female cadet programme started up in 2015.

EXTERNAL ENVIRONMENT

Shipping operations entail discharge of harmful emissions. Grieg Star works continuously to be a visible and distinct contributor to environmental awareness and development. In 2017, the organisation has been working on executing its environmental strategy towards end 2020 including calibrating its environmental targets to the revised organisational setup. While previous' goals included commercial and technical initiatives, the targets going forward are primarily related to areas where Grieg Star can have a direct impact, i.e. on the vessels' operational performance. The group's environmental vision: "No harmful emissions to air, sea and land" remains, however, intact.

One example from 2017 on environmental initiatives, is the main engine auto tuning project, where specific equipment is installed on the ship's main engine that continually optimizes a variety of parameters, in order to increase engine power and reduce fuel consumption. Grieg Stars measurement data shows so far fuel savings of 1-2% on this project. As part of following up the environmental strategy and working systematically to improve the Company'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, Sintef Ocean and Nansen Environmental and Remote Sensing Center are the respective project partners.

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, of which handling corruption continues to be a target area. Through its membership in the Maritime Anti-Corruption Network (MACN) the group has amongst others access to reports related to bribery or facilitation payment requests. Grieg Star uses this source actively in order to be prepared when trading in affected areas. In 2017, the Grieg Group rolled out an e-learning module in relation to its ethical guidelines. Preparation for the implementation of EU's general data protection regulations (GDPR) to take effect in May 2018, has also been high on the agenda.

Grieg Star is presently in the process of taking Corporate Social Responsibility from a “support" function included in the Grieg Group’s principles of behaving properly, to have sustainability integrated into its business strategies. The approach is to use UN’s Sustainable Development Goals as the guiding tool. Determining which SDGs should be a foundation for all Grieg Group companies and which should to be Grieg Star’s specific stretch targets, will be concluded during 2018.

RISK

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

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 related 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 general spot market movements.

Grieg Star has a financial investment portfolio, and changes in the value of international securities and interest rates directly affect its result. The portfolio is managed under a long-term strategy that reflects the group’s business principles and risk capacity. This shall ensure that Grieg Star can withstand significant and lasting market fluctuations. There are also policies and strategies in place that reduce interest rate and currency risks. Given recent years’ weak markets in dry bulk and open hatch shipping, the group’s liquidity risk has increased.

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

CORPORATE GOVERNANCE

In order to ensure a sound practice when it comes to the division of tasks and roles between the administration, the Board of Directors and the General Meeting, the Norwegian Recommendation on Corporate Governance is applied as far as practicable for a privately owned company. Six ordinary board meetings were held during 2017. In addition, the Board resolves upon various matters by circulation of resolutions.

THE MARKETAND OUTLOOK

World seaborne dry bulk trade accounted for about 5 billion tonnes in 2017, which corresponds to approximately 45% of total world seaborne trade[5]. The market for transporting dry bulk cargoes by sea has been challenging over the past few years, as a result of a longer period with capacity growth exceeding demand growth. During 2017, asset values and freight earnings recovered from 2016 levels, the lowest levels observed in 40 years, with more than 20% uplift in both earnings and values recorded.

A gradual normalization of rates and values are expected to materialize over the next few years, given a record low order book. A continued rise in dry bulk utilization, due to limited fleet growth, will positively affect the earnings for the 7 supramax and ultramax vessels that Grieg Star has nominated into the G2 Ocean Bulk Pool. The same applies for the 31 open hatch vessels that Grieg Star has nominated into the G2 Ocean Open Hatch Pool. However, trading of the open hatch vessels, which typically transport forest products and various steel products, are also affected by the competition from, and the market conditions in, the container ship market.

A stable growth in seaborne transport of pulp and steel products is important not only for trading of the open hatch vessels, but equally important for inbound and outbound cargo volumes for Grieg Star’s terminal operations in Squamish, British Columbia.

New environmental regulations will hopefully also ensure that more ship recycling will occur going forward. As freight rates continue to stay below historical averages for a longer period, premature scrapping will ensure a continued reduction of the economic lifetimes of vessels. This may also affect older vessels’ second hand prices until a balance between supply and demand is established. Grieg Star expects continued strong demand for green services provided by Grieg Green related to inspection of hazardous materials and services and supervision of environmentally friendly recycling opportunities for of ships and rigs.

Going forward, Grieg Star needs to adapt to continued changes in shipping markets and review the current business model to ensure future value

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[5] Seaborne dry bulk trade consists of primarily iron ore, coal and minor bulk. Minor bulk typically consists of grains, steel, alumina, forest products, fertilizers and minerals.

creation. So far, focus has primarily been on the potential for cost savings relating to predictive maintenance of the vessels. Going forward focus would also turn into investments in digital resources, new technologies and smarter vessels. This, combined with further synergies from the commercial management of the vessels delivered by the G2 Ocean joint venture, should drive improved earnings for the Grieg Star group.

The company has a long-term commitment to its shipping operations, and is prepared to take advantage of improved market conditions going forward and possible opportunities that may arise.

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 the company culture and dedicated employees, give the group the ability to always view its 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. Internationally and in Norway, there are an increasing need to support children and youth. Many of the projects Grieg Foundation supports are in the intersection between youth work and culture work. Other contributions are given towards health, research and environmental projects as well as other benevolent projects.

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, 20 March 2018

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 (figures in usd 1000)				GRIEG STAR CONSOLIDATED (figures in usd 1000)	
2017	**2016**	Note		**2017**	**2016**
			Revenues		
8 616	**9 683**		Operating revenue	**133 995**	**430 099**
-	**-**		Other income	**27 604**	**26 928**
8 616	**9 683**		**Total revenues**	**161 600**	**457 027**
			Operating expenses		
-	**-**		Vessel operating expenses	**66 093**	**68 083**
-	**-**		Voyage related expenses/ terminal exp. Squamish	**9 395**	**248 695**
-	**-**	18	TC and BB-hire	**35 448**	**50 623**
-	**-**	18	Provision TC contracts vessels	**-6 300**	**-10 700**
7 195	**5 629**	13,14	Payroll and social security expenses	**16 563**	**29 733**
3 330	**3 775**	10,15	Other operating expenses	**9 578**	**14 092**
144	**183**	3,4	Depreciation	**45 208**	**44 159**
-	**-**		Write-downs	**-**	**-**
10 670	**9 588**		**Total operating expenses**	**175 985**	**444 685**
-2 054	**95**		**Operating profit**	**-14 385**	**12 342**
			Financial items		
30	**9**	10	Interest income	**84**	**317**
186	**196**		Interest income group	**-**	**-**
-	**-**		Other financial income	**13**	**-**
-0	**-1**	9	Interest expenses	**-23 220**	**-21 723**
-306	**-5**	10	Interest expenses group	**-**	**-**
1 397	**48 161**		Dividend from subsidiaries	**-**	**-**
0	**-10 881**		Writedown shares in subsidiaries	**-**	**-**
-15	**0**		Other financial expenses	**-78**	
-	**-**		Result on investment in associated company	**-1 726**	**0**
2 353	**522**	7	Change in value of financial investments	**1 487**	**269**
26 029	**46**	7	Realized return on market-based fin. Investm.	**7 899**	**7 612**
-50	**-1 027**		Gain/loss on foreign exchange	**-715**	**-6 407**
29 624	**37 019**			**-16 256**	**-19 933**
27 570	**37 114**		**Profit/(loss) before tax**	**-30 641**	**-7 591**
-297	**-18**	12	**Tax**	**-486**	**4162**
27 867	**37 132**		**Profit/(loss) for the year**	**-30 155**	**-11 753**
0	**5 829**		**Proposed dividend**		
6 000	**-**		**Group contribution**		
21 867	**31 303**		**To or (from) other equity**		
27 867	**37 132**				

GRIEG STAR GROUP AS (figures in usd 1 000)				GRIEG STAR GROUP AS CONSOLIDATED (figures in usd 1 000)	
2017	**2016**	Note		**2017**	**2016**
			ASSETS		
			FIXED ASSETS		
			Intangible fixed assets		
-	**-**	3	Contracts	**3 836**	**4 758**
-	**-**	3	Goodwill	**1 716**	**2 104**
668	**371**	12	Deferred tax asset	**-**	**-**
668	**371**		**Total intangible assets**	**5 552**	**6 863**
			Tangible assets		
281	**454**	4	Fixtures and fittings, other equipment	**2 117**	**1 548**
-	**-**	4	Load/discharge equipment	**-**	**10 520**
518	**518**	4	Terminal and other property	**26 938**	**30 844**
-	**-**	4,9	Vessels	**794 275**	**830 928**
799	**971**		**Total fixed tangible assets**	**823 330**	**873 840**
			Fixed financial assets		
341 993	**315 534**	5	Investments in subsidiaries	**-**	**-**
-	**-**	14	Pension funds	**-**	**-**
9 841	**-**	6	Investments in shares/associates	**8 397**	**296**
13 538	**-**	8	Long term receivables	**675**	**968**
365 371	**315 534**		**Total fixed financial assets**	**9 072**	**1 264**
366 839	**316 877**		**Total fixed assets**	**837 953**	**881 967**
			CURRENT ASSETS		
			Accounts receivable		
14 528	**13 372**	10	Receivables from group companies	**372**	**46**
-	**-**		Freight receivables	**3 400**	**12 931**
-	**-**		Inventory	**3 712**	**15 645**
20 467	**9**		Other receivables	**35 124**	**32 789**
34 995	**13 381**		**Total receivables**	**42 608**	**61 411**
25 244	**40 534**	7	**Market-based investments**	**61 186**	**119 679**
3 226	**765**	16	**Bank deposits, cash in hand, etc**	**14 809**	**11 807**
63 466	**54 680**		**Total current assets**	**118 602**	**192 897**
430 305	**371 558**		**TOTAL ASSETS**	**956 556**	**1 074 864**

GRIEG STAR GROUP AS (figures in usd 1 000)				GRIEG STAR GROUP AS CONSOLIDATED (figures in usd 1 000)	
2017	**2016**	Note		**2017**	**2016**
			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		
153 243	**131 377**	2	Other equity	**54 717**	**82 400**
153 243	**131 377**		**Total retained earnings**	**54 717**	**82 400**
384 352	**362 486**	2	**Total equity**	**416 735**	**444 418**
			LIABILITIES		
			Provisions		
813	**1 197**	14	Pension liabilities	**5 100**	**6 197**
-	**-**		Deferred tax	**2 107**	**3 490**
813	**1 197**		**Total provisions**	**7 207**	**9 687**
			Long-term liabilities		
-	**-**	9	Liabilities to financial institutions	**493 299**	**550 718**
29 662			Liability to group companies		
1 897	**-**		Other long-term liabilities	**2 604**	**167**
31 559	**-**		**Total long-term liabilities**	**495 903**	**550 885**
			Current liabilities		
12 165	**1 209**	10	Liabilities to group companies	**15**	**67**
275	**30**		Accounts payable	**2 873**	**7 563**
491	**527**		Public duties payable	**1 774**	**1 650**
-	**5 681**	2	Dividend	**-**	**5 681**
-	**-**	12	Taxes payable	**384**	**358**
650	**428**		Other short-term liabilities	**31 665**	**54 556**
13 580	**7 875**		**Total current liabilities**	**36 711**	**69 875**
45 952	**9 072**		**Total liabilities**	**539 821**	**630 446**
430 305	**371 558**		**TOTAL EQUITY AND LIABILITIES**	**956 556**	**1 074 864**

Bergen, 20th March 2018
The Board of Directors Grieg Star Group AS

Elisabeth Grieg Chair	Didrik O. Munch Board member	Michelle Williams Board member	Kai Grøtterud Board member	Camilla Grieg CEO/Board member

Parent USD 1000			Consolidated USD 1000	
2017	**2016**		**2017**	**2016**
		Cash flow statement Grieg Star Group		
		Cash flow from operations		
27 570	37 433	Profit before income taxes	-30 641	-7 591
		Unpaid tonnage tax classified as operating expenses		543
		Taxes paid in the period	-870	-1 492
-28 382		Gain/loss from sale of market based investments and subsidiaries	-16 317	-7 881
144	183	Depreciation incl docking	49 897	49 334
1 513	-193	Pension costs without cash effect	-1 097	-519
		Share of (profit)/loss from associates	1 726	
-64		Gain/loss from sale of fixed assets	-64	1 215
-	10 884	Impairment of fixed assets		-
		Change in inventory	11 933	-123
-70	-	Change in trade debtors	9 531	5 998
245	1	Change in trade creditors	-4 690	-2 833
-2 561	3 862	Change in group debtors	-326	1 473
4 956	773	Change in group creditors	-52	-1 295
-36	-385	Change in public debt and other short term debt	124	-759
-20 165	36	Change in other provisions	-52 173	-21 881
		Effect of exchange fluctuations	2 072	1 053
		Items classified as investments or financing		
-16 850	**52 595**	**Net cash flow from operations**	**-30 947**	**15 242**
		Cash flow from investments		
92	31	Proceeds from sale of fixed assets	1 056	45 450
		Payments new building contracts	14 197	-2 495
	-153	Purchase of fixed assets	-9 917	-27 616
20 118		Proceeds from sale of market based investments	83 351	48 188
	-41 602	Purchase of market based investments	-15 483	-78 255
		Loan repayments received from Group companies		-
		Other loan payments received		4 535
26 757		Proceeds sale of subsidiaries	30 727	
-39 503	-14 892	Shares in subsidiaries and associated company	-9 827	
7 464	**-56 617**	**Net cash flow from investments**	**94 106**	**-10 193**
		Cash flow from financing		
		Proceeds from long term loans		324 786
		Repayment of long term loans	-59 881	-346 039
16 124		Proceeds from long-term Group loans		
		Repayment of Group loans		-
		Repayment intercompany		
-5 681	-5 208	Payment of dividend	-5 681	-4 966
10 443	**-5 208**	**Net cash flow from financing**	**-65 562**	**-26 219**
1 057	**-9 230**	Net change in cash and cash equivalents	**-2 403**	**-21 168**
2 169	10 922	Cash and cash equivalents at the beginning of the period	11 807	32 975
-	476	Currency translation differences	506	
3 226	**2 169**	**Cash and cash equivalents at the end of the period**	**9 910**	**11 807**
		Cash and cash equivalents at the end of the period consists of:		
3 226	765	Bank deposits	14 809	11 807
-	1 404	Bank deposits cash pool agreement within the Grieg Star Group		
3 226	**2 169**		**14 809**	**11 807**
		In addition the Group has an undrawn credit facility at 31.12.	10 000	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 and joint ventures are stated according to the cost method in the company accounts and according to the equity method in the group accounts.

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

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

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

Long-term liabilities are carried at the nominal amount at the establishment date.

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

Asset impairments
Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.
An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The Group's open hatch vessels 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 a pool.

Vessels, other than open hatch vessels, have been managed within the Group's bulk operation, consisting of cargo contracts, owned and chartered vessels. Also for the bulk division, the new company G2 Ocean AS, now markets and operates the vessels in Grieg Star Bulk AS in a 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 31.12.2017 is NOK/USD: 8.2050. 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 heding 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 som 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 23% (with effect from January 1st 2018) 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 Shipowning AS, Grieg Shipping II AS, Grieg International II AS and Grieg Star Bulk AS are shipowning companies which are taxed under the Norwegian tonnage tax system pursuant to chapter 8 of the Taxation Act. 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

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 eliminted. 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 2017. 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, tonnage taxed	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 Star Shipping (Canada) Ltd.*	Vancouver B.C., Canada	100 %
Grieg Green is a group which comprises the following companies:		
Grieg Consulting and Advisory Company Ltd - Recycling services	Shanghai, China	100 %
Grieg Shipowning is a group which comprises the following companies:		
Grieg Shipping II AS - shipowning company, tonnage taxed	Bergen	100 %
Grieg International II AS - shipowning company, tonnage taxed	Oslo	100 %

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

Note 2 Equity

PARENT COMPANY
Figures in USD 1 000

Changes in equity	Share capital	Other paid-up equity	Other equity	Total
Equity at 01.01	15 899	215 210	131 377	362 486
Profit for the year			27 867	27 867
Group contribution, net			-6 000	-6 000
Provision for dividends				0
Equity at 31.12	**15 899**	**215 210**	**153 243**	**384 352**

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	82 400	444 417
Profit for the year			-30 136	-30 136
Provision for dividends			0	0
Net Group contribution			235	235
Currency translation differences			2 219	2 219
Equity at 31.12	**24 621**	**337 397**	**54 717**	**416 735**

Note 3 Intangible assets

GROUP
Figures in USD 1 000

Intangible assets	**Goodwill**	**Contracts**	**Total**
Acquisition costs at 01.01	7 769	17 529	25 298
Additions	22	0	22
Disposals	0	0	0
Acquisition cost at 31.12	7 791	17 529	25 319
Accumulated depreciation at 31.12	6 075	13 694	19 769
Book value at 31.12	1 716	3 836	**5 552**
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	155	958	1 631
Additions				0
Disposals		-77	-92	-169
Acquisition cost at 31.12	518	78	866	1 462
Accumulated depreciation at 31.12	0	22	641	663
Book value at 31.12	518	56	225	799
Depreciation		16	129	144
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	1 295 628	34 931	0	1 330 558
Additions	344	8 546	0	8 890
Reclassification		0	0	0
Disposals	0		0	0
Acquisition cost at 31.12	1 295 972	43 477	0	1 339 448
Accumulated depreciation at 31.12	496 823	19 679		516 502
Accumulated write-downs	28 673			28 673
Book value at 31.12	770 476	23 798	0	**794 274**
Depreciation charge for the year	39 209	6 333		45 542
Depreciation plan	Straight-line	Straight-line	None	
Depreciation period	25-30 years	5-7.5 years		

The newbuilding contract for Star Iris was cancelled in april 2017 and for Star Nike in September 2017. Paid in instalments have been refunded including interests.
In addition, there is a loss realized by USD 162 regarding the two vessels in 2017.

	*Squamish	Other property	Machinery, vehicles etc.	Machinery, vehicles etc.	Total
Acquisition cost at 01.01	53 447	631	9 994	34 917	98 989
Conversion difference	504	83	-225	0	361
Corrected acquisition cost	53 950	714	9 769	34 917	99 350
Additions	1 051	0	0	0	1 051
Disposals	5 963	0	8 415	34 917	49 295
Acquisition cost at 31.12	49 038	714	1 354	0	51 105
Conversion difference	-504	-83	225	0	-361
Accumulated depreciation at 31.12	20 392	0	1 298	0	21 690
Book value at 31.12	28 142	631	281	0	29 054
Depreciation charge for the year	4 535	0	154	0	4 689
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	Denominated in	Registered office	Ownership / voting rights	Equity 2017 (100%)	Result 2017 (100%)	Book value (100%)
Grieg Shipping II AS	USD	Bergen	100 %	221 217	-19 663	
Grieg International II AS	USD	Oslo	100 %	95 427	-5 801	
Grieg Shipowning AS *	USD	Bergen	100 %	316 748	-42 295	299 164
Grieg Star AS	USD	Bergen	100 %	264	-126	711
Grieg Star 2017 AS	USD	Bergen	100 %	8 117	-4 883	1 221
Grieg Star Shipping Canada	CAD	Vancouver	100 %	24 151	244	29 662
Grieg Star Bulk AS	USD	Bergen	100 %	11 804	-5 508	10 605
Grieg Green AS	USD	Bergen	100 %	1 156	421	631
Book value at 31.12						**341 993**

* Grieg Shipowning AS owns 100 % of Grieg Shipping II AS and Grieg International II AS
USD 42,3 M of the result is writedown of the shares is 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
UACC Ross Tanker DIS	Oslo	3 %	16
G2 Ocean Holding AS (joint venture)	Bergen	35 %	8 116
Book value at 31.12			**8 397**

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 Bulk AS.

G2 Ocean Holding AS is the holding company of G2 Ocean AS, the new marketing and operational pool company, established May 2nd 2017.

Note 7 Market-based investments

GROUP
Figures in USD 1 000

	Acquisition cost 2017	Market value 2017	Acquisition cost 2016	Market value 2016
Mutual funds	16 446	23 053	42 683	47 452
Bonds	28 182	28 806	52 991	54 129
Money market funds	9 228	9 327	18 003	18 097
Book value at 31.12	**53 855**	**61 186**	**113 677**	**119 679**

	2017		
	Realised	**Unrealised**	**Total profit/loss**
Mutual funds	5 811	2 170	7 981
Bonds	1 996	-733	1 263
Money market funds	93	51	144
Proft/loss from market-based investments	7 900	1 488	9 388

	2016		
	Realised	**Unrealised**	**Total profit/loss**
Mutual funds	4 694	2 111	6 805
Bonds	3 006	-1 932	1 073
Money market funds	-88	90	2
Proft/loss from market-based investments	7 612	269	7 880

Note 8 Receivables maturing later than one year

GROUP
Figures in USD 1 000

	2017	2016
Other loans	115	436
Deposit on office rent	560	532
Total	**675**	**968**

Note 9 Interest-bearing debt

Grieg Star Group AS is providing guarantees in the amount of USD 15.5 m per 31.12.2017 for the Grieg Star Bulk AS vessels that are delivered.

GROUP
Figures in USD 1 000

Mortgage loans
As of 31.12.17, the Group has 16 mortgage loans. All loans are denominated in USD

Loan covenants
The Group is per year end 2017 required to have minimum liquid funds of USD 35m. A common covenant for all mortgage loans is that the Group must continue to be controlled by the Grieg family. The Group has met its loan covenant commitments throughout the year.

	2017	2016
Mortgage loans (1st priority)	493 299	550 885
Total	**493 299**	**550 885**

Of which long -term debt with maturity later than 5 years	**2017**	**2016**
Debt to credit institutions	48 382	79 611
Total	**48 382**	**79 611**

Balance value of mortgaged assets	**2017**	**2016**
Vessels	785 165	823 295
New building contracts (booked as receivables)	0	12 475
Total	**785 165**	**835 770**

Undrawn borrowing facilities

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

Note 10 Related parties

PARENT COMPANY
Figures in USD 1 000

Company	**2017**	**2016**
Other receivables		
Grieg Shipowning AS		5 681
Grieg Green AS	413	300
Joachim Grieg Star KS	22	0
Grieg Shipbrokers KS		17
Grieg Star AS	7	0
Grieg International AS	8	-8
Grieg Investor AS	29	19
Fram Marine AS	2	2
Grieg Star Bulk AS	2 202	157
Grieg International II AS	3	0
Grieg Shipping II AS	12	0
Grieg Star 2017 *)	11 830	8 113
Total	**14 528**	**14 280**

*) The receivable from Grieg Star 2017 AS includes Grieg Star Group AS's share of aggregated cash balance in the Group account cash pool of USD 1.4 m (2016).

Long-term receivables	**2017**	**2016**
Grieg Shipping II AS	10 438	0
Grieg International II AS	3 100	0
Total	**13 538**	**0**

Other current liabilities	**2017**	**2016**
Grieg Group Resources AS	3	9
Grieg Gaarden AS	4	-
Grieg International AS	3	-
Grtieg Star Bulk AS	6 000	-
Grieg Star AS	903	1 407
Grieg Shipowning AS	22	
Grieg Shipping II AS	848	165
Grieg International II AS	130	67
Grieg Star 2017 AS	4 252	
Grieg Star Shipping AS		428
Grieg Star Shipping VCR		40
Total	**12 165**	**2 117**

Long-term liabilities	**2017**	**2016**
Grieg Star 2017 AS	29 662	-
Total	**29 662**	**-**

Transactions with related parties

Company	**Type of services**	**2017**	**2016**
Revenue			
Grieg Star Shipping AS	Management, rental and IT fee	1 190	3 450
Grieg Star Bulk AS	Management fee	871	812
	Financial/performance guarantee	165	191
Grieg Star AS	Management, rental and IT fee	2 710	2 693
Grieg Green AS	Rental and IT fee	66	57
	Financial guarantee	5	5
Grieg Shipowning AS	Management fee	18	18
Grieg Shipping II AS	Management fee	1 343	1 267
	Interest income	12	0
Grieg International II AS	Management fee	604	523
	Interest income	3	0
Fram Marine AS	Rental	51	50
Grieg International AS	Management, rental and IT fee	222	206
	Advisory	16	0
Grieg Shipbrokers KS	Rental	187	171
J. Grieg Star KS	Rental	25	43
Grieg Investor AS	Rental	240	232
	Advisory	21	22
Other group companies	Service fee	1 052	27
Total		8 801	9 768

Expenses			
Grieg Star 2017 AS	Interest expense	283	0
Grieg Star AS	Interest expense	24	5
Grieg International AS	Service fee	377	369
Grieg Group Resources AS	Service and IT fee	221	246

GROUP
Figures in USD 1 000

Company	**2017**	**2016**
Other short-term receivables		
Joachim Grieg Star KS	316	28
Grieg International AS	6	-8
Fram Marine AS	2	2
Grieg Investor AS	29	25
Grieg Group Resources AS	20	0
G2 Ocean Far East AS	622	0
G2 Ocean AS	23 526	0
Total	**24 520**	**46**

Other short-term liablilities	**2017**	**2016**
Grieg Group Resources AS	10	27
Grieg International AS	2	0
Grieg Logistics AS	0	38
Grieg Gaarden AS	4	1
G2 Ocean AS	10 928	0
Total	**10 944**	**67**

Transactions with related parties	**2017**	**2016**
Office services from Grieg Group Resources AS to the Group	500	631
Office and parking rental agreement between the Group and Grieg Gaarden AS	752	1 083
Commission agreement and compensation between the Group and KS Joachim Grieg Star	2 231	2 404
Commission agreement between the Group and Grieg Shipbrokers	0	703
Grieg Logistics AS	46	155

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	100	103 584
B shares	334 688	100	33 469
Total	**1 370 523**		**137 052**

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

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

Note 12 Taxes

PARENT COMPANY
Figures in USD 1 000

Tax charge and tax payable in the accounts

Temporary differences	**2017**	**2016**
Fixed assets	(68)	(27)
Early retirement	(1 897)	-
Pensions	(813)	(1 197)
Net temporary differences	(2 778)	(1 225)
Tax losses carried forward	(127)	(323)
Basis for deferred tax/(deferred tax assets)	**(2 905)**	**(1 547)**
Deferred tax/deferred tax assets	(668)	(371)
Deferred tax/(deferred tax assets) in the balance sheet	**(668)**	**(371)**

Basis for taxation, change in deferred tax and tax payable

Profit before tax	22 951	37 114
Permanent differences	(24 309)	(37 245)
Basis of tax charge for the year	(1 358)	(131)
Change in temporary differences	1 554	(191)
Tax losses carried forward	(195)	323
Basis for payable taxes in the income statement	**0**	**-**
+/- Group contribution received/given	-	-
Taxable income (basis for tax payable in the balance sheet)	-	-

Tax expense consists of

Tax payable (24% of basis for tax payable in the profit and loss account)	-	-
Tax cost group contribution	0	-
Change in deferred tax	(326)	(33)
Change in deferred tax, due to change in tax rate	29	15
Tax charge / (tax income)	**(297)**	**(17)**

Reconciliation of the tax expense

Result before taxes	22 951	37 114
Calculated tax 24%	5 508	9 279
Tax expense	-297	(18)
Difference	-5 805	-9 297
The difference consist of:		
24% of permanent differences	-5 834	-9 311
Change in deferred tax due to change in tax rate	29	15
Sum explained differences	-5 805	-9 297

Tax payable in the balance sheet

Tax payable (24% 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

	2017	**2016**
Tax expense consists of:		
Tax payable on taxable income	488	4 208
Change in deferred tax	(1 208)	(176)
Group contribution, tax effect	235	131
Tax expense (income)	(486)	4 163
Tonnage tax (classified as an operating expense in the income statement):	458	543

Deferred tax:		
Long-term debt	(3 860)	(8 309)
Fixed assets	19 742	19 588
Shares in subsidiaries	-	(34)
Early retirement	(5 707)	-
Pension	(1 697)	(6 414)
Other temporary differences	(600)	(493)
Financial instruments and other short-term investments	(139)	3 765
Profit/loss account	945	1 125
Tax loss carry forwards	(43 644)	(33 352)
Basis for deferred tax/(deferred tax assets)	(34 961)	(20 061)
Deferred tax/(deferred tax assets)	(7 304)	(5 498)
Deferred tax assets not recognised in the balance sheet	9 411	8 988
Deferred tax/(deferred tax assets) recognised in the balance sheet	2 107	3 490

Tax payable consists of:		
Taxable financial income for companies under Chapter 8 of Taxation Act	236	251
Profit before tax subject to ordinary income tax	20 862	38 330
Permanent differences	(27 510)	(37 305)
Changes in differences included in the basis for deferred tax/deferred tax assets	9 229	108
Basis of tax charge for the year	2 817	1 383
Current tax payable of net income	709	374
Adjustment with respect of prior years	-	(3)
Tonnage tax	458	543
Tax prepaid	(547)	(392)
Effect of Group contribution	(235)	(164)
Tax payable in the accounts	384	359

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

PARENT COMPANY
Figures in USD 1 000

Payroll expenses	**2017**	**2016**
Salary including bonus	3 520	3 891
Employers' national insurance contributions	443	702
Pension costs	461	134
Other remuneration	2 772	903
Total	**7 195**	**5 629**

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

Remuneration to management	**CEO**	**Board**
Salary	393	165
Pension costs	17	
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	**2017**	**2016**
Salary including bonus	15 687	21 585
Employer's national insurance contributions	1 688	1 879
Pension costs	2 403	3 775
Other remuneration	3 500	2 762
Grieg Star 2017 netted in consolidated financial statement	-6 714	
Total	**16 563**	**29 998**
The average number of employees in the year was	104	244
The average number of sailing personnel was	743	755

Salary costs related to sailing personnel (employed by Grieg Philippines and other manning companies) totalled USD 29.6m.
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	**2017**	**2016**
Payments to the contribution based pension scheme	262	216

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	**2017**	**2016**
Current service cost	103	1 233
Interest cost	62	698
Expected return on plan assets	(59)	(533)
Social security cost	15	197
Administrative expenses	27	224
Actuarial (gains) losses	-33,85	(1 580)
Net pension expenses	**114**	**238**

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

Specification of pension assets and liabilities:

	Funded	**Unfunded**	**Total**
Distribution by scheme at 31.12.17	**Committed pensions**	**Aged 65-67**	
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**

Specification of pension assets and liabilities:

	Funded		Unfunded	Total
Distribution by scheme at 31.12.15	**Committed pensions**	**Supplementary pensions**	**Aged 65-67**	
Present value of obligations	13 488	8 750	4 760	26 997
Fair value of plan assets	9 768	7 050	-	16 818
Surplus (deficit) of pension plans	(3 720)	(1 700)	(4 760)	(10 180)
Actuarial (gains)/losses	1 401	1 255	(1 363)	1 294
Social security	(524)	(240)	(671)	(1 435)
Liability in the balance sheet	**(2 843)**	**(684)**	**(6 794)**	**(10 321)**

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 115 people as at 31.12.2017.

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.

		2017	2016
Defined benefit pension scheme	Figures in USD 1000		
Current service cost		103	840
Interest cost		231	468
Expected return on plan assets		(243)	(372)
Social security		13	100
Administrative expenses		106	117
Actuarial (gains) / losses		215	76
Net pension expenses		**425**	**1 230**

		2017	2016
Contribution based pension scheme	Figures in USD 1000		
Payments to the contribution based pension scheme (Norway)		1 008	775
Pension abroad		200	1 273
Sum		**1 208**	**2 048**
Total pension cost		1 633	2 048

Economic assumptions:

	2017 Norway	2016 Norway	2016 Canada
Discount rate	2,40 %	2,10 %	3,60 %
Anticipated rise in salaries	2,50 %	2,25 %	2,40 %
Anticipated return on pension fund assets	4,10 %	3,00 %	n/a
Anticipated increase in National Insurance base rate	2,25 %	2,00 %	n/a
Anticipated rise in pensions paid	2,25 %	2,00 %	n/a

The actuarial assumptions for 2017 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 31.12.17				**Total**
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**

Figures in USD 1000	Grieg Star Norway Funded	Grieg Star Norway Unfunded	Grieg Star Italy Unfunded	Grieg Star Canada Funded	Grieg Star Japan Unfunded
Distribution by scheme at 31.12.16					
Present value of obligations	14 630	2 880	145	1 354	201
Fair value of plan assets	-11 291	0		(231)	
Surplus (deficit) of pension plans	3 339	2 880	145	1 122	201
Actuarial (gains)/losses not recognised	-1 835	-58		101	
Social security	471	346			
Liability in the balance sheet	**1 974**	**3 168**	**145**	**1 223**	**201**

Asset Allocation in Norway as of 30.09:	**2017**	**2016**
Shares	10,9 %	5,6 %
Bonds	40,4 %	43,9 %
Property	10,0 %	5,8 %
Money market	14,0 %	31,2 %
Other	24,7 %	13,5 %

Note 15 Auditor's fee

PARENT COMPANY
Figures in USD 1 000

Auditor's fee	**2017**	**2016**
Statutory audit	16	14
Tax advisory fee (incl. technical assistance)	8	4
Tax advisory fee (incl. techincal ass. with tax return)	1	8
Total fee to auditor excl. v.a.t.	25	26

GROUP
Figures in USD 1 000

Auditor's fee

Group auditor	**Norway**	**Abroad**	**2017**	**2016**
Statutory audit	146	32	178	170
Tax advisory fee (incl. technical assistance)	67		67	34

Note 16 Restricted bank deposits

PARENT COMPANY

Figures in USD 1 000	**2017**	**2016**
Restricted deposits on the tax deduction account	171	233

GROUP

Figures in USD 1000	**2017**	**2016**
Restricted deposits on the tax deduction account	679	761

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 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 31.12.17 the Group held interest rate swap agreements of USD 224m. Total unrealised MTM value, not recognised in the balance sheet, was USD -5.1m.

Foreign exchange risk
The company hedges expenditures in currencies other than USD through forward contracts. At 31.12.17 the company had entered into hedging through the use of currency swaps for USD 1.9m. Total unrealised MTM value, not recognised in the balance sheet, at 31.12.17 was USD 0.009m.

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

Per 31.12.2015, the Company made a provision of USD 20.0 mill. to cover the anticipated loss (according to the current market situation) related to the leasing contracts related to time chartered vessels to it's dry bulk operations. The provision will be utilised during the remaining lease period, and is USD 3.0 mill as of 31.12.2017. The provision is calculated with the same assumptions as the impairment test.

Note 19 Undrawn overdraft facilities

GROUP

	2017	**2016**
Undrawn overdraft facilities	USD 10 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 remainig lease debt as of 31 December 2017 is USD 51 m.

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	2017
Opening net assets 1 January	0
Acquisition cost	9 827
Share of profit	700
Eliminations	-2 412
Carrying amount at 31 December	**8 116**

Summarised consolidated financial information 2017 joint ventures:

In USD 1000	Share of equity	Equity	Profit/loss
G2 Ocean Holding	35 %	32 563	1 808

Note 22 Discontinued operations

When establishing the joint venture G2 Ocean, it was agreed that certain assets and liabilities held by Grieg Star Group's subsidiary Grieg Star Shipping AS should be demerged and sold to G2 Ocean. The demerger was carried out with accounting effect 1 January 2017. Profit/(loss), cash flows, assets and liabilities related to the discontinued operations are included in the consolidated financial statements for 2016 and 2017. Below is a summary of financial information for the discontinued operations:

In USD 1000	**2017**	**2016**
Operating revenue		377 206
Voyage related expenses		-238 840
Operating expenses		-13 614
Net TC	**0**	**124 752**
Hire chartered vessels		-9 170
Distributed TC hire to participating vessels		-114 340
Operating profit	**0**	**1 241**
Profit/(loss) before tax	**-237**	**563**
Tax	1 480	-275
Profit/(loss) for the period	**1 243**	**288**
Gain disposal discontinued operations	**6 930**	-

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 showing a profit of USD 27 867 000 in the financial statements of the parent company and loss of USD 30 155 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and 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 financial statements of the group, which comprise the balance sheet as at 31 December 2017, and 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 parent company as at 31 December 2017, 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 financial statements give a true and fair view of the financial position of the group as at 31 December 2017, 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 the Board of Directors' report, but does not include 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.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 20 March 2018
PricewaterhouseCoopers AS

Jon Haugervåg
State Authorised Public Accountant