FINANCIAL STATEMENTS

2013

DIRECTORS' REPORT 2013
GRIEG STAR GROUP AS – CONSOLIDATED

Grieg Star's result for 2013 was better than expected, given slow recovery in global growth and continued weak shipping markets. By delivering a result before tax of USD 22m, based on healthy returns on its financial portfolio and USD 59m in EBITDA from a shipping operation counting 46 vessels, Grieg Star remains solid and well positioned for the anticipated market recovery.

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

Areas of operation
Open hatch forestry and other parcel cargo trades
When taking delivery of its 10th open hatch new building in the spring of 2014, Grieg Star's fleet will count 34 ships equipped with either gantry or specialised swing cranes. The average age of the fleet, being purpose built for the Group's operation and with a life expectancy of at least 30 years, is 13 years. The vessels are operated in the Group's open hatch pool, which enters into contracts of affreightment with international pulp and paper producers and other cargo owners. The operation's main success criteria are the ability to establish optimal sailing patterns combining various types of cargoes and simultaneously adjusting to changing market conditions. The trading pattern is primarily built around N. American export of pulp and paper with sailings to and from Europe and the Far East. Grieg Star has over the last years broadened its parcel cargo carrier concept further, by following a strategy to transport more and different types of cargo involving complex loading operations. This requires a diversified fleet, flexible sailings patterns and a highly competent organisation.

Dry bulk operation
During 2013, Grieg Star's bulk operation took advantage of the weak shipping market and good contracting opportunities, to increase its exposure in conventional dry bulk - from 2 to 6 owned vessels, by contracting 4 eco-friendly new buildings with delivery in 2015. The Group's bulk operation, having an annualized activity level of 15 vessels, has also chartered in long term time charter tonnage with forward delivery and purchase options, as well as secured cargo contracts at attractive levels, positioning itself for a recovery in the segment.

Financial asset management
Grieg Star owns and manages a substantial financial investment portfolio. The portfolio is actively managed within the limits set forth by the Norwegian tonnage tax regime. The main objective is to provide overall financial stability and solidity to the Group as well as generate adequate risk adjusted returns. The investment policy is long-term and follows a traditional asset allocation model, with capital allocated to various asset classes, primarily through fund instruments.

ANNUAL ACCOUNTS
Results, earnings and operations
Both Grieg Star's bulk operation and the financial portfolio contributed above expectations to the Group's annual result for 2013, as these activities were well-positioned for how the market developed in their fields. The open hatch operation was as expected, burdened by weak demand as well as strong competition within its segment. In sum, the Group's 2013 result before tax of USD 22.0m, ended up ahead of the original budget, but below the previous year's result of USD 27.0m[2].

Grieg Star operated 46 vessels commercially (on an annualized basis) in 2013 vs. 45 in 2012, carrying close to 15m tons of cargo, which is a 9% increase compared to 2012. The cargo was equally divided between the open hatch and the dry bulk operations. The single largest cargo type transported was pulp, followed by steel/projects, coal, limestone and salt. Altogether, Grieg Star's gross revenue for 2013 was USD 578.6m and thus below USD 642.5m in 2012. Both years' revenue figures include, in addition to regular freight income and income from the ship terminal in Canada, also net sales proceeds being USD 2.6m in 2013, arising from two older vessels being sold for green recycling.

Total operating costs decreased in 2013, down to USD 554.7m compared to USD 617.5m in 2012. In terms of vessel voyage expenses of USD 331.9m, there was a decrease of USD 29.5m compared to 2012. This was solely due to lower fuel oil costs, which price per metric ton continued to decline, in

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

[2]The consolidated group of Grieg Star Group AS changed its reporting currency from NOK to USD per 01.01.13. In consequence, net financial items are no longer affected by large gains/losses on foreign exchange. Historic NOK figures have been converted into USD to have comparable figures.

line with lower oil prices. In 2013, fuel oil costs constituted 54% of all voyage related costs. Costs from hiring vessels decreased by 37% in 2013, down to USD 51.3m, as the delivery of seven open hatch new buildings made chartering of open hatch vessels from the market unnecessary. After several years with rising vessel operating costs, Grieg Star witnessed a positive development in 2013. Although more vessels were technically managed by the Group, going from 27 to 32 ships on an annual basis, nominal costs rose just marginally, from USD 77.5m in 2012 to USD 78.3m[3]. One dry docking was carried out in 2013. Administration and personnel costs rose in line with inflationary developments and costs for additional staff employed. However, given the introduction of the new “table for long life, K2013”, an extra cost of USD 1.7m occurred related to the Group’s performance based pension scheme for retired employees. The Group’s depreciation charges increased in 2013 to USD 39.3m, up from USD 36.7m, mainly as a result of owning a larger fleet. On the other hand, USD 4.6m of an impairment related to a write-down on the two supramax vessels delivered in 2012 has been reversed in the 2013 accounts.

With lower freight earnings as well as operating costs, Grieg Star’s operating profit decreased from USD 25.0m in 2012, to USD 24.0m in 2013.

Net financial items gave a negative contribution of USD 1.9m to the Group result in 2013 vs. a profit of USD 2.0m in 2012. Interest expenses increased to USD 16.8m, up from USD14.0m in 2012, mainly due to drawdowns on loans related to the new vessels. Long-term financing is secured for the open hatch vessel to be delivered in 2014 as well as the four supramax vessels for delivery in 2015, all by combining traditional ship finance loans with export credit arrangements. A significant amount of capital was also redeemed from the financial investment portfolio throughout 2013 to finance the investments in the new vessels. Consequently, total portfolio value was reduced to USD138.4m at year end, compared to USD 206.4m at the end of 2012. During 2013, the investment portfolio went from underweight to overweight in equities and from overweight to underweight in bonds. Retained and increased exposure to equities could be regarded as the most important cause for the financial portfolio’s net result of USD13.5m in 2013 (vs. USD 15.9m in 2012), which is in line with Grieg Star’s long term expectations. The Group made few changes to its fixed interest rate coverage in 2013.

[3]However, by changing the accounting method, on how to handle inventories onboard (regarding provisions, paint and lubricating oil), by going from expensing to activating, had a positive one-time effect on operating costs and thus results in 2013 of USD 4.8m.

Balance sheet, financial situation and cash flow

Based on lower net cash flows from operations of USD 28.8m, a net cash flow from investments of minus USD 101m and a net cash flow of USD 94m from financing activities, the Group’s net change in liquid funds in 2013 was USD 22m. Long-term interest bearing debt increased from USD 566m in 2012 to USD 669m in 2013 due to increased borrowings related to the new building programme. Despite having more deliveries in the pipeline, Grieg Star’s debt has already reached its peak by year end 2013. Group book equity was USD 530m at year end, up from USD 514m in 2102, which gives a 41% equity ratio. By the end of 2013, the Group had total assets of USD 1,304m, up from USD 1,186m in 2012, with current assets accounting for USD 262m, of which the financial portfolio constituted 53%. Liquidity in the form of bank deposits and cash at year-end totalled USD 44m[4]. The Board considers Grieg Star’s financial situation to be solid. No events have taken place after the balance sheet date, which would significantly affect the accounts.

WORKING ENVIRONMENT AND OCCUPATIONAL HEALTH

The Board considers the conditions related to 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.

Since last year, the number of shore-based employees has been fairly stable, while the number of seafarers has increased by nearly 15% due to additional vessels. At year-end, Grieg Star had 1095 employees from more than 20 nationalities; 265 were shore-based and 830 at sea. For shore-based personnel, 121 were employed in Norway and 144 in the offices abroad.

Health, environment and safety

Grieg Star maintains an overview of sick leave in accordance with current laws and regulations. Last year there was a decrease compared to 2012, as the general sick leave for Norwegian based employees went down from 4.4% to 3.4%, of which 3.3% and 2.7% respectively was long term leave. Besides

[4]Grieg Star Group AS’ company accounts for 2013 shows a result before tax of NOK 142.7m, which is mainly a result of supplying management services to group companies and receiving dividends from same. Having received higher dividends in 2013 - constituted by an additional dividend during the course of the year (which was redistributed within the Group) and a proposed ordinary dividend of NOK 35m, the result is above the 2012 result of NOK 58.5m. Total assets by year end 2013 is NOK 2.90bn (up from NOK 2.81bn in 2012). This together with an equity ratio of 92% by year end 2013, reflects the fact that the company’s main assets and activities is to own shares in the Group’s subsidiaries.

organising medical follow-ups, the Group encourages and facilitates participation in physical activities for all personnel to stay fit. Records show one injury ashore in 2013, as well as 12 cases of sign-off due to illness, and 2 due to accidents for the seafarers.

Throughout the organisation there are on-going training and learning activities, taking place in various formats and contexts. In 2013, the Group arranged the second round of its tailored-made management program for shore based managers, "Leading into the future". The program aims at developing management skills, increase cooperation between units and inspire more holistic thinking. The seafarers primarily attended courses to maintain certification requirements in 2013.

Equal opportunities

Grieg Star does not accept discrimination in any form. The business operations are to be conducted based on the principles of equality and respect. At year-end 2013, the land based workforce reflected a distribution between the genders of 38% women and 62% men. There are one third females within the top management team and about one fourth at middle management level. Grieg Star trains female cadets for future officer positions on its vessels.

EXTERNAL ENVIRONMENT

Shipping operations entail discharge of harmful emissions. Given its environmental vision of "No harmful emissions to air, sea and land" Grieg Star's strategy is to work systematically and continuously to improve its fleet's energy consumption. Status by year-end 2013 is a 23.6% reduction, including technical measures and using eco-speed. Hence, the Group is on track to meet its internal target of 20% reduction (of the CO_2 index) by year-end 2015 - compared to 2006 levels. Being ISO 14001 certified also puts pressure on the Group to continue to improve, both at sea and ashore.

The Ship Energy Efficiency Management Plan, which is a practical tool to manage environmental performance and to improve operational efficiency, has been high on the agenda in 2013. Measuring systems are now on board all the Group's vessels, enabling advanced performance analysis. To prepare for implementation of the Ballast Water Management Convention, the Group has put ballast water treatment systems on two of its new open hatch ships. The technology is being evaluated, with respect to efficiency, liability and spare part consumption as well as alternative makers and new technology. And, to plan for future regulations on Emission Control Areas, regarding the global limit on 0.5% sulfur, exhaust gas cleaning systems (scrubbers) are monitored and evaluated.

Grieg Star is also involved in several improvement projects as "Working Group 5" ("WG5"), being five ship owners cooperating on environmental shipping in a systematic way. Their 'Smart Contract' project aims to demonstrate emission reductions and cost savings potentials, by adjusting and testing commercial framework optimized for the maritime transportation supply chain. Based on EU's efforts to impose environmental legislation on IMO, WG5 launched in 2013 a WEB portal for reporting CO_2 emissions. EU's project on "Monitoring, Reporting & Verification" will serve as pilot for global MRV.

INTEGRITY AND TRANSPARENCY

Grieg Star is committed to UN Global Compact and transparent reporting on progress. Raising the bar on compliance matters in shipping continues to be a target area. During 2013, Grieg Star has e.g. held internal seminars on corruption and anti-corruption legislation, and a "Guide on gifts & hospitality" has been implemented. Given increased attention on corruption and acknowledging that fighting corruption may be challenging, the Group will in 2014 introduce procedures for handling corruption in ports. Valuable learning will then also be extracted from Grieg Star's participation in the Maritime Anti-Corruption Network, focusing on fighting corruption in ports. Integrity due diligence with regards to suppliers and other business partners, expressed in the Group's Suppliers' Code of Conduct, is presently subject to revision. More details of initiatives and efforts on integrity and transparency are available on griegstar.com.

CONTINUOUS IMPROVEMENT

Finding innovative solutions and making technologic progress is essential to business success. Consequently, the Group decided in 2013 to establish a "Forum for Innovation" to aid transforming improvement ideas into sustainable solutions. By adopting a systematic and practical approach, the aim is to realize the potential of bringing together creative and forward-looking minds from across the organization. Constantly looking for improvement possibilities is otherwise an integral part of the way we operate on a daily basis, both within the Group and together with other players in the maritime industry.

RISK

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

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

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

Grieg Star assumes counterparty risk in all parts of its business. Despite few negative experiences, the Group is presently looking into how to handle this risk from a broader perspective. Regarding "Being in compliance" as one of the Group's risks, the concept of "counterparty risk" is being rephrased, to not only include traditional credit and legal risk, but also embracing third party and reputational risk.

CORPORATE GOVERNANCE

In order to ensure that the division of tasks and roles between the administration, the Board of Directors and the General Meeting is based on sound practice, the Norwegian Recommendation on Corporate Governance, is applied insofar as appropriate. Divergence may arise given the fact that Grieg is privately-owned. How corporate governance issues are performed is available on griegstar.com. Relevant from 2013, is the appointment of Lisa Kingo as new board member.

THE MARKET

The Group had modest market expectations going into 2013. A continued oversupply situation in most shipping segments combined with a modest global demand outlook, boded for challenging times. This materialised in a very weak shipping market during the first half of 2013. However, fundamentals improved in the second half, and the average Supramax trip charter rate ended up higher for the year, at USD 10,000 per day vs. the comparable average for 2012 being USD 9,000 per day.

2013 was a challenging year for Grieg Star's open hatch operation. Tonnage surplus and fierce competition in the segment, combined with the general weakness in shipping markets, made market conditions difficult. The improvement in dry bulk in second half of 2013 did not materialize significantly in the parcel cargo market, where the open hatch segment primarily operates. However, both Grieg Star's open hatch and bulk activities enjoyed solid contract coverage in 2013, which had positive impact on the bottom line, compared to operating in the spot market only.

The supply side in open hatch appear more favorable going into 2014, compared to 2013, as the threat from a potential new entrant seems to have diminished. Although there is still overcapacity in the segment and competition is fierce, the market balance has improved.

The supply side in dry bulk continued to weigh on the market in 2013, but improved towards the end of the year. And the outlook for 2014 is a further improvement throughout the year. While Grieg Star's dry bulk operation has gained from good contract coverage in recent years, it is now expecting improvements in the market in the years to come, and have thus secured new tonnage, owned and chartered, at attractive rates.

Grieg Star expects to achieve a positive pre-tax result for 2014, which most likely will be a challenging year as well. The new building program shows, however, that the Group remains positive in its long term outlook. Being financially sound as well as having a strong liquid position, Grieg Star is also prepared to take advantage of opportunities that may appear.

GOING CONCERN

The Board of Directors confirms that the annual accounts have been prepared on the basis of the going concern assumption and that this assumption is valid. The consideration is based on the Group's solid financial position and expectations of future earnings. The Board believes that the submitted annual accounts give a correct picture of the results, cash flows and economic situation. The Board is satisfied with the results, given the state of the market, and would like to thank all employees for their great efforts throughout the year.

Oslo/Bergen, 11 March 2014

The Board of Directors of
Grieg Star Group AS

Bjørn Gabriel Reed
Board Member

Elisabeth Grieg
Chair

Didrik Munch
Board Member

Lise Kingo
Board Member

Kai Grøtterud
Board Member

Camilla Grieg
CEO/Board Member

GRIEG STAR GROUP AS

GRIEG STAR GROUP AS CONSOLIDATED

(figures in nok 1000) 2013	2012		Note	(figures in usd 1000) 2013	2012
		Revenues			
81 547	77 739	Operating revenue		576 037	639 600
154	-	Gain from sale of vessel	4	2 587	2 894
81 701	77 739	**Total revenues**		578 624	642 494
		Operating expenses			
-	-	Vessel operating expenses		78 307	77 504
-	-	Voyage related expenses		331 898	361 416
-	-	TC hire	18	51 276	80 904
51 953	51 656	Payroll and social security expenses	13	48 192	45 275
31 625	28 172	Other operating expenses		10 325	10 148
970	842	Depreciation	3,4	39 273	36 658
-	-	Write-downs	3,4	-4 600	5 567
84 548	80 670	**Total operating expenses**		554 671	617 472
-2 847	-2 931	**Operating profit**		23 952	25 022
		Financial items			
204	338	Interest income		1 004	1 055
856	192	Interest income group	10	-	-
-159	-135	Interest expenses		-16 778	-14 027
-4 315	-5 500	Interest expenses group		-734	-945
148 933	66 520	Dividend from subsidiaries		-	-
-	-	Change in value of financial investments	7	2 287	9 834
-	-	Realized return on market-based fin. Investm.	7	11 246	6 038
-9	-1	Gain/loss on foreign exchange		1 059	0
145 510	61 414			-1 917	1 955
142 663	58 483	**Profit before tax**		22 035	26 976
-1 170	997	Tax	12	185	411
141 493	59 480	**Profit for the year**		22 220	27 387
141 493	59 480	Profit for the year		22 220	27 387
-35 000	-55 000	Proposed dividend		-5 753	-9 881
106 493	4 480	To / (from) other equity		16 467	17 506

GRIEG STAR GROUP | **GRIEG STAR GROUP AS CONSOLIDATED**

(figures in nok 1 000)					(figures in usd 1 000)
2013	**2012**	Note		**2013**	**2012**
			ASSETS		
			FIXED ASSETS		
			Intangible fixed assets		
-	-	3	Contracts	7 526	8 449
-	-	3	Goodwill	3 270	3 658
2 483	3 542	12	Deferred tax asset	819	267
2 483	3 542		**Total intangible assets**	11 614	12 373
			Tangible assets		
2 210	1 605	4	Fixtures and fittings, other equipment	4 751	4 689
-	-	4	Load/discharge equipment	11 889	9 920
4 462	4 462	4	Terminal and other property	12 629	14 141
-	-	4	Vessels	958 038	659 203
-	-	4	New building contracts	42 004	191 409
6 672	6067		**Total fixed tangible assets**	1 029 311	879 362
			Fixed financial assets		
2 827 952	2 724 942	5	Investments in subsidiaries	-	-
832	1 151	14	Pension funds	976	1 357
-	-	6	Investments in shares	351	372
-	-	8	Long term receivables	284	559
2 828 784	2 726 093		**Total fixed financial assets**	1 610	2 288
2 837 940	2 735 703		**Total fixed assets**	1 042 536	894 023
			CURRENT ASSETS		
			Accounts receivable		
53 429	68 586	10	Receivables from group companies	166	61
-	-		Freight receivables	22 124	19 257
-	-		Inventory	39 762	30 890
117	336		Other receivables	23 547	12 959
53 546	68 922		**Total receivables**	85 597	63 167
-	-	7	**Market-based investments**	131 994	206 421
7 922	9 221	16	**Bank deposits, cash in hand, etc**	44 277	22 244
61 468	78 144		**Total current assets**	261 868	291 832
2 899 408	2 813 847		**TOTAL ASSETS**	1 304 404	1 185 855

GRIEG STAR GROUP

GRIEG STAR GROUP AS CONSOLIDATED

(figures in nok 1 000) (figures in usd 1 000)

2013	2012	Note		2013	2012
			EQUITY AND LIABILITIES		
			EQUITY		
			Paid-in capital		
137 052	137 052	11	Share capital (1 370 523 shares à NOK 100)	24 621	24 621
1 855 108	1 890 108	2	Other paid-in capital	337 397	343 150
1 992 160	2 027 160		**Total paid-in capital**	362 018	367 771
			Retained earnings		
748 607	607 114	2	Other equity	168 262	146 167
748 607	607 114		**Total retained earnings**	168 262	146 167
2 740 767	2 634 274	2	**Total equity**	530 280	513 938
			LIABILITIES		
			Provisions		
9 927	9 346	14	Pension liabilities	8 777	7 146
9 927	9 346		**Total provisions**	8 777	7 145
			Long-term liabilities		
3 290	3 430	9	Liabilities to financial institutions	653 206	548 964
95 892	95 892	10	Liability to group companies	15 762	17 227
99 182	99 322		**Total long-term liabilities**	668 968	566 191
			Current liabilities		
2 664	4 475	10	Liabilities to group companies	326	415
1 334	-		Accounts payable	12 957	13 729
5 557	5 389		Public duties payable	2 961	3 772
35 000	55 000	2	Dividend	5 753	9 881
112	-	12	Taxes payable	1 147	12 269
-	-		Bank overdraft	-	1 966
4 865	6 041		Other short-term liabilities	73 236	56 549
49 532	70 905		**Total current liabilities**	96 380	98 581
158 640	179 572		**Total liabilities**	774 124	671 917
2 899 408	2 813 847		**TOTAL EQUITY AND LIABILITIES**	1 304 404	1 185 855

Bergen, 11th of March 2014
The Board of Directors Grieg Star Group AS

Elisabeth Grieg
Chair

Lise Kingo
Boardmember

Didrik Munch
Boardmember

Bjørn Gabriel Reed
Boardmember

Kai Grøtterud
Boardmember

Camilla Grieg
CEO/Boardmember

Grieg Star Group AS

CASH FLOW STATEMENT

(figures in NOK 1000) (figures in USD 1000)

Parent company 2013	Parent company 2012		Group 2013	Group 2012
		Cash flow from operations		
142 663	58 483	Profit before income taxes	22 035	26 976
0	0	Taxes paid in the period	-11 604	-11 816
-152	0	Gain/loss from sale of fixed assets	-2 587	-5 060
970	843	Depreciation (including dry dock)	46 642	52 537
0	0	Write down	-4 600	5 567
219	427	Change in trade debtors	-13 376	11 591
-45 925	-66 520	Dividends/group contribution received	0	0
1 334	-113	Change in trade creditors	-772	-2 867
0	0	Change in supplies	-8 872	7 092
900	729	Pension costs without cash effect	2 012	919
0	0	Effect of exchange fluctuations	-14	0
0	0	Change in public debt and other short term debt	-811	441
-1 009	1 236	Changes in other provisions	18 303	-14 631
0	0	Items classified as investment or financial activities	-17 566	-12 111
99 000	**-4 915**	**Net cash flow from operations**	**28 791**	**58 639**
		Cash flow from investments		
410	0	Proceeds from sale of fixed assets	6 628	4 579
-1 831	-4 565	Purchase of fixed assets	-193 989	-177 894
0	19 829	Proceeds from loans to other group companies	-105	760
0	0	Repayment of loans to other group companies	-1 554	-445
0	0	Repayment of other loans	-1 966	-1 701
0	0	Proceeds from sale of market based investments	107 122	59 474
0	0	Purchase of market based investments	-17 255	-44 249
-103 009	0	Purchase of shares in associated company	0	-12
-104 430	**15 264**	**Net cash flow from investments**	**-101 118**	**-159 488**
		Cash flow from financing		
59 270	-1 632	Proceeds from loans to other group companies	0	0
0	3 430	Proceeds from long term loans	148 595	140 066
-140	0	Repayment of long term loans	-44 353	-35 878
-55 000	-20 000	Payment of dividend	-9 881	-3 337
4 130	**-18 202**	**Net cash flow from financing**	**94 361**	**100 851**
-1 299	**-7 852**	**Net change in cash and cash equivalents**	**22 034**	**3**
9 221	17 073	Cash and cash equivalents at the beginning of the period	22 244	22 241
7 922	**9 221**	**Cash and cash equivalents at the end of the period**	**44 277**	**22 244**
		Specification of cash and cash equivalents at the end of the period		
7 922	9 221	Bank deposits, cash, etc.	44 277	22 244

Note 1 Accounting principles

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

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

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

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

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

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

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

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

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

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

Vessels, other than open hatch vessels, are managed in the same manner as a "pool" within the Group's bulk activities. Thus the dry bulk vessels are considered to be one cash generating unit.

New building contracts are included in the open hatch fleet impairment and unpaid instalments are deducted.

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

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

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

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

New building contracts
Instalments on new building contracts are capitalised as new buildings as they are paid. Capitalised value is reclassified from new buildings to vessels upon
delivery from the yard. Borrowing costs that are attributable to the construction of the vessel are capitalized as a part of the vessel.

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

Stocks of bunkers
Stocks of fuel and diesel are stated at cost on the basis of the FIFO method.

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

Short-term investments
Short-term investments in shares and mutual funds are regarded as part of the 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 NOK/USD: 6.0837. 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 re-stated at the foreign transaction rate.

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

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

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

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

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

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

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

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

For the defined benefit plans, pension costs and pension commitments are calculated on a straight line earnings profile basis, based on assumptions related to the discount rate, future salary regulation, pensions and benefits under the National Insurance scheme, the future return on pension fund assets and actuarial assumptions about mortality, voluntary withdrawals etc. Pension fund assets are recognised at fair value and deducted from net pension commitments in the balance sheet. Changes in commitments due to changes in pension plans are spread over the expected remaining period of service. The same applies to estimate deviations and changed circumstances in so far as they exceed 10% of the larger of the pension commitment and the pension fund assets (corridor). In the balance sheet, the schemes are treated separately with pension fund assets booked as a financial asset and pension commitments as a financial liability. Pension commitments in the balance sheet include Employers' National Insurance contributions.

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

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

Taxes
The tax charge in the profit and loss account includes taxes payable for the period and changes in deferred tax. Deferred tax is calculated at 27% (with effect from January 1. 2014) based on the temporary differences that exist between accounting and tax values, and taking account of the tax loss carried forward at the end of the financial year. Tax enhancing and tax reducing temporary differences which are reversed or can be reversed in the same period have been set off. The net deferred tax advantage is posted in the balance sheet where it is expected that this can be utilized. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carry forward losses, 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 registered under the Norwegian tonnage tax system pursuant to chapter 8 of the Taxation Act. In relation to the transition to the new taxation regime for shipowning companies the companies have chosen the settlement scheme.

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.

Consolidation
The consolidated accounts include the subsidiaries specified below and show the parent company and subsidiaries as a single enterprise. Shares in subsidiaries are eliminated using the purchase method. Shares in subsidiaries are set off in an amount corresponding to the book value of equity attributable to the shares at the date of purchase. Any difference arising on elimination is assigned to specific assets. Excess values that cannot be assigned to specific assets are posted as goodwill and amortised over the expected lifetime. Intra-group transactions and balances are eliminated.

Change of presentation currency

As per 1 January 2013, the Group changed its presentation currency from NOK to USD. Functional currency for Grieg Star Shipping AS, Grieg Shipping II AS and Grieg International II AS and Grieg Green have been USD in both 2012 and 2013, while functional currency for Grieg Star Group AS (parent), Grieg Star AS and Grieg Shipowning AS is NOK. For entities with NOK as the functional currency, balance sheet items and cash flow statement as per 31.12.2012 are converted from NOK to USD with exchange rate as per 31.12.12, which was 5.5664. Profit and loss statement items are converted from NOK to USD with average exchange rate NOK/USD for 2012 which was 5.8172. The difference between average exchange rate and year end exchange rate for 2012 profit is presented as currency difference in the equity reconciliation.

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

* Grieg Star Shipping (Canada) Ltd. has a 100% shareholding in Squamish Terminals Ltd.
The property where the terminal is situated has been hired until 2067.
** Established May 10th, 2013.

Note 2 Equity

PARENT COMPANY
Figures in NOK 1 000

Changes in equity	Share capital	Other paid-up equity	Other equity	Total
Equity at 01.01	137 052	1 890 108	607 114	2 634 274
Profit for the year			141 493	141 493
Provision for dividends		(35 000)		(35 000)
Equity at 31.12	**137 052**	**1 855 108**	**748 607**	**2 740 767**

GROUP
Figures in USD 1 000

Changes in equity	Share capital	Other paid-up equity	Other equity	Total
Equity at 01.01	24 621	343 150	146 167	513 938
Profit for the year			22 220	22 220
Provision for dividends		(5 753)		(5 753)
Group contribution given			(55)	(55)
Currency translation differences			(70)	(70)
Equity at 31.12	**24 621**	**337 397**	**168 262**	**530 280**

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	0	0	0
Disposals	0	0	0
Acquisition cost at 31.12	7 769	17 529	25 298
Accumulated depreciation at 31.12	4 499	10 003	14 502
Book value at 31.12	3 270	7 526	**10 797**
Depreciation	388	923	1 311
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 open hatch vessels' contracts of affreightment through the participation in the Grieg Star Shipping pool.

Note 4 Fixed assets

PARENT COMPANY
Figures in NOK 1 000

	Cabin	**Cars, machinery**	**Office machines etc**	**Total**
Acquisition costs at 01.01	4 462	736	869	6 067
Additions		1 339	492	1 831
Disposals		-737		-737
Acquisition cost at 31.12	4 462	1 338	1 361	7 161
Accumulated depreciation at 31.12	0	96	393	489
Book value at 31.12	4 462	1 242	968	6 672
Depreciation		163	807	970
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	1 054 778	42 061	191 409	1 288 248
Additions*	646	1 838	185 537	188 021
Transferred from new buildings	331 343	4 200	-334 943	600
Disposals	43 777	10 000	0	53 777
Acquisition cost at 31.12	1 342 990	38 099	42 004	1 423 092
Accumulated depreciation at 31.12	394 232	20 416		414 648
Accumulated write-downs	8 400			8 400
Book value at 31.12	940 357	17 681	42 004	**1 000 042**
Depreciation charge for the year	33 776	7 369		41 145
Write-down in the year (reversal of write down)	-4 600			-4 600
Depreciation plan	Straight-line	Straight-line	None	
Depreciation period	25-30 years	5-7.5 years		

*) Capitalised interest in 2013 were USD 3.2m and is included under the line "Additions" in the column new buildings.

In 2013, the Group took delivery of seven new vessels, Star Lindesnes, Star Louisiana, Star Lofoten, Star Livorno, Star Loen, Star Luster and Star Lygra. The expected economic lifetime for the seven vessels is at least 30 years. The vessels are depreciated down to estimated scrap value over 30 years.

As of 31.12.2013 the Group has new building contracts for 5 vessels. The last L-class vessel, Star Lysefjord will be delivered in April 2014. The four supramax's are to be delivered in 2015. The remaining amount to be paid for the new building contracts amounts to USD 107,3 m.

Two of the Group's open hatch vessels, Star Alabama and Star America, were sold for scrapping in 2013 with a net gain of USD 2,6 m.

	Terminals	Machinery, vehicles etc.	Loading & discharging equipment etc.	Other property	Total
Acquisition cost at 01.01	28 687	16 022	25 917	847	71 473
Additions	16	1 948	4 003	0	5 967
Disposals	789	1 159	0	0	1 948
Acquisition cost at 31.12	27 915	16 811	29 920	847	75 493
Accumulated depreciation at 31.12	16 132	12 060	18 031	0	46 224
Book value at 31.12	11 782	4 751	11 889	847	**29 269**
Depreciation charge for the year	712	1 535	1 938	0	4 185
Depreciation plan	Straight-line	Straight-line	Straight-line		
Depreciation period	30	3-10	10		

Note 5 Subsidiaries

PARENT COMPANY
Figures in NOK 1 000

Subsidiary	Denominated in	Registered office	Ownership / voting rights	Equity last year (100%)	Result last year (100%)	Book value (100%)
Grieg Shipping II AS	NOK	Bergen	100 %	1 969 800	(97 300)	0
Grieg International II AS	NOK	Oslo	100 %	1 105 753	(51 841)	
Grieg Shipowning AS	NOK	Bergen	100 %	106 289	3 126 701	2 578 790
Grieg Star AS	NOK	Bergen	100 %	2 525	11 987	15 232
Grieg Star Shipping AS*	USD	Bergen	100 %	101 135	2 902	95 892
Grieg Star Bulk AS	USD	Bergen	100 %	36 502	34 065	133 044
Grieg Green AS	USD	Bergen	100 %	2 634	(339)	4 994
Book value at 31.12				3 324 639	3 026 175	2 827 952

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

* Consolidated figures for the Grieg Star Shipping Group
Grieg Shipowning AS owns 100 % of Grieg Shipping II AS and Grieg International II AS

Note 6 Investments in shares

GROUP
Figures in USD 1 000

	Registered office	Ownership	Book value
Incentra (co-operative)	Oslo	2.7%	3
Seabound Maritime (to be disolved)	Manila	20.0%	0
Grieg Philippines Inc.	Makati City	20.0%	73
UACC Ross Tanker DIS	Oslo	3.0%	275
Book value at 31.12			351

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 on the Board of Incentra.

Seabound Maritime was the Group's manning agent in the Philippines until 2009. The value of the shares are set to 0.- at 31. December 2013.

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

UACC Ross Tanker DIS is a part-owned company owned by Grieg Star Bulk AS. The total commitment amount is USD 466 200, of which USD 346 200 is paid-in. Out-standing commitment amount is USD 120 000.

Note 7 Market-based investments

GROUP
Figures in USD 1 000

	Acquisition cost	Market value	Acquisition cost	Market value
	2013	**2013**	**2012**	**2012**
Individual shareholdings	3 847	3 923	3 996	2 452
Mutual funds	37 594	52 715	56 344	67 912
Bonds	29 166	34 532	52 291	65 938
Money market funds	21 008	21 009	50 035	50 091
Hedge funds	18 210	19 815	19 691	20 028
Book value at 31.12	109 824	**131 994**	182 357	**206 421**

	2013		
	Realised	**Unrealised**	**Total profit/loss**
Listed shares	61	1 680	1 740
Mutual funds	3 228	6 496	9 724
Bonds	8 314	-7 120	1 194
Money market funds	24	-19	5
Hedge funds	-381	1 249	869
Proft/loss from market-based investments	11 246	2 287	13 532

Unrealized currency loss related to mutual funds in NOK, equal to USD 4 039 is presented as a part of the change in value of financial investments.

Note 8 Receivables maturing later than one year

GROUP
Figures in USD 1 000

	2013	2012
Employee loans	0	50
Other loans	0	151
Deposit on office rent	284	358
Total	**284**	**559**

Note 9 Interest-bearing debt

GROUP
Figures in USD 1 000

Mortgage loans
The Group generally finances new buildings with 70% mortgage loans and 30% equity. As of 31.12.13, the Group has nine mortgage loans with DNBNOR (as agent), two mortgage loans with Nordea, two mortgage loan with ABN Amro, one mortage loan with SR-bank and one mortgage loan with Handelsbanken. The loans are denominated in USD, except the one in Handelsbanken, which is in NOK and related to the Group's cabin. The USD loans consist of both long-term financing of the Group's excisting vessels as well as loans for vessels under construction.

Loan covenants
The group is required to have liquid funds of USD 25m at all times. For seven of the mortgage loans with an aggregated book value at 31.12.2013 of USD 366 m, the Group's shipowning companies must have liquid funds of at least 5 % of total interest bearing debt, and a minimum of USD 10m, for the new loan in ABN Amro the minimum amount is 15 m. A common covenant for all mortgage loans is that the Group must continue to be controlled by the Grieg familiy. The Group has met its loan covenant commitments throughout the year.

	2013	2012
Other long-term debt *)	1 366	3 352
Mortgage loans (1st priority)	651 840	545 613
Total	**653 205**	**548 964**

Of which long -term debt with maturity later than 5 years	**2013**	**2012**
Debt to credit institutions	148 751	198 845
Total	**148 751**	**198 845**

Balance value of mortgaged assets	**2013**	**2012**
Vessels	922 470	678 305
New building contracts	42 004	191 409
Total	**964 474**	**869 714**

Undrawn borrowing facilities

Grieg Shipping II AS	floating rate	40 000	40 000
Grieg International II AS	floating rate	10 000	10 000
Grieg Star Shipping AS (ba	floating rate	10 000	8 034

The facilities in Grieg Shipping II AS and Grieg International II AS expire in 2015.

*) Squamish Terminals

Note 10 Related parties

PARENT COMPANY
Figures in NOK 1 000

Company	Relation	2013	2012
Other receivables			
Grieg Shipowning AS	Group company - Grieg Star Group	35 000	61 000
Grieg Green AS	Group company - Grieg Star Group	3	85
KS Joachim Grieg & Co.	Group company - Grieg Maturitas Group	19	0
Norwind AS	Group company - Grieg Maturitas Group	91	0
Grieg Property AS	Group company - Grieg Maturitas Group	3	0
Grieg Star Bulk AS	Group company - Grieg Star Group	567	192
Grieg Star AS	Group company - Grieg Star Group	5 476	5 831
Grieg International AS	Group company - Grieg Maturitas Group	30	48
Grieg Investor AS	Group company - Grieg Maturitas Group	138	61
Grieg Foundation	Group company - Grieg Maturitas Group	6	0
Grieg International II AS	Group company - Grieg Star Group	2 312	100
Grieg Shipping II AS	Group company - Grieg Star Group	4 294	150
Grieg Star Shipping AS	Group company - Grieg Star Group	5 490	1 119
Total		**53 429**	**68 586**

Other long-term liabilities

		2013	2012
Grieg Property AS	Group company - Grieg Maturitas Group	95 892	95 892
Total		**95 892**	**95 892**

Other current liabilities		**2013**	**2012**
Grieg Group Resources AS	Group company - Grieg Maturitas Group	130	305
Grieg International AS	Group company - Grieg Maturitas Group	19	233
Grieg Green AS	Group company - Grieg Star Group	0	994
Grieg Star AS	Group company - Grieg Star Group	3	34
Grieg Star Shipping AS	Group company - Grieg Star Group	1 424	1 526
Grieg Property AS	Group company - Grieg Maturitas Group	1 088	1 383
Total		**2 664**	**4 475**

Transactions with related parties

Company	Relation	Type of services	2013	2012
Revenue				
Grieg Star Shipping AS	Group company - Grieg Star Group	Management, rental and IT fee	30 483	37 831
Grieg Star Bulk AS	Group company - Grieg Star Group	Management fee	6 562	900
Grieg Star AS	Group company - Grieg Star Group	Management, rental and IT fee	21 047	19 548
Grieg Green AS	Group company - Grieg Star Group	Management, rental and IT fee	120	491
Grieg Shipowning AS	Group company - Grieg Star Group	Management fee	300	300
Grieg Shipping II AS	Group company - Grieg Star Group	Management fee	14 147	11 500
Grieg International II AS	Group company - Grieg Star Group	Management fee	7 516	5 800
ANS Billabong II	Group company - Grieg Star Group	Management fee	0	75
Grieg International AS	Group company - Grieg Maturitas Group	Management, rental and IT fee	1 022	1 128
KS Joachim Grieg & Co.	Group company - Grieg Maturitas Group	Service fee	16	27
Grieg Group Resources AS	Group company - Grieg Maturitas Group	Service fee	0	40
Grieg Investor AS	Group company - Grieg Maturitas Group	Service fee	68	98
Total			81 281	77 738
Expenses				
Grieg Property AS	Group company - Grieg Maturitas Group	Interest expense	4 315	5 500
Grieg International AS	Group company - Grieg Maturitas Group		2 430	2 230

GROUP
Figures in USD 1 000

Company	Relation	2013	2012
Other receivables			
KS Joachim Grieg & Co.	Group company - Grieg Maturitas II Group	79	14
Grieg Property AS	Group company - Grieg Maturitas II Group	0	0
Norwind	Associated company	15	0
Grieg International AS	Group company - Grieg Maturitas II Group	5	8
Grieg Group Resources AS	Group company - Grieg Maturitas II Group		0
Grieg Athena AS	Group company - Grieg Maturitas II Group		0
Grieg Investor AS	Group company - Grieg Maturitas II Group	66	38
Total		**166**	**61**

Other long-term liabilities		2013	2012
Grieg Property AS	Group company - Grieg Maturitas II Group	15 762	17 227
Total		**15 762**	**17 227**

Other short-term liablilities		2013	2012
Grieg Group Resources AS	Group company - Grieg Maturitas II Group	27	73
Grieg International AS	Group company - Grieg Maturitas II Group	82	42
Grieg Property AS	Group company - Grieg Maturitas II Group	179	248
Grieg Investor AS	Group company - Grieg Maturitas II Group		1
Grieg Logistics AS	Group company - Grieg Maturitas II Group		
Maris AS	Related	31	40
KS Joachim Grieg & Co.	Group company - Grieg Maturitas II Group	7	8
Total		**326**	**415**

Transactions with related parties	2013	2012
Office services from Grieg Group Resources AS primarily related to branding, communication, salary and other office services	992	1 056
Office and parking rental agreement between the Group and Grieg Gaarden KS	1 680	1 704
Commission agreement between the Group and KS Joachim Grieg & Co.	3 937	4 477
Interest expense to Grieg Property	734	988

Note 11 Share capital and shareholder information

PARENT COMPANY
Figures in NOK 1 000

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

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

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

Note 12 Taxes

PARENT COMPANY
Figures in NOK 1 000

Tax charge and tax payable in the accounts

Temporary differences	2013	2012
Fixed assets	(103)	(33)
Pension	(9 094)	(8 195)
Net temporary differences	(9 197)	(8 228)
Tax losses carried forward	-	(4 422)
Basis for deferred tax/(deferred tax assets)	**(9 197)**	**(12 650)**
Deferred tax/deferred tax assets	(2 483)	(3 542)
Deferred tax/(deferred tax assets) in the balance sheet	**(2 483)**	**(3 542)**

Basis for taxation, change in deferred tax and tax payable

Profit before tax	142 663	58 483
Permanent differences	(148 337)	(66 319)
Basis of tax charge for the year	(5 674)	(7 836)
Change in temporary differences	970	996
Basis for payable taxes in the income statement	**(4 704)**	**(6 840)**
+/- Group contribution received/given	9 524	4 275
Tax loss carried forward	(4 422)	
Taxable income (basis for tax payable in the balance sheet)	**398**	**(2 565)**

Tax expense consists of

Tax payable (28% of basis for tax payable in the profit and loss account)	111	-
Change in deferred tax	1 059	(997)
Tax charge / (tax income)	**1 170**	**(997)**

Tax payable in the balance sheet

Tax payable (28% of basis for taxes payable in the profit and loss account)	111	-
Tax payable in the balance sheet	**111**	**-**

GROUP
Figures in USD 1 000

On 12 February 2010, the Supreme Court ruled that the transition rules for companies under the new tonnage tax regime were unconstitutional. Accordingly, new transition rules were introduced.

Under the new transition rules, a company under the tonnage tax scheme can choose to pay tax on untaxed capital, estimated on entry into the new tonnage tax regime in 2007, either as a final settlement tax ("settlement regime") or as a distribution tax ("basic regime") corresponding to the main principles in the old tonnage tax scheme.

The tonnage taxed companies in the Group have selected the settlement regime, whereby untaxed capital from the pre-2007 shipping tax regime incurs 6.67% tax to be paid over a three years period, the last year being 2013.

	2013	2012
Tax expense consists of:		
Tax payable on taxable income	1 332	1 061
Change in deferred tax	(813)	(1 881)
Deferred tax benefit not shown in the balance sheet	(898)	805
Adjustment with respect of prior years	194	(397)
Tax expense (income)	(185)	(411)

Tonnage tax (classified as an operating expense in the income statement):	665	639

Deferred tax:		
Long-term debt	(108)	11 543
Fixed assets	10 818	6 570
Shares in subsidiaries	64	(70)
Pension		(3 431)
Other temporary differences	4 407	(1 791)
Financial instruments and other short-term investments	8 337	5 501
Profit/loss account	3 525	4 253
Tax loss carry forwards	(21 619)	(24 888)
Basis for deferred tax/(deferred tax assets)	5 424	(2 313)
Deferred tax/(deferred tax assets)	(1 967)	(1 411)
Deferred tax assets not recognised in the balance sheet	2 788	1 678
Deferred tax/(deferred tax assets) recognised in the balance sheet	819	267

Tax payable consists of:		
Taxable financial income for companies under Chapter 8 of Taxation Act	778	1 063
Profit before tax subject to ordinary income tax	19 314	13 424
Permanent differences	(18 515)	(12 054)
Changes in differences included in the basis for deferred tax/deferred tax assets	214	644
Changes in deficit and remuneration brought forward	899	768
Basis of tax charge for the year	2 690	3 846
Current tax payable of net income	482	1 061
Adjustment with respect of prior years		(644)
Tonnage tax	665	639
Current tax payable from settlement account (1/3)		11 213
Tax payable in the accounts	1 147	12 269

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

PARENT COMPANY
Figures in NOK 1 000

Payroll expenses	**2013**	**2012**
Salary including bonus	44 267	41 654
Employers' national insurance contributions	1 611	4 594
Pension costs	4 250	3 808
Other remuneration	1 825	1 600
Total	**51 953**	**51 656**
The average number of employees in the year was	41	42

The bonus scheme of Grieg Star Group is 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 including bonus	2 816	1 600
Pension costs	520	
Other remuneration	260	

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	**2013**	**2012**
Salary including bonus	34 951	33 461
Employer's national insurance contributions	4 721	4 895
Pension costs	6 085	5 886
Other remuneration	2 435	1 033
Total	**48 192**	**45 275**
The average number of employees in the year was	265	246
Average number of sailing personnel in the year was	830	726

Salary costs related to sailing personnel (employed by Grieg Philippines) totalled USD 28.9m and the payroll expenses are recognised in the P&L as vessel operating expenses. (2012: USD 24.2m).

Note 14 Pensions

PARENT COMPANY
Figures in NOK 1 000

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

Contribution based pension scheme	**2 013**	**2 012**
Payments to the contribution based pension scheme	1 907	1 790

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

Defined benefit pension scheme	**2013**	**2012**
Current service cost	1 276	1 168
Interest cost	846	701
Expected return on plan assets	(514)	(419)
Social security cost	227	204
Administrative expenses	202	161
Actuarial (gains) losses	306	224
Net pension expenses	**2 343**	**2 039**

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

Specification of pension assets and liabilities:

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

Specification of pension assets and liabilities:

	Funded		**Unfunded**	**Total**
Distribution by scheme as at 31.12.12	**Committed pensions**	**Supplementary pensions**	**Aged 65-67**	
Present value of obligations	10 254	4 709	7 131	22 094
Fair value of plan assets	7 159	3 585	-	10 744
Surplus (deficit) of pension plans	(3 095)	(1 124)	(7 131)	(11 350)
Actuarial (gains)/losses	243	2 433	2 078	4 754
Social security	(436)	(158)	(1 005)	(1 599)
Liability in the balance sheet	**(3 287)**	**1 151**	**(6 058)**	**(8 195)**

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 eight individuals.

Grieg Star Shipping AS and Grieg Star Group AS have an early retirement scheme for employees who were in the main pension plan until the decision was made to liquidate it. The early retirement scheme pays 70 % of salary on reaching the age of 65 until 67 years. This scheme is not funded but is financed through operations. Pension liabilities in the balance sheet relate entirely to Grieg Star Shipping AS including subsidiaries and Grieg Star Group AS. The pension scheme covered 97 people as at 31.12.2013, of whom 9 persons are members of the supplementary and unfunded scheme, 38 persons are members of only the unfunded scheme and 41 received pension in 2013.

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.

	2013	2012
Defined benefit pension scheme		
Current service cost	1 025	978
Interest cost	751	732
Expected return on plan assets	(566)	(564)
Social security	171	127
Administrative expenses	189	137
Actuarial (gains) / losses	1 972	281
Net pension expenses	**3 541**	**1 692**

	2013	2012
Contribution based pension scheme		
Payments to the contribution based pension scheme (Norway)	843	994
Pension abroad	247	886
Branch offices	1 454	1 330
Sum	2 544	3 210
Total pension cost	6 085	4 901

	2013	2012
Present value of obligations at 31.12.	(24 449)	(24 598)
Fair value of plan assets at 31.12.	14 386	15 279
Actuarial (gains) / losses not recognised	3 218	4 446
Social security	(956)	(916)
Net pension fund assets at 31.12	**(7 801)**	**(5 789)**

Economic assumptions:

	2013 Norway	2013 Canada	2012 Norway	2012 Canada
Discount rate	4,10 %	4,70 %	3.90 %	5.30 %
Anticipated rise in salaries	3,75 %	3,00 %	3.50 %	3.00 %
Anticipated return on pension fund assets	4,40 %	n/a	4.0 %	n/a
Anticipated increase in National Insurance base rate	3,50 %	n/a	3.25 %	n/a
Anticipated rise in pensions paid	3,50 %	n/a	3.5 %	n/a

The actuarial assumptions for 2013 are based on assumptions generally applied within the insurance industry relating to demographic factors.

Specification of pension fund assets:

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

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

Distribution by scheme as at 31.12.12	Funded Committed pensions	Funded Supplementary pensions	Unfunded Aged 65-67	Unfunded Other pensions	Norway Total
Present value of obligations	12 876	4 213	3 795	309	21 194
Fair value of plan assets	11 472	3 221	-	-	14 693
Surplus (deficit) of pension plans	(1 405)	(992)	(3 795)	(309)	(6 501)
Actuarial (gains)/losses not recognised	942	2 558	201	-	3 702
Social security	(198)	(140)	(535)	(44)	(916)
Liability in the balance sheet	**(660)**	**1 426**	**(4 129)**	**(352)**	**(3 716)**

Distribution by scheme as at 31.12.12	Grieg Star Shipping Italy Unfunded	Grieg Star Shipping Canada Funded	Grieg Star Shipping Japan Unfunded	Consolidated Total
Present value of obligations	75	2 518	812	24 598
Fair value of plan assets		587	-	15 279
Surplus (deficit) of pension plans	(75)	(1 931)	(812)	(9 319)
Actuarial (gains)/losses not recognised		744	-	4 446
Social security		-	-	(916)
Liability in the balance sheet	**(75)**	**(1 187)**	**(812)**	**(5 789)**

Asset Allocation in Norway as of 30.09:	**2013**	**2012**
Shares	8,70 %	7.1%
Bonds	57,60 %	56.1%
Property	14,30 %	20.2%
Money market	19,10 %	16.6%

Note 15 Auditor's fee

PARENT COMPANY
Figures in NOK 1 000

Auditor's fee	**2013**	**2012**
Statutory audit (incl. techincal assistance with financial statements)	222	216
Fees for further assurance services	0	0
Tax advisory fee (incl. techincal assistance with tax return)	0	0
Other non-audit services	0	0
Total fee to auditor excl. v.a.t.	222	216

GROUP
Figures in USD 1 000

Auditor's fee

Group auditor	**Norway**	**Abroad**	**2013**	**2012**
Statutory audit	146	59	205	202
Fees for further assurance services				1
Tax advisory fee (incl. techincal assistance)	80	25	105	1
Other non-audit services	6	109	115	4
Total fee to Group auditor excl. v.a.t.	232	193	425	208

Note 16 Restricted bank deposits

PARENT COMPANY

Figures in NOK 1 000	**2013**	**2012**
Restricted deposits on the tax deduction account	2 309	2 105

GROUP
Figures in USD 1000

	2013	**2012**
Restricted deposits on the tax deduction account	676	1 875
Other restricted deposits (escrow)	196	0

Note 17 Financial market risk

Group

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

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

At 31.12.13 the Group had signed interest rate swap agreements totalling USD 261.5m (including forward interest rate swap agreements), directly hedging 41% (YE2013) of the Group's future interest rate risk. At the same date, the unrealised loss attached to these agreements, and not posted in the balance sheet, was a loss of USD 18.52m with an average period of maturity of 4.1 years.

Foreign exchange risk
The Group's main focus in relation to foreign exchange hedging is to ensure that costs and liabilities are denominated in the same currency as revenue and assets. As the Group's basic currency is the USD, its strategy is to ensure that it covers its currency exposure related to administration costs, operating costs, tax and dividend payments that are denominated in another currency than USD. In this connection, the Group is mainly exposed to NOK, followed by EUR and CAD. The NOK exposure is largely covered through forward foreign exchange contracts. Gains/losses on foreign exchange contracts are booked in the same period as the period when the hedged transactions are settled. Non-USD denominated financial investments which are part of the Group's financial investment portfolio are also taken into consideration when the Group's net foreign exchange exposure is assessed.

At 31.12.13 the Group had entered into forward contracts/foreign exchange accumulators to hedge a total of USD 27.2m. The realized gain on these contracts was USD 1.0m in 31.12.13. The contracts had an unrealized, not posted gain in the balance sheet, of USD 0.037m at 31.12.13.

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

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

As of 31.12.13, the Group had made derivative contracts to hedge bunker prices for a total of 4,200 mt bunkers. Included bunker clauses, this gives a hedging rate of 97 % of budgeted bunker consumption for 2014. As of 31.12.2013, unrealized,

Note 18 Operating lease agreements

GROUP
Figures in USD 1 000

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

	Number of vessels	**Duration**	**Operating lease expense recognised in the year**
Long-term time charter*	4	0 - 5 years	16,4 m
Bare-boat hire	1	3.5 years	2,2 m

Key Financial figures

USD Million	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
From Profit and Loss Statement							
Gross revenue	204	208	560	686	759	642	579
EBITDA	138	134	50	96	72	67	59
EBIT (operating result)	117	114	20	59	26	25	24
Profit / (loss) before tax	-1	-36	23	62	5	27	22
Profit / (loss) after tax	116	78	43	61	4	27	22
From Balance Sheet							
Ships and other fixed assets	455	481	619	783	771	890	1 043
Total assets	800	811	969	1 108	1 071	1 182	1 304
Cash and liquid assets	331	284	285	270	227	229	176
Total book equity	377	442	483	502	494	510	530
Interest bearing debt	233	273	386	474	463	568	669
Total liabilities	424	370	486	605	576	672	774
Profitability and Financial Ratios							
Return on equity	30 %	19 %	9 %	13 %	1 %	6 %	4 %
Cash flow	136	98	73	10	-9	0	22
Equity ratio	47 %	55 %	50 %	45 %	46 %	43 %	41 %
Fleet							
Average number of ships operated	N/A	N/A	N/A	45	48	44	46
-Open Hatch	N/A	N/A	N/A	30	31	32	31
-Dry bulk	N/A	N/A	N/A	15	17	13	15

To the Annual Shareholders' Meeting of Grieg Star Group AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Grieg Star Group AS, which comprise the financial statements of the parent company, showing a profit of NOK 141.493.000, and the financial statements of the group, showing a profit of USD 22.220.000. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2013, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the parent company and the group Grieg Star Group AS as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Bergen, 11 March 2014
PricewaterhouseCoopers AS

Jon Haugervåg
State Authorised Public Accountant (Norway)