



| GRIEG SHIPPING GROUP



2009

Annual & Corporate
Responsibility Report

C o n t e n t s

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A b o u t t h i s r e p o r t

Whereas the Corporate Responsibility Report for 2008 was separate from the Annual Report, we have now decided to integrate the two reports into one, covering finance, environment and the social aspects of our business operations – the triple bottom line.

The content of this report is guided by our aim for transparent communication with stakeholders; employees, suppliers, customers, business partners, non-governmental organisations representing the environment and the industry in general. It attempts to cover important initiatives and activities within the Group throughout 2009, with emphasis on environment and employees.

It is the second edition of the Group’s Corporate Responsibility report, produced according to the Global Reporting Initiative (G3) Sustainability Reporting Guidelines. The GRI index is shown on pages 66-69. We are reporting on a self declared B level.

As a signatory to the UN Global Compact, we are committed to communicating progress and performance. This report serves as Grieg Shipping Group’s Communication on Progress (COP) for the operating year 2009.

Significant developments in 2009 included the integration of Grieg Star Shipping and establishment of the manning agency Grieg Philippines. Due to these organisational changes, we decided to postpone the inclusion of a number of GRI Key Performance Indicators for the reporting cycle 2009. We acknowledge the need for further improvements in reporting and will throughout 2010 continue efforts to create a reporting regime which monitors our overall performance and allows for benchmark across the shipping industry.



TRANSPARENCY INTERNATIONAL
the global coalition against corruption



THE GLOBAL COMPACT
WE SUPPORT



World Business Council for Sustainable Development



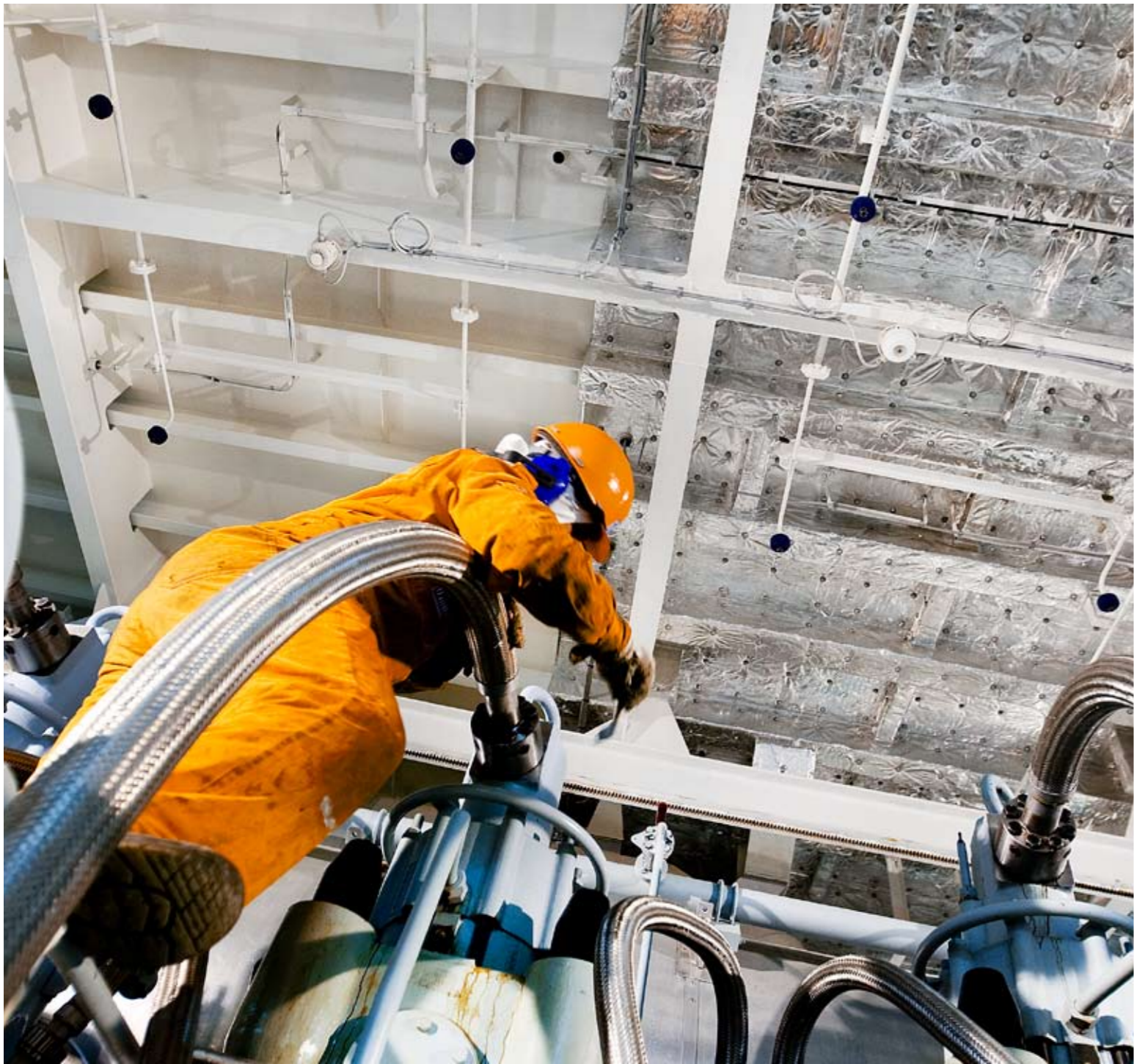
DNV



NORWEGIAN ACCREDITATION
MSYS 002

ISO 14001 CERTIFIED COMPANY

Photos by Hung Ngo except where noted.
Front page photo by Eilif Stene



Engine room maintenance on Star Kirkenes. The vessel's main engine is a 5 cylinder two stroke engine built by MAN B&W Hyundai. It performs 16.900 HP (11900 kW) at 105 rpm.

BUSINESS SUMMARY

Grieg Shipping Group is a fully integrated shipping group and the owner of one of the world's largest open-hatch fleets. Presently we own, manage, market and operate 26 open-hatch general cargo vessels of which the four youngest and most sophisticated vessels in the fleet, were delivered in 2009 and early 2010.

World class industrial shipping

The specialized vessels are tailor made to meet customers' high quality transportation and logistics requirements and to deliver superior cargo care. By this, the Group holds a unique position in transporting forestry products world wide in combination with carrying break bulk dry cargoes and project cargoes. Being customer-focused, long-term and industrial, the objective is to be the preferred carrier. Safety and security of employees, the environment, cargoes and vessels are, however, always given the highest priority. The Group focus on long term competence development of its seafarers and shore based personnel, as enthusiastic and professional employees are fundamental for success. Maintenance planning and follow-up are based on ensuring safe and efficient operation as well as a long, useful life of the vessels.

The Group also own a cargo handling terminal, operates a fleet of conventional geared and grab-supplied bulk carriers as well as manages a financial investment portfolio.

Grieg Shipping Group is located in Bergen and Oslo, Norway with offices and representation in Atlanta, Mobile, Savannah, Vancouver, Long Beach, Rotterdam, Brussels, Livorno, Gothenburg, Rio de Janeiro, Sydney, Seoul, Shanghai, Tokyo, Vancouver B.C, Squamish and Manila. In 2009, the Group employed 799 persons, of whom 593 are sailing personnel and 206 office personnel.

2009 in brief

Grieg amalgamates all its shipping activities, i.e. shipowning, market & commercial operations, technical operations & projects, and corporate services into one Group; Grieg Shipping Group.

2009 was as a surprisingly positive year for international dry bulk shipping, resulting in a fleet utilisation rate reaching above 90% by year end.

The Group's fleet transported 13,5 million tons of cargo during 2009, of which 3,2 million tons was wood pulp.

M/V Star Dover, built in 1977, was recycled at Xinhui Shuangshui Shipbreaking Yard, China.

Grieg Shipping Group took delivery of M/V Star Kirkenes and M/V Star Kilimanjaro from Hyundai Mipo Dockyard & Co, S. Korea.

2010 so far

A fuel saving device, called Mewis Duct, was the first to be installed in the world - on one of the Group's open hatch vessels.

Grieg Shipping Group contributed to WWF's work in cleaning up after the oil spill accident outside Langesund, Norway.

The Norwegian Supreme Court ruled that transitional taxes payable under the new tonnage tax regulations are in breach of the Norwegian Constitution.

M/V Star Kinn, the third out of the four so called K-class vessels, was delivered in February, while the fourth and last vessel is scheduled for delivery ultimo April.

The Group donated extra funds to SOS Children's Village, marked for helping the children after the earthquake on Haiti.



26 vessels with a range of 39.000 to 49.000 DWT



Main **cargo**:
Pulp, wood pellets, steel products and bulk



799
employees

Our Vision

“Create lasting value through our common effort”

- Our trademark within the shipping business shall be safety, quality, integrity and social responsibility, market- and customer oriented as well as financial strength.
- We shall develop our strong market position and brand name by building on competitive advantages of our core business and competence as well as technology and adaptability, creating and seizing business opportunities and entering new markets.
- We shall work relentlessly to prevent harmful emissions to air and sea.
- We shall actively work to shape the future of the maritime sector in Norway and abroad.

Our Values

Solid - Proud - Open - Committed

Our values define our company culture. They are the cornerstones of our attitudes, behaviour and actions, guiding the way we do our business and how we measure our success.

Our shareholders

The Grieg Group owns 75%

Grieg Shipping Group is part of the Grieg Group, a privately owned line of companies operating globally within a variety of business areas, mainly related to the maritime industry:

- Shipping (Grieg Shipping Group incl. Grieg Shipping and Grieg Star Shipping)
- Shipbroking (Joachim Grieg)
- Global logistics services (Grieg Logistics)
- Fish farming (Grieg Seafood)
- Private equity investments (Grieg International)
- Maritime information systems (MARIS)
- Independent investment consulting services (Grieg Investor)
- Offshore wind energy (NorWind and OceanWind)

In addition, the Grieg Group comprises several business and investment companies and further owns 20% of AON Grieg (insurance broking).

The Grieg Group emphasises the creation of economic and social values in a long term perspective. The group's activities shall be in the area of competitive international business controlled from Norway. All members of the group are independent, but close cooperation across company borders is encouraged. At year-end 2009 the Grieg Group employed 1 640 persons had an annual turnover of NOK 4 523 mill.

Grieg Foundation owns 25 %

The Grieg Foundation was established in its present form in the autumn of 2002 and owns 25 per cent of the Grieg Group's operative companies.

Grieg Foundation contributes substantial amounts to a wide range of activities. Internationally and in Norway, there is an increasing need to support children and youth. Many of the projects Grieg Foundation support are in the intersection between youth work and culture work. Other contributions are given mainly towards health, research and other benevolent projects in Western Norway.

Grieg Foundation contributed to national and international projects with about NOK 88 million during 2009 (where of NOK 55 million to Oseana art and culture centre), and is committed to considerable additional funds for accepted projects over the next years. Grieg Shipping Group is proud to have a shareholder like Grieg Foundation and the work it represents.



Grieg history

- 1884: Capt Joachim Grieg establishes a shipbroking business in Bergen.
- 1961: Per Grieg Sr. reorganizes and widens the scope of activities. Star Shipping is founded.
- 1969: Grieg Logistics is established as a separate unit.
- 1984: 100th anniversary! Restructured as the Grieg Group.
- 1992: Grieg Seafood is established.
- 1998: Grieg Insurance merges with Aon Norway under the name Aon Grieg. Grieg Investor is established.
- 1999: The Grieg Group is reorganized for the fourth generation: Per Grieg Jr, Elisabeth Grieg, Camilla Grieg and Elna-Kathrine Grieg take leading roles in their respective parts of the Group. Grieg acquires a part of MARIS, later the ownership interest is increased to 85%.
- 2002: Grieg Foundation is established in Os.
- 2006: Grieg Seafood merges with Volden Group.
- 2007: Grieg Seafood ASA is listed on the Oslo Stock Exchange. The Grieg Group acquires 40% of NordWind.
- 2008: Star Shipping is demerged and Grieg continues the company in Grieg Shipping Group.
- 2009: The Grieg Group celebrates 125 years.



CEO'S PERSPECTIVE

Aggressive strategy for a long term player.

2009 is behind us, and for Grieg Shipping Group it ended much better than feared at the beginning of the year. The world was in turmoil at the outset of last year, the financial crisis a reality, and businesses around the world were struggling, us included. Our customers' sales were cut in half in many areas of the world, and as such left many of our ships less than full. This situation demanded our full attention and a dynamic response. Our willingness and ability to change was tested in order to adjust to an even tougher economic environment. And we wanted to find solutions that would be good also long-term, both for our customers as well as our own business.

This has been a year of many changes and, we believe, with an improved and stronger organization as a result. Throughout the year we have scrutinized costs and our work processes, analyzed our markets and our customers' needs for the future, decided on a new and long term aggressive strategy, and reorganized our companies within the Grieg Shipping Group.

As a consequence, we now have a foundation to build on and a team of fully integrated shipping competence, which stands strong in challenging environments, and which for a long term player like Grieg Shipping Group presents many interesting opportunities.

We own a fleet of 25 state-of-the-art open hatch gantry craned ships, where two new-buildings were delivered during 2009 from Hyundai Mipo in Korea, with one more delivered at the beginning of 2010 and the last in a series of four sister vessels from the same shipyard will be delivered in April. Some of the vessels in our fleet need replacement within the next four to six years, and based on our new aggressive growth strategy further investments are being planned. After several very good years before the financial crisis hit, in combination with last year showing a small profit on our shipping activities and a near recovery of the 2008 losses on our financial portfolio, our financial position supports execution of our strategy.

The Grieg Group has a long history and tradition of operating our various businesses from Norway, and last year we celebrated our 125 year anniversary. It has been important for Grieg Shipping

Group to be able to continue to do our business from Norway and further develop the unique competence center that exists here. As a consequence, we have involved ourselves in national discussions regarding the political and economic framework for our industry, both through local networks and through the Norwegian Shipowning Association. The fact that our shipping industry recently won the long debated tax case in the Norwegian Supreme Court, is very reassuring for the future economic framework for our industry in Norway. It was a great victory. Also, it further strengthens our balance sheet which supports our expansion plans.

2010 is an important year for Grieg Shipping Group's future. There are still big uncertainties in our markets and in the global economy. We do feel however, that with the changes made throughout last year and the team of highly competent people located in key areas around the world, that we are well positioned to take on the challenges ahead. And as a signatory to the UN Global Compact, we are committed to a sustainable future for our business.

I would like to take this opportunity to thank all our customers and business partners for your support during 2009, we will do our utmost to serve you well in the years to come.

And finally, to all our colleagues in Grieg Shipping Group ashore and at sea, in all our offices around the world, thank you for all your efforts and contribution. It is an honor to have you on our team.

Camilla Grieg
CEO
Grieg Shipping Group



Key figures in USD

	Figures in	2009	2008	2007	2006	2005	2004	2003
From Profit and Loss Statement								
Gross Revenue	Mill. USD	560	208	204	127	158	148	93
EBITDA (1)	Mill. USD	50	134	138	70	109	105	54
Operating Result	Mill. USD	20	114	117	51	90	87	39
Net Financial Items	Mill. USD	23	-36	-1	12	8	4	-3
Result before Tax	Mill. USD	43	78	116	62	98	90	36
From Balance Sheet								
Ships and other fixed assets	Mill. USD	619	481	455	469	341	347	286
Current assets	Mill. USD	350	330	355	218	191	175	117
Shareholder's equity at book value	Mill. USD	483	442	377	391	339	285	233
Long term liabilities	Mill. USD	402	321	331	248	154	174	130
Current liabilities	Mill. USD	84	49	93	48	39	65	42
Total assets	Mill. USD	969	811	800	687	532	524	405
Profitability and Financial Ratios								
Return on total assets (2)	%	5,5	11,6	17,4	12,6	19,8	21	10,6
Return on equity (3)	%	8,8	19,0	30,1	17,1	31,3	34,9	15,3
Cash flow (4)	Mill. USD	73	98	137	82	116	108	51
Interest bearing debt	Mill. USD	386	273	233	242	146	164	125
Liquid assets (5)	Mill. USD	303	284	331	206	184	169	114
Debt repayment capability (6)	Years	1,2	0,0	0,0	0,4	0,0	0,0	0,2
Current ratio (7)		4,2	6,7	3,8	4,5	4,9	2,7	2,8
Equity ratio (8)	%	49,8	54,5	47,1	56,9	63,8	54,4	57,5
USD/NOK per 31.12		5,7767	7,00	5,41	6,26	6,77	6,04	6,68
Average USD/NOK		6,2816	5,64	5,86	6,42	6,45	6,74	7,08

1. Operating result before depreciation
2. Net result before tax plus financial expenses divided by average total assets
3. Net result before tax divided by average book shareholder's equity
4. Net result before tax plus depreciation

5. Bank deposit and securities
6. Interest bearing debt less liquid assets, divided by net cash-flow (4) before gain (loss) on sale of fixed assets
7. Current assets divided by current liabilities
8. Book shareholder's equity as percentage of total asset

Based on the fact that all revenues and the majority of expenses, and assets and liabilities are USD based, we chose to present the key figures in USD. This should give better comparability over time, both in respect to our own operations as well as to other shipping companies.

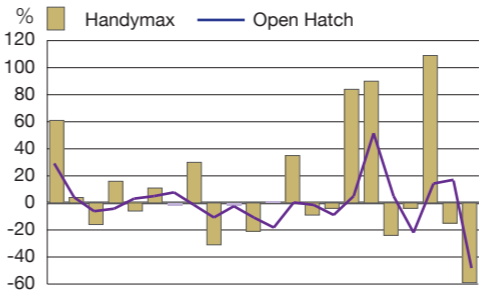
In previous years, i.e. up until 2008, we presented these key figures based on the sum of the activities in the Group's shipowning companies only, in stead of using the consolidated NOK accounts as reporting basis for the conversion into USD figures.

After the recent reorganization of Grieg Shipping Group with all of the Grieg Group's shipping activities organized within one accounting concern, we have for 2009 chosen to compute pro forma USD accounts as if we had been organized this way from the beginning of the year (ref. further comment in the Directors Report). Although

several of the financial figures are then discontinued from previous years, the pro forma USD accounts and key figures are the most representative for today's situation and will thus also be the de facto situation for Grieg Shipping Groups fully integrated shipping activities going forward. The main implication when changing reporting basis, is first most significant for the income and cost items being "above" the "EBITDA-line", as we now report freight income and ship voyage costs as well as personnel and administration costs for the commercial chartering activities on a gross basis versus the previously used time charter results.

If we on the contrary had continued the reporting practice from 2008 and previous years, gross revenues would then have been USD 117m, the EBITDA USD 44m and result before tax USD 45m. The effect on the balance sheet is, however considered moderate; I.e. an 8% increase of the Group's total assets and a 3% increase in total equity.

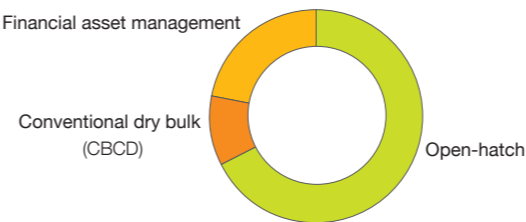
Annual change in handymax earnings vs. open hatch earnings



The graph illustrates the nature of industrial shipping in terms of revealing that changes in general dry bulk handymax earnings are far more volatile than freight earings in the open hatch segment. Possessing a considerable portfolio of cargo contracts, freight income for open hach gantry craned vessels have over time resulted in lower dips and highs and thus smoothened out annual profits and risk compared to general commodity shipping such as dry bulk.

Note:The shipping income, for both open-hatch and conventional dry bulk is based on recorded timecharter income. The financial income is net risk adjusted return on the financial investement portfolio, i.e. all liquid assets less working capital.

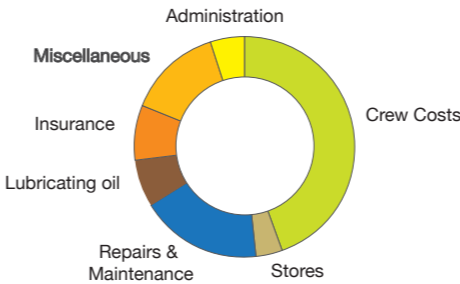
Income distributed by activity



As appear from the graph, the open-hatch operaton is the Group's core business and main source of income. Given the troubled shipping markets in 2009, open-hath contributed relatively less to the Group's overall income than in a "normal" year. The dry bulk activities in CBCD is a separate business, but has clear synergies with the open-hatch operation and is also a targeted growth area. Revenues from CBCD has varied over the years due to both varying size of the operation and market conditions. Financial asset mangement is considered the Group's third business activity and gave in 2009 a significant contribution to the overall results.

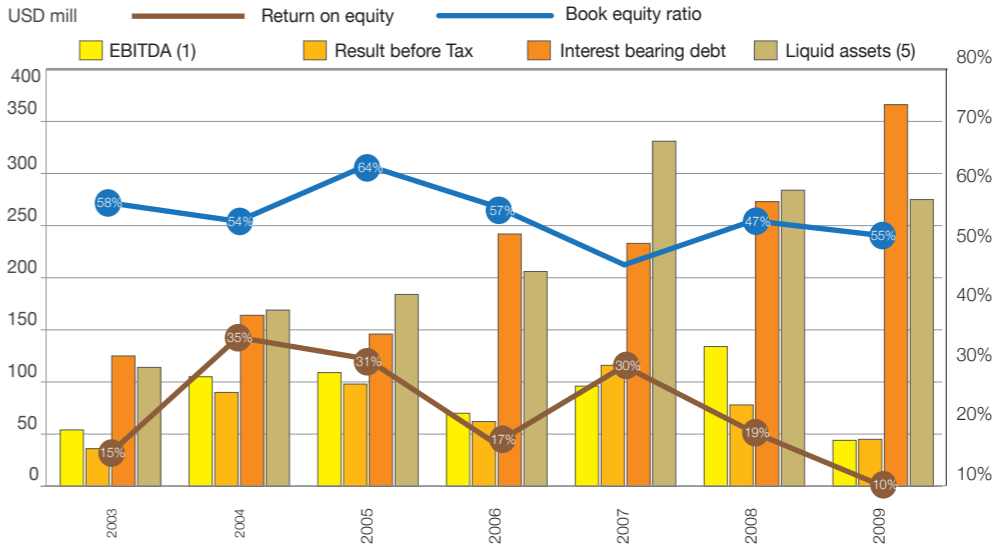
Note:The shipping income, for both open-hatch and conventional dry bulk is based on recorded timecharter income. The financial income is net risk adjusted return on the financial investement portfolio, i.e. all liquid assets less working capital.

Elements of operational expenses



The graph shows the main cost elements of the Group's techncial ship operating expenses. The major element is personnel cost which also includes provision. Due to a considerable fleet growth in international shipping and hence a shortage of well qualified seamen, crew costs has nearly doubled over the last five years. The lubricating oil's share of total costs increased in 2009 as a result of higher prices for marine fuel oil. Insurance costs also stayed high, both as a result of high premiums in general, but also because some of the Group's vessels were exposed to incidents which triggered payment of shipowner's franchise under the fleet's insurance cover-age. Administration costs, relative to total operational expenses, vary considerably from year to year due to currency fluctuations between NOK and USD as this cost element mainly constitutes personell and office costs related to onshore activities in Norway.

Key Figures 2003-2009





OUR BUSINESS

The Group's long-term commitment, financial strength and highly competent and dedicated people are of vital importance for the ability to deliver high-quality services and maintain our position as a world class shipping group. The organization emphasizes knowledge, skills and innovation. The continuous search to improve the vessels and cargo handling equipment has given us a leading role in setting new standards within our segment.

Open-hatch

Grieg Shipping Group's open-hatch ships are specially designed, with box-shaped holds, for optimal, safe and fast handling of pulp and other forestry products. Innovative design features, such as removable tween decks, gantry cranes up to 70 mt., rain protection over unobstructed holds and cell guides, allow for fast and safe handling.

Through its chartering and operating arm Grieg Star Shipping, the Group provides high quality transportation and logistic services for a number of industries, but enjoys in particular a special position in the transportation of forestry products, such as wood pulp and rolled paper. The commercial operation is organized as a pool, including some chartered in tonnage, and is characterized by long-term contracts of affreightment. The pool operates a considerable network of trades with regular sailings and frequencies adapted to its customers' requirements. Multi-year contracts with shippers enable us to operate regular liner services in key trade lanes.

Fertilizer, steel and various metals are other important cargoes. The open-hatch vessels are also suitable for project cargoes. Consequently, windmills and machinery constitute a fast growing cargo segment. The large and flat deck space is perfectly suited and equipped for items too large to fit in a ship's hold, as well as for containers.

The aim is to trade the vessels in an optimal way with as many loaded legs as possible to avoid ballast. The world economy in general and thereby world trade, will therefore to a great degree define our success. We load mainly different forestry cargoes, while on the return legs the Group has built up a broad customer base with a variety of different cargoes, primarily steel products like pipes, wire rods and coils as well as different project cargoes. Punctuality, efficiency, quality and flexibility are the primary competitive advantages to ensure customer satisfaction.

Although the open-hatch services operate worldwide, the Group's operation is today very much focused on routes to and from North America. The challenge ahead is thus to increase our share of cargo contracts in the southern hemisphere in order to achieve a larger cargo base and a more flexible sailing pattern.

The open-hatch vessels are designed, developed and maintained by the project and technical management arm Grieg Shipping, to secure optimal operation through out their effective life. By maintaining a continuous focus on quality routines and procedures, together with onboard training and drills verified by audits, the vessels are at all times in compliance with our high quality standard as well as all relevant national and international regulations. Our focus on quality is



Between us there is an almost unlimited amount of experience, knowledge and contribution

Crew member Llaki on Star Kirkenes

confirmed, amongst other things, by the vessels being holders of the US Coast Guards’ “Qualship 21” certificate. This means that the vessels are considered to be operated to very high standards and are consequently subject to less inspections on average, compared with non-certified vessels. Only about 10% of all vessels calling at American ports have “Qualship 21” certificates.

The vessels are manned by highly qualified Philippine seafarers, specially trained for our operations. A high return rate among the crew is emphasized to ensure familiarity with the vessels and operational standards. To further develop and improve the competence, knowledge and skills of the seamen, the Group has co-established a manning agency in the Philippines named Grieg Philippines Inc..

As an important part of the logistic chain in the open hatch activities, we have long-term agreements with terminals in all major ports serving as consolidation and distribution hubs. In Squamish, British Columbia, Canada, the Group owns a purpose-built break-bulk terminal, Squamish Terminals. The terminal is for public use. With two berths, three warehouses, specialized handling equipment and an intermodal transportation infrastructure, Squamish Terminals efficiently handles imports and exports cargo from and to major markets worldwide.

Conventional bulk carriers

The Group also operates a modern fleet of more than 15 geared handysize and handymax bulk carriers, equipped with grabs. The vessels, which are chartered from the market on short and long term time charter agreements, are operated in contract trades and the spot market worldwide, carrying a large variety of cargoes such as coal, coke, alumina, fertilizers, cement, concentrates, steel products, grain, sugar, salt, scrap and logs.

Financial Asset Management

The Group owns and manages an investment portfolio that serves as a long term buffer for the Group’s core activity and provides overall solidity to the Group. The investment policy is founded on the Group’s business principles and long term strategy, and is actively managed within the limits set by the Norwegian Tonnage Tax regime. The management of the investment portfolio follows a traditional asset allocation approach, and funds are added to or withdrawn from the portfolio based on the Group’s capital requirements and new business development projects.

One Vision – One Team

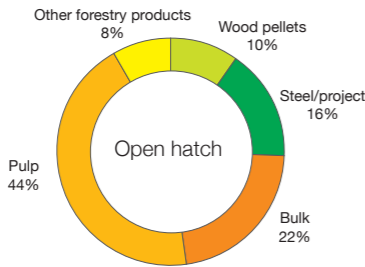
There is an ambitious business strategy for the newly reorganized Grieg Shipping Group. Unlike many other players, our main concern is not finding ways to diminish our operation, but rather develop and grow the business further.

We recognize the environmental and social impacts of our business activities and focus on corporate responsibility and sustainable business development, on both a strategic and operational level. At all times, our main concern is the safety and security of the crew, the cargo and the vessels.

The Group is based on years of tradition, high technological standards and professional seamanship. We make use of this expertise and knowledge to pave the way in a continuous development towards a modern, competitive and sustainable business.



OUR CARGO



Wood pulp pulp has for many years been the Group's main commodity. In the trades from North America and Brazil, wood pulp has traditionally been the base cargo, while other commodities have been parceled up to fill the vessels in an optimal way to give the best economic result. Over the years, the cargo composition has changed slightly and is today more diversified than ten years back. Installing tween-decks in some of the cargo holds has, among other things, proven to be a great success as it gives more flexibility to fill the vessels with a more complicated cargo stow.

North America and Scandinavia were in the past the main producing areas for wood pulp. However, the producers in these areas have old mills, expensive labor and slow growing trees. They have for many years competed with producers in low cost areas like South America and South East Asia, where there are large new mills with state-of-the-art technology, low labor costs and fast growing trees in plantations close to the mill. Today, Brazil is, and will continue to be, the largest pulp producing country in the world.

Most of the wood pulp is bale pulp for the paper and tissue industry. However we also handle rolled pulp or **fluff pulp** for the hygiene industry. About 90% of world wide fluff pulp is produced in southeast USA. Fluff pulp is a highly sensitive cargo used in the manufacture of diapers and incontinence products. It is used as is, straight from the roll, thus the receivers have extremely high standards and do not accept damaged or contaminated rolls. The Group's open-hatch, gantry craned vessels with box shaped holds are ideal for handling delicate rolls. The cranes are equipped with rain protection, and the cargo holds are equipped with dehumidification systems to control the amount of humidity during the ocean voyage. We have developed the most sophisticated vacuum systems for loading and discharging fluff pulp rolls.

In addition to fluff pulp, the Group carries a wide range of other rolled cargoes in various trade lanes, including printing paper, newsprint, kraft linerboard, sack kraft and coated board. ➡



Open-hatch Trade Services

The Group's open-hatch trade services:

- From British Colombia and the US west Coast to Europe and Far East
- From US East Coast/US Gulf to North Europe, Mediterranean and Far East
- From Far East to US West Coast and British Colombia
- From Far East to Europe, US East Coast
- From Chile/South America to Mediterranean
- From Europe and Mediterranean to US West Coast

◀ In the trades that traditionally have been the return legs of the open-hatch operation, that is from North Europe to both coasts of North America and from Far East back to USA, Canada and North Europe, the Group has over the years managed to build up a broad customer base with different commodities like steel products, fertilizer, project cargoes, windmills, pet-coke and different bulk cargoes.

Steel products have over the years become more and more important, and are today the second largest commodity group transported by the Group. Box shaped holds, tween decks and unobstructed deck space give an optimal stow for many different steel cargoes and project cargoes. From Europe to US west coast we carried more than twenty different steel qualities from more than twenty different producers in 2009. In the trades from China to US West Coast, US East Coast and Europe, steel products are also essential cargoes on the vessels.

Along with falling wood pulp volumes in the trade from US west coast / British Colombia to North Europe, **wood pellets** have also grown to be an important commodity in our cargo mix. To combat climate changes, the European Commission has set goals to increase the share of renewable energy to 20% in 2020. Within the EU, 65% of this renewable energy should originate from biomass such as wood pellets. Because of this new legislation, increasing energy demand and the strong dependence on fossil fuels, the worldwide demand for wood pellets as a source of renewable energy has increased. Currently the use of wood pellets is limited to a number of countries, but the potential is large.

Wood pulp is a dry, fibrous material, prepared chemically or mechanically, separating fibres from wood. Wood pulp can either be fluffy (fluff pulp) used in the hygiene industry for diapers or formed into thick sheets (bale pulp) used to make different paper qualities or tissue paper. Fluff pulp is used as is, straight from the roll. The sheet is hammered to make it “fluff up” and introduced directly into the diaper. This cargo is therefore more complicated to handle, and zero damage is accepted from the receivers of the cargo.

Crude steel is made into different steel products depending on the end users. In 2008 world crude steel production amounted to 1,327 million tons and was transformed into 1,198 million tons of finished steel products. Steel plates and strips are used in the production of cars, washing machines etc, whilst steel coils, bars and rods are used in the shipbuilding industry, pipelines for the oil industry, various constructions, railways etc. Steel is also the main material used in wind turbines. The tower, gears, generator, shafts and various other parts depend on steel. All the different windmill modules are transported in the Group’s vessels today.

Wood pellets are usually made from dry, untreated, industrial wood waste such as sawdust, shavings or ground wood chips. Wood pellets are the product of a relatively simple mechanical process that relies on pressure and high temperature to form wood fibre into a pellet. Once the raw material is dry and uniform in size, it is forced through a press under very high pressure to create the pellet, which is cylindrical in shape. Pellets are then ready to be distributed to the market. Their high density permits compact storage and rational transport over long distances.



Newspaper rolls in one of Star Ewiva’s dry cargo holds.

The wood pulp market in 2009

The financial crisis worldwide resulted in weak global demand for paper products and, in consequence, weak demand for market pulp when entering 2009. Although the wood pulp producers reduced their production by close to 2 million tons through the fourth quarter of 2008, this was not enough, and the result was sky-high producers’ stocks and depressed wood pulp prices. Global market pulp stocks corresponded to 50 days of supply in January 2009, compared with a balanced market of 32 days. Consequently, official list prices for benchmark Northern Bleached Softwood Kraft (NBSK) in North America went from USD 885 /ton in August 2008, to USD 705 /ton in January 2009 and further down to USD 635 /ton in May.

However, high Chinese demand combined with production curtailments brought stability back into the market moving into the spring. In February, China was already importing record high amounts of wood pulp, and this continued through most of the year. Chinese wood pulp imports increased from 9.5 million tons in 2008 to 13.7 million tons in 2009, an increase of almost 45%. The increase in demand of more than 4 million tons to China more than compensated for the decline in imports of 0.9 million tons in North America and 1.8 million tons in Western Europe.

The benchmark NBSK price in North America ended up at USD 718/ton on average for the year 2009, 16 percentage points below the average level in 2008. However, with a few exceptions, printing and writing paper prices were very slow to respond to the moderately improved paper demand during second half of the year, and profitability for many paper producers therefore remained low.

Going into 2010, the wood pulp market remains firm with tight supplies, but prospects depend heavily on China’s performance. Reports so far suggest a stable market situation, and prospects are good. An increasing amount of business is being arranged on long term contracts, thereby removing some of the short-term uncertainty usually associated with the Chinese market.

Global bleached chemical market pulp¹ demand in 2009 is estimated to be around 46 million tons, up from 45.7 million tons in 2008. This increase completes nine consecutive years of demand growth. Given a modest recovery in global macro-economics for 2010, it all depends on China whether global market pulp demand will record a tenth straight year of demand growth in 2010. A slowdown in Chinese demand is unlikely to be compensated for by improved demand in Western Europe and North America.

¹ Global bleached Chemical market pulp consist of pulp produced using a chemical process. Part of this process is to bleach the pulp. Bleaching resist yellowing of the paper. The remaining 10% is unbleached pulp or different types of speciality pulp. Global bleached chemical market pulp consist of approximately 50% softwood and 50% hardwood.

Northern bleached Softwood Pulp is pulp from spruce or pines. The trees are evergreen, cone-bearing with needles. It is produced in Canada and Scandinavia, southern softwood in the US, Europe and Chile. Softwood provides strength to the product.

Northern bleached Hardwood is pulp from beech, oak, birch, maple and aspen, i.e. from broad leaved trees. The fibers are shorter and narrower than softwood. Traditionally produced in North America, but more and more in South America and Indonesia. Provides smoothness and opacity to the product.

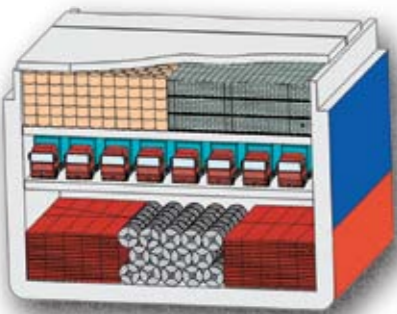
OUR FLEET

Specialized vessels

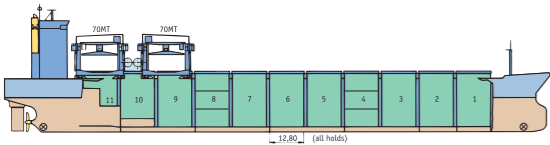
Our highly specialized vessels have box shaped holds, gantry cranes with rain protection, dehumidification systems and state-of-the-art cargo equipment. This enables loading and discharge of the cargo with minimum handling, ensuring safe stowage and minimum delays.

Additionally most of the vessels are equipped with removable tween-decks in two levels in hold 4 and 8. These decks give the flexibility to combine a mixture of fragile, sensitive and project cargoes.

The rain protection on the cranes allow vessels to work a number of cargoes in light to moderate precipitation maintaining cargo care and efficiency during loading and discharge. Dehumidification systems ensure that the air quality in the holds is right for the various types of goods carried. Further, the vessels' unobstructed deck space gives an excellent stowage for various project cargoes in order to perform a safe and damage free ocean transit.



Star "K" class



	Built	DWT	Cranes
STAR "K" CLASS			
M/S Star Kirkenes	2009	49924	2x70 mt
M/S Star Kilimanjaro	2009	49862	2x70 mt
M/S Star Kinn	2010	49864	2x70 mt
M/S Star Kvarven	2010	49300	2x70 mt
STAR "J" CLASS			
M/S Star Juventas	2004	44837	2x68 mt
M/S Star Japan	2004	44807	2x68 mt
M/S Star Java	2006	44837	2x68 mt
STAR "I" CLASS			
M/S Star Istind	1999	46547	2x68mt
M/S Star Ismene	2000	46489	2x68 mt
M/S Star Isfjord	2000	45849	2x68 mt
STAR "H" CLASS			
M/S Star Herdla	1994	46580	2x40 mt
M/S Star Hidra	1994	46580	2x40 mt
M/S Star Hansa	1995	46580	2x40 mt
M/S Star Harmonia	1998	46590	2x40 mt
STAR "G" CLASS			
M/S Star Grip	1986	43712	2x40 mt
M/S Star Gran	1986	43759	2x40 mt
STAR "F" CLASS			
M/S Star Florida	1985	40790	2x37 mt
M/S Star Fraser	1985	40840	2x37 mt
M/S Star Fuji	1985	40850	2x37 mt
STAR "E" CLASS			
M/S Star Eagle	1981	39749	2x40 mt
M/S Star Evviva	1982	39718	2x40 mt
STAR "D" CLASS			
M/S Star Dieppe	1977	43082	2x32 mt
M/S Star Derby	1979	43700	2x32 mt
STAR "A" CLASS			
M/S Star America	1985	30168	2x40 mt
M/S Star Alabama	1985	30175	2x40 mt
M/S Star Atlantic	1986	30402	2x40 mt

MARKET REPORT

A dialogue between Tom Rasmussen, CEO of Grieg Star Shipping and Halvor Sveen, VP Market and Business Development Grieg Shipping.

Halvor

We were not too optimistic about the dry bulk year 2009 when we gave our views 12 months ago. But fortunately we were proved wrong, to a certain degree!

Industrial key parameters were already showing positive signs in February/March 2009, although from low levels. This stimulated growth in the global seaborne trade and actually made the dry bulk market a bright spot in a generally speaking depressed shipping market. Congestion in the main shipping ports started to build up again in conjunction with stronger demand growth and also contributed to an improving freight market. On the supply side, we registered a slippage of around 35% of scheduled deliveries, a figure basically in line with common forecasts. As a consequence of rising freight markets, scrapping activity slowed down during the year, and we were faced with a net fleet increase of approximately 7.5%, which in a historic perspective would have represented a most negative scenario for market balance. The quite remarkable fact is that freight rates were able to absorb this supply side increase, clearly indicating a strong underlying demand trend.

Tom; In this perspective, can you give us some headlines regarding the main development trends in the forestry product industry in 2009 and how this has affected our business activities?

Tom

From a very slow start at the beginning of the year in all segments, it really picked up again late in the 3rd quarter. China started to import raw materials from different sources world wide, and this resulted in a substantial increase in seaborne pulp volumes with Chinese wood pulp

imports about 40 % over the 2008 level. This increase resulted in a very tight pulp market for the rest of the year.

With increased demand, the pulp prices for both hardwood and softwood went up. For instance, the price for Northern Bleached Softwood Kraft in North America increased by almost USD 200/ton from USD 635/ton in May 2009 to USD 830 /ton at year-end. In so doing, it reached levels that resulted in the reopening of some of the British Columbian paper mills that had previously closed down during late 2008 and the beginning of 2009 as a result of reduced demand due to the financial crises.

In the US, all the pulp producers also got a free ride due to the “black liquor” tax credit¹, which subsidized some of the mills to the tune of about USD 200 pmt. So all in all, 2009 has in fact been quite a good year for the pulp industry. But if China stops buying, we are concerned that pulp prices will drop quickly, and we might see more mill closures again in North America.

Halvor

We exchanged some views regarding the troubled container market last year. The massive negative development continued in 2009 due to a destructive combination of huge overcapacity on the supply side and a severe imbalance in the trade exchange in the main basins. Some analysts predict that we cannot expect balance in the sector to be

¹ Black liquor is a thick, dark liquid created when wood is transformed into pulp, which is then dried to make paper. To qualify for the credit, U.S. pulp producers must mix at least 0.1 percent of diesel fuel with black liquor.



Halvor Sveen

re-established before 2015 at best. Again, do you think this situation can have negative effects for our trade, in particular between British Columbia and China? Have the volumes of pulp shipped in containers increased from last year in view of the development?

Tom

Currently about 10 % of the global container fleet is laid up. There still is about 35% of the current container fleet on order, so overcapacity will definitely continue in the years to come. Many shippers are very uncertain about the container future. Amazingly enough, the container lines have still succeeded in increasing the freight rates from the Far East to North America and Europe. The question is: is it sustainable?

There has been pressure on container rates from British Colombia to the Far East, and there are no signs that the container carriers will increase their portion of wood pulp ex British Colombia. Currently, about 1.5 mill tons of pulp is shipped in containers, primarily to China.

Halvor

In the open-hatch sector there is generally a strong focus on the development of new pulp production capacity in Brazil. Can you, Tom,

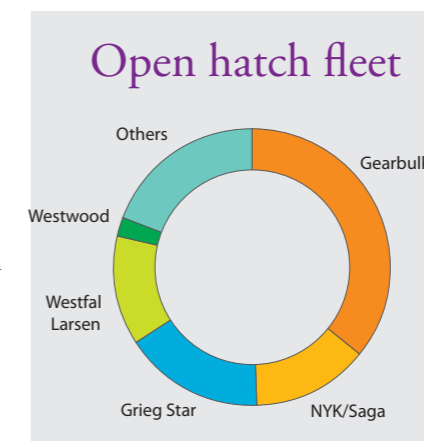


Tom Rasmussen

give us a brief picture of the current status and the expected trends ahead of us? Do you think Brazil can and will be able to live up to expectations in this area?

Tom

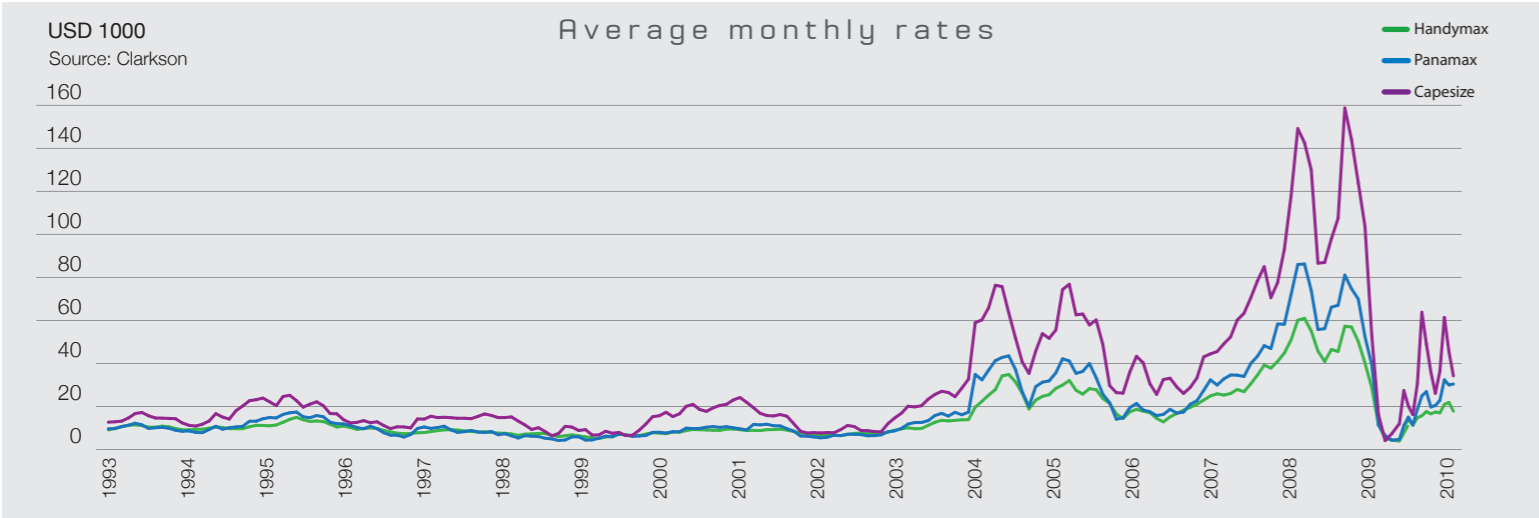
There is no question that future pulp expansion will take place on South America's east coast. Not only in Brazil, but there are also ongoing projects in Uruguay. In Brazil it is Suzano who currently have confirmed projects. They are looking at new mills with capacity of another 3 to 4 million tons of wood pulp.



After the merger of Aracruz and Votorantim on the pulp side, now operating as Fibria, there are now two major players, Fibria and Suzano. Together they will produce between 12 and 14 million tons of market pulp within 3 to 4 years. Cenibra is also considering expanding, but no final decision has been taken. In terms of costs, the Brazilians are the most competitive of the hardwood producers and will definitely be the major player in the future.

Halvor

Overcapacity is still the dark shadow lingering over future evaluations of the dry bulk sector. Although we saw a slippage in deliveries of 35%



in 2009, it is fair to say that we are not out of the danger zone; we must bear in mind that we still have an order book for dry bulk vessels which constitutes 50% of the sailing fleet on average for the different size groups. The key question remains: how large a portion of this order book will materialize - and the answer remains to be seen. In the meantime, we are left to forecast and predict to the best of our ability. However, with regard to the order book, there could be signs that something in the nature of a “soft landing” might be on the cards. By this, I mean that the actual deliveries may be spread out over a longer period of time than previously forecast, based on the “theoretical” order lists. We expect to have a better picture at the end of 2010, as this year - again according to the “theoretical” order book - should represent the peak in deliveries.

Tom, you estimated last year an overcapacity in our segment to be around 10-15%. Have 2009 changed some of this picture, and are there other development trends that are significant for shaping the future tonnage type for our niche?

Tom
Overcapacity today is far less, due to the increased pulp volumes being shipped to China. This absorbed a fair amount of extra capacity in 2009. But again the question is: will it continue?

We have not changed our opinion on the fundamentals here. Over time, we still believe that the North American pulp producers will continue to lose market shares to the South Americans. This, of course, also includes the two major pulp producers in Chile.

We have a fair amount of capacity allocated to trades to/from North America, and we will continue to serve this industry, However, we have to be aware that over time, our capacity in these trades might gradually decrease. It is therefore very encouraging that we have now started a pulp trade from Chile to the Mediterranean.

When it comes to the future tonnage type, this will be very much dictated by price. Historically, our gantry craned vessels have served the industry very well. But, the additional price for the gantries, compared to swinging cranes, might make this cost-prohibitive.

Halvor
Tom, could you enlighten the readers by drawing up the main characteristics of our niche; bulk parcel trade compared to the general bulk market and how these two areas influence each other?

Tom
Our parcel trades (liner trades) are built up in a much more structured trading pattern than the regular bulk market. There are many contracts involved that may vary from one to five years. Very often, we offer our customers two sailings a month as, depending on the commodity, we sometimes also compete with the container lines where frequency is crucial.

Our type of vessels is tailor-made for unitized cargoes, but due to the number of cargo holds, there is good flexibility which also allows us to carry smaller parcels of various bulk commodities. The general freight market affects both segments, but since these are specialized vessels, and much more expensive than a regular bulk carrier, contracts of affreightment have always been the policy. And with a solid contract base, a dramatic fall in the general bulk market will not have the same immediate effect as it does for the bulk market.

Halvor
For 2010 we are carefully predicting growth in global industrial production and consequently an increase in seaborne bulk trade compared to 2009. As mentioned, the supply side is still surrounded by a lot of uncertainties and we therefore foresee a likelihood of periodic volatility in the market. In addition to this, we also have to take account of the main parameters; a possible new setback in the world economy, the threat of the bubble bursting in China, and a supply side increasing to the worst of our expectations. So there really is enough to worry about. On the other hand; a better development on the supply side than what we fear and a continued positive underlying trend on the demand side could eventually stabilize the market at a fairly decent level. In particular, the forecasted figures for imports of energy commodities to the Far East and India are interesting to study in this context.

From your side Tom; what are the main critical factors that could tip our trading results in either direction in 2010?

Tom
For our conventional bulk carriers, we have a solid contract base compared to our activity and we are fairly well covered tonnage-wise, so 2010 should not “deviate” too much from the budget.

For open-hatch, we will definitely see a lower result if China puts on the breaks for raw material imports. The upside, which I suppose applies to everyone, is if China starts selling its products to Europe and North America. These trade lines are very competitive these days.



Dry cargo hold and gantry crane. The ends of the cranes seen against the sky, are folded in when the vessel is at sea.

DIRECTORS'

REPORT

BUSINESS AREAS

Grieg Shipping Group Holding AS¹, based in Bergen, is the parent Grieg Shipping Group AS , based in Bergen, is the parent company of the Grieg Group's shipping activities. The consolidated Group, which also has offices in Oslo, Atlanta, Mobile, Savannah, Long Beach, Vancouver, Squamish, Vancouver B.C, Rotterdam, Brussels, Gothenburg, Livorno, Sydney, Rio de Janeiro, Seoul, Tokyo, Manila and Shanghai, comprises the shipowning companies Grieg Shipping II AS² , Grieg International II AS³ and the 50% owned general partnership ANS Billabong II. After taking delivery of the last vessel in a series of four in April 2010, these companies control in total 26 open-hatch gantry crane general cargo vessels employed in international transport of forestry products and other parcel cargo trades.

Grieg Shipping Group AS is responsible for group management and provides corporate services to the Group in the area of strategy and management, administration, HR, IT, asset management, accounting and finance, risk management as well as insurance and claims handling. Grieg Shipping AS is responsible for the technical operation of the fleet including manning and product innovation as well as market and business development. The marketing, chartering and operation of the fleet, including cargo handling, are carried out by Grieg Star Shipping AS⁴.

25% of the shipping business is owned by the Grieg Foundation which is a benevolent foundation located at Os outside Bergen.

1

Previously named Grieg Shipping Group Holding AS

2

Previously named Grieg Shipping AS

3

The shipowning company Grieg Maritime AS was merged with Grieg International II AS during 2009 with effect from 01.01.09.

4

Until 31.12.08 Grieg Star Shipping AS, then called Star Shipping AS, was owned 50/50 by Masterbulk Pte. Ltd (Singapore) and the Grieg Group. After a period of discussions between the owners, a demerger was agreed, whereby Grieg continued the company under the name of Grieg Star Shipping AS. This entailed a 50/50 split of assets and liabilities, including cargo contracts and sailing patters, as well as offices and employees. During 2009, the “new” Grieg Star Shipping organisation was incorporated with the Grieg Group's other shipping activities under the slogan: One Vision - One Team

2009 started with a bleak outlook, but came in better than feared. The years with consecutive growth in freight market earnings and results above long term capital return requirements have been interrupted, but Grieg Shipping Group's balance sheet remains strong and is well equipped for further growth.

Vision and strategy

The overriding commercial objective of Grieg Shipping Group is to develop the Group's strong market position and brand by building on the competitive advantages of its core activities and expertise in open-hatch and dry bulk shipping, and thereby create business opportunities and enter new markets.

Areas of operation

Open-hatch forestry and other parcel cargo trades

The Group's open-hatch fleet is operated in a pool with long and short-term contracts of affreightment. The freight contracts are entered into with major international pulp and paper producers as well as many other cargo shippers , and they usually have a duration of 1-5 years. Vessels are also chartered in from third parties. The ability to establish optimal long-term sailing patterns and cargo combinations is the pool's most critical success factor, while simultaneously responding to constantly changing market conditions. The Group's trading pattern is mainly built around the North American pulp and paper industry with sailings to and from Europe and Asia. However, during 2009 the pool concluded strategically important contracts from South America.

The average age of the fleet is 16 years, while the economic life of an open-hatch vessel has been shown to be at least 30 years. During 2009, the Group took delivery of two state-of-the-art newbuildings from Hyundai Mipo Dockyard Co. Ltd in South Korea. Vessel number three was delivered in February this year, while the fourth is scheduled for April.

Other shipping activities

For close to 40 years the Group has, through Grieg Star Shipping AS, also been operating a pool of handymax/supramax⁵ dry bulk vessels, called CBCD (Conventional Bulk Carrier Division)⁶. Until now this has been primarily an operator activity. Vessels in the pool are chartered

5

Over time, there has been a gradual development in the size of vessels in this segment from handysize, handymax to supramax.

6

The CBCD activity was not affected by the demerger in 2008 in the sense that it was continued in its entirety by Grieg Star Shipping AS

from other shipping companies in the same manner as contracts of affreightment for various dry bulk commodities are entered into with varying durations. The combination of tonnage and cargo commitments at any given time give rise to the desired net market exposure for the period in question. Looking ahead, the Group aims to build and broaden this business area through investments in dry bulk vessels. In 2009, the CBCD pool operated on average 17 vessels, but maintained a relatively low net freight market risk by adopting a careful approach to the uncertain market conditions.

Financial management

The Group manages a substantial financial investment portfolio owned by the Group's two shipowning companies. The investment portfolio has been consciously built up over time and is actively managed and treated as a separate business area, to the extent possible within the limits set by the Norwegian Tonnage tax regime. The main objective of the portfolio, besides generating adequate risk adjusted returns, is to serve as a long term buffer for the shipping activities and to provide overall financial stability and a strong capital base for the Group. The importance of having a strong balance sheet became very evident in 2009 when the shipping markets suffered dramatically and access to financing become more difficult.

The investment policy for the portfolio has a long-term horizon and follows a traditional asset allocation model where funds are allocated to various asset classes, primarily through fund instruments. After a dismal 2008, where the portfolio experienced extensive losses as a result of the global financial crisis, the portfolio recouped its losses in 2009 and strongly outperformed its benchmark returns.

ANNUAL ACCOUNTS

Results, earnings and operations

Based on a shipping market that experienced a sharp downturn in 2009, coupled with a substantial recovery in financial earnings, Grieg Shipping Group can report a consolidated pre-tax profit of NOK 370m for 2009. This represents an 86% improvement on the NOK 199m profit recorded in 2008.

Given Grieg Shipping Group AS' purchase of all the shares in Grieg Star Shipping AS 31.12.09, this influences the annual accounts' comparability with previous years; in terms of results, the share purchase has no effects on the accounts, while the consolidated balance sheet fully reflects the assets and liabilities of the purchased company⁷.

The Group had aggregate income of NOK 728m in 2009, of which NOK 2m was a gain on an open-hatch vessel sold for recycling. However, the revenues corresponded to two thirds of the record freight

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Proforma figures for 2009 have been calculated as if Grieg Star Shipping AS had been purchased with effect from 01.01.09. This is presented as part of the Group's presentation of USD key figures.

income of NOK 1.17bn in 2008. The reduction in earnings was due to lower transportation volumes and freight rates earned on the open-hatch vessels. This was despite a solid contribution from the dry bulk shipping pool's activities.

The Group's operating expenses were up 6% from the previous year, totalling NOK 659m. However, the increase was considerably lower than originally budgeted for, given great efforts to reduce costs as well as postpone upgrading activities etc. until prices for goods and services are better aligned with weaker economic times. Compared to 2008, the operating costs that faced the most evident increase were the cost of lubricating oil as well as personnel costs at sea and ashore. Insurance costs remained high as a result of high premiums in general, but also because several of the Group's vessels have been exposed to various incidents in the last couple of years. There were 7 dry dockings in 2009, with total costs within budget. Depreciation charges increased in 2009, mainly due to the delivery of the two newbuildings. These two vessels had in fact the most important impact on the increase in operating costs in 2009, given a general increase in total ship operating days as well as specific expenditures related to upstoring and the site team at the shipbuilding yard in Korea.

Based on lower earnings in particular and somewhat higher operating costs, the Group's operating profit was reduced from NOK 546m in 2008 to NOK 69m in 2009.

After a troubled 2008 with net financial items of minus NOK 347m, net financials showed a positive contribution of NOK 301m in 2009. The year over year change of NOK 648m was mainly due to realised and unrealised gains from the Group's financial investment portfolio and currency gains. The sharp reversal in equity, bond and currency markets during 2009 all benefited the investment portfolio, which recouped most of the losses suffered in 2008. The long term commitment in the management of the portfolio paid off; maintaining a significant exposure to risky assets also when the markets turned, combined with increased allocations in first half 2009, helped generate positive returns.

In the aftermath of the financial crisis, interest rates have remained at historically low levels. The Group took delivery of two new vessels in 2009, and although about 50% of the interest rate exposure has been fixed through swap agreements, the Group was still able to achieve lower overall interest costs in 2009 compared with 2008. A gradually weaker USD throughout the year, contributed to make this possible.

Balance sheet, financial situation and cash flow

Based on lower operating income, but a higher level of investment activity, slightly increased costs, positive financial returns and positive exchange rate fluctuations, the Group's cash flow from operations at year-end 2009 totalled NOK 595m, while the net change in liquid funds was minus NOK 105m after payment of dividends and a net increase in

26

GRIEG SHIPPING GROUP ANNUAL REPORT 2009 27



Crew members arriving Herøya

debt. Long-term interest-bearing debt increased from NOK 1.91bn to NOK 2.14bn in the course of the year due delivery of two newbuildings and additional borrowings under the pre-delivery financing for last two vessels on order. At year-end, book equity was NOK 2.01bn including NOK 442m in reversed tax debt.

At the end of 2009 the Group had total assets of NOK 6.24bn, with current assets accounting for NOK 2.02bn, of which the financial investment portfolio accounted for about 75%. Liquidity in the form of bank deposits and cash at year-end totalled NOK 122m.

REGULATORY FRAMEWORK

Shipping tax regime

The shipowning companies of the Group comply with the new shipping tax regime which was adopted in 2007.

According to transitional regulations on the transition from the old tonnage tax regime, retained profits in the period covered by the old tax regime would in effect be taxed over a ten-year period. One third of the total transitional tax, referred to as the "environment fund", was not payable provided that the amount involved is invested in initiatives aimed at protecting the environment. Since 2008, the part of the transitional tax that must be used for environmental initiatives has been posted at net present value, estimated to zero.

On February 12, 2010, the Norwegian Supreme Court ruled that the transitional regulations contravene paragraph 97 of the Constitution, paragraph 97. According to the Supreme Court, two thirds of the transitional taxes are regarded as unconstitutional retroactive taxation of income earned under the old tonnage tax regime. Consequently, the tax assessments for the income years 2007 and 2008, have been annulled. The total effect of the Supreme Court decision for Grieg Shipping

Group is an increases in the 2009 consolidated annual result as well as the Group's equity by NOK 442m, resulting in post-tax profits of NOK 812m.

WORKING ENVIRONMENT

At year-end 2009 the Group had 206 shore-based personnel, employed in either Grieg Shipping Group AS, Grieg Shipping AS or Grieg Star Shipping AS, while 116 were employed at the Group's offices in Norway and 90 in offices abroad. In addition, the Group employed 593 sailing personnel as the Group's vessels are manned by Philippine crews. As part of strengthening and playing a more active role in crew-related matters, the Group established a new manning agency in 2009 called Grieg Philippines Inc. The agency is run and owned in collaboration with local partners who have worked for the Group for many years. Almost all the seafarers working on the Group's vessels through the agency used previously chose to follow Grieg, which we take to be an indication

that the onboard working conditions are good. Grieg Philippines also did a good and important job in following up employees and their families after the typhoons which the Philippines were so unfortunate to experience in the early autumn.

The Board considers the working environment and the level of job satisfaction in the offices to be good. Integrating all Grieg Shipping Group's personnel to create a single team, with one vision and a common corporate culture was high on the agenda in 2009. Through various actions, from revision of business plans and introducing one bonus programme, to relocation of offices and harmonization of personnel policies, the objective is to make a stronger and more efficient team preparing for the future. The development of employees is achieved by utilising structured and interactive arenas such as conferences, seminars and job-based training. Officers' conferences, held semi-annually in Manila, are an important venue to focus on job improvements

among sailing personnel. In 2009, subjects like train-the-trainer, good operational practice and applied weather technology were on the agenda. Similar development arenas are arranged for on-shore employees in order to present and discuss operational and commercial challenges as well as train on matters such as crisis management and ethical dilemmas. An update on the Group's business performance and corporate responsibility issues is always on the agenda to create broader understanding of the business and strengthen the team.

Health, environment and safety

The Group maintains an overview of sick leave in accordance with current laws and regulations. In 2009 the overall incidence of sick leave for shore-based employees was 2.04%, of which 1.39% was long term leave. The Group encourages and facilitates participation in physical activities, and supports its employees financially or with in-house facilities to stay fit. The installation of fitness equipment on board the vessels is considered a prerequisite. Since 2008, the Group has been involved in the GoActive project initiated by Grethe Waitz where employees engage in keeping active and at the same time raise funds to combat cancer. In 2009, other combined training and charity initiatives like "cycling around the world" in support of Care's TV fund-raising event were also carried out.

No injuries or accidents ashore were recorded in 2009. There is a continuous focus on training and the performance of work processes in accordance with stipulated procedures. An internal project evaluating the work strains on sailing personnel including improvement of the on board processes, was finalised during the year, leading to identification of several steps that will be taken to prevent future accidents. Among sailing personnel, 7 cases of sick leave were recorded while 4 crew members had to sign off due to injury. The level of injuries was halved compared with 2008 and is thus closer to established goals and historical figures. Fortunately, the crew has not been affected by the H1N1 flu.

Equal opportunities

The Group does not accept discrimination based on gender, religion, cultural background, skin colour, or in any other form. The Group wishes to have a business based on full equality and respect for the employees.



Elisabeth Grieg (50)
Chair

Mrs. Grieg is co-owner of the Grieg Group and a member of the founding family. In addition to being President of the Norwegian Shipowners' Association, Mrs. Grieg is also a board member of Statoil ASA, SOS Children's Villages Norway and the Grieg Foundation. She is also a member of the Council of Det norske Veritas.

At year-end 2009 the Group's workforce reflected almost full equality between the genders, with 47% women and 53% men. Equal gender distribution is partly implemented within the Group management team and at middle management level, where approximately one third are women. The Board considers that no action is required in this area.

EXTERNAL ENVIRONMENT

Shipment by sea is the most environment-friendly way of transporting goods from one place to another. Nevertheless, shipping operations entail the discharge of harmful emissions into the sea and the air. As its contribution to addressing the climate challenges, the Group's long term vision reflects a commitment to have zero harmful emissions into the sea and the air. During 2009, the international environmental standard ISO 14001 was awarded to the Group's ship management operations.

As well as complying with national and international environmental laws and regulations, the Group strives to be proactive in implementing environmental procedures and approved technology to reduce possible harmful effects of its business activity on the environment. The Group supports the environment policy of the Norwegian Shipowners' Association to the effect that environmental emissions from transportation by ships must be subject to international regulation.

Primarily, the Group will seek solutions through innovation and technological development within the industry aimed at reducing emissions

of CO₂, NO_x and SO_x. Evaluation of SO_x scrubber technology adoptable for the Group's vessels was one of the projects carried out in 2009. Installation of this type of technology will enable the fleet to run on any type of heavy fuel oil, regardless of sulphur content.

The most effective way of reducing CO₂ emissions in the future is to reduce the fleet's total energy consumption. A number of development projects, both small and large, have therefore been started and which should result in an upgrading of the fleet. Initially, the Group aims to reduce fuel consumption by around 20% within the docking period for the respective vessels, assuming that proposed measures are implemented.

This means that the Group should be able to achieve its target for all vessels by 2015. As well as the environment-friendly effect, future investments of this kind will increase the operating efficiency of the fleet and thus reduce running costs. At the same time, one has to be aware that the market situation also will affect the overall environmental footprint, as more cargo carried and better freight market conditions lead to a higher turnover rate in the various trades where the Group operates. Slow steaming, which is the main contributor to reduced fuel consumption, will be less relevant in a good market.

A number of investments were made in 2009 to improve the environmental performance of the fleet. One key investment was the installation of the Mewis Duct on two vessels. The expected saving from this system, having a device helping to optimize the water flow through the propeller, is in the magnitude of 6%. Two more vessels will have this installed in 2010. The vessels built in 2009/2010 have been fitted with Propeller Boss Cap Fin. This will reduce the energy loss behind the propeller by removing rotating water, which is expected to yield power savings of 2-4%. The same vessels are also equipped with energy management systems, giving support related to optimal utilisation of machinery systems and operation of the ship. All in all, the Group is positioning itself to keep better track of its performance allowing continuous improvement and better evaluation of installed energy efficiency systems.

On the operational side, weather routing systems have been installed on the entire fleet, yielding support to sail the most optimal voyage taking into account forecasts related to wind, waves and current. This has an expected energy saving in the area of 2-9%. The installation of Green Passport, which shows that a vessel is in compliance with IMO's proposed regulations for the recycling of ships, has also been continued in 2009.



Kai Grøtterud (51)

Mr. Grøtterud is Head of Maritime Logistics at the fertilizer company Yara International ASA, and a business man with own shipping related activities. He has worked 28 years in shipping and logistics, most of this time internationally in the UK, Australia, Japan and Saudi Arabia. Mr. Grøtterud has held top executive shipping positions in both shipping and industrial companies, including Executive Vice President of Gearbulk, Managing Director of Klaveness Maritime Logistics, Vice President Shipping of Scancem AB, and similar positions in P&O Maritime Ltd and Hoegh-Ugland Autoliners. Mr. Grøtterud has also held board positions in various joint venture shipping companies. He has a degree in Transportation & Business Administration from MRDH, Molde, and management education from INSEAD.

INTEGRITY AND TRANSPARENCY

The Group's values - Solid, Proud, Open and Committed - guide the way the Group conducts its business and are fundamental to defining our ethical guidelines. These guidelines cover relevant areas for interested parties and requirements pertaining to business ethics in relation to impartiality, conflict of interest, gifts and representation, as well as the treatment of information and confidentiality.

Furthermore, an ethical test is included to guide employees to make good decisions. Active dilemma training is well established within the Group, also at management and board level. Corruption, where the Group takes a zero tolerance stance, is one of many difficult themes in international shipping which has been given much attention. In 2009 special attention has also been given to the environmental and ethical conduct of the Group's largest shipping customers.

Transparency

As a signatory to the UN Global Compact and its ten principles on human rights, working conditions, the environment and anti-corruption, the Group has made a commitment to implement these principles in strategies and business operations, and to report on progress. In order to highlight the progress made, reporting is done in accordance with the Global Reporting Initiative (GRI), an international recognized standard for triple-bottom line reporting. It is the second year of reporting, applying version 3 of the GRI standard and relevant performance indicators from the Transport & Logistics sector supplement.

The Board has adopted a Suppliers Code of Conduct (SCC). This code is being implemented, and at the end of the reporting year 2009, the majority of the Group's suppliers had signed the SCC, thereby committing to high ethical and environmental standards, as well as making improvements where necessary.



Whistle blowing

The HR director and the chair of the Board act as the Group’s advisers in ethical matters. Whistle blowing rules are implemented. Externally elected board members are the last notification body for unethical or illegal matters. Notifications are dealt with confidentially, unless the

matter relates to criminal offences. No actions shall be taken against reporting of undesired events.



Camilla Grieg (45)
Board member

Mrs. Grieg is co-owner of the Grieg Group and CEO of Grieg Shipping Group. She is a member of the founding family. Mrs. Grieg has an MBA with a major in finance from the University of San Francisco and is a Certified Financial Analyst (CFA). She is a member of the Board of Directors of GC Rieber AS, Storebrand ASA and the Norwegian Shipowners’ Association.

CONTINUOUS IMPROVEMENT

Through active participation in research & development projects, the Group seeks to find innovative solutions to improve the environmental performance of the fleet. An effective reporting regime to monitor and following up performance is critical for success and a key improvement area. Active involvement of employees through dilemma training represents another improvement area where a continuous focus and openness is needed. Performance in relation to these areas and more, is further described in the Group’s corporate responsibility report, which is an integrated part of the annual report.

RISK

The management of risk is important for value creation, and it is an integrated part of our overall management and governing model. The key risk factors relate to market operations, financial management, operations and the regulatory framework. The development of strategies and policies as well as actions to reduce risk, play a vital role in risk management and contribute to safeguard quality and controls.

Market risk

The Group is exposed to considerable market risk related to the development of freight rates, bunker prices, second hand ship values, and newbuilding prices. As regards earnings and ship values, the risk is largely described in the section above dealing with market conditions. It must however, be borne in mind that the Group’s activities are industrial. The fleet’s earnings relate largely to long-term freight contracts. The revenues are therefore less volatile than in the general dry bulk market and changing market conditions generally have a delayed effect on profits. Nevertheless, international demand for paper products in particular and demand for dry bulk commodities in general will impact on the Group’s earnings, since the implementation of cargo contracts depends on real demand for transportation. The portfolio of vessels and cargoes is adjusted continuously to take account of the current perception of rates and vessel capacity. The Group also uses Forward Freight Agreements (FFAs) to hedge the vessels’ market exposure as well as bunkers swaps to secure forward fuel oil prices on cargo contracts without a bunker clause.

The Group has a financial investment portfolio, and changes in the value of international securities directly affect the financial result. The investments are managed under a long-term strategy which reflects the Group’s business principles and long-term perspective which seeks to ensure that the Group can withstand major and lasting market fluctuations, while simultaneously maintaining the ability to grow and renew the shipping business. The financial management activities have a defined mandate and are conducted within adopted risk parameters. Other things being equal, 40% of managed funds are invested in listed international equities and equity funds.

Financial risk

The Group’s financial department coordinates and handles the financial risk related to foreign currency, interest rates and liquidity. The Group’s revenues, as well as most of its assets and liabilities, are denominated in USD. The foreign exchange risk therefore relates mainly to the Group’s administrative activities in Norway and abroad, local taxes and dues, as well as some of the purchases related to the technical operation of the fleet. However, since the accounts are presented in NOK, they are naturally affected by changes in the exchange rates relative to the NOK. The Group is exposed to interest rate risk through loan financing and income from the financial portfolio related to bond and money market investments. The foreign exchange and interest rate risk is managed under adopted strategies, with currency forwards, interest rate swap agreements and forward interest rate agreements as the main instruments.

The Group assumes direct counterparty risk through the investment of surplus liquidity, financial hedging and through the vessels’ earnings

from the Group’s customers. Before agreements are made, the creditworthiness of the counterparty is assessed. The Group has a diversified international customer portfolio, but in challenging market situations the likelihood of insolvencies cannot be ruled out.

In the light of the Group’s strong financial position, the liquidity risk is less critical.

Market risk and the other financial risks are reported regularly to the management and the Board.

Operational risk

Several of the processes related to value creation within the Group entail operational risk. The main areas of exposure relate to the risk of injury or loss of life of own or third party employees, the environmental risk and the risk of damage to or the loss of own or third party vessels, cargoes and other assets. Insurance schemes have been established which cover all main types of damage. The operational risk is managed on the basis of detailed procedures provided for in the Group’s quality assurance system and various contingency plans. Systems have been established for recording and reporting hazardous situations, undesired events and damage. Reports of this kind are analysed in order to limit possible consequences and ensure that causal links are followed up and necessary actions taken. Still, the Group will from time to time have to deal with unforeseen events that are not fully covered in the policies, as for example when one of the vessels was caught in the earthquake in Chile in February 2010.

The Group’s position in relation to threats to safety is reviewed regularly in order to provide a basis for establishing contingency plans and taking action to minimise risk. In this connection the last years’ pirate activity in the Gulf of Aden has presented new challenges. Although, the situation appears more controlled than 18 months ago, as several countries have sent military vessels to the area and common transit schemes have been arranged, the choice to send a vessel through or not, is evaluated thoroughly every time.



Jarle Roth (49)
Board member

Mr Roth is Executive Vice President and Deputy CEO of Umoe AS and Chairman in many of the group’s subsidiaries. Umoe AS is engaged in a wide range of businesses, including maritime safety, IT, Defence, Renewable Energy and Restaurants. He was President and CEO of Unitor ASA during the period 2001-2005. He is a naval architect and holds a Master of Science in Business (siviløkonom) from the Norwegian School of Economics and Business Administration (NHH), in addition to a doctorate program in organization and strategy from NHH.

Other risks

Changes in the regulatory framework and political decisions affect the Group’s freedom of action and constitute a major part of our risk exposure. Unstable and uncertainty surrounding the Norwegian shipping tax regime is probably the most important regulatory risk the shipping industry and the Group face. Reference is made to remarks above on the new shipping tax regime. Local or international legislation related to health, environment and safety issues constitute other areas where political decisions may severely influence the Group’s operations and economic results. The required installation of ballast water treatment on all vessels by 2015 is an example of mandatory regulations. Changes are subject to continuous assessment and we strive to have an open dialogue with decision-makers in all relevant arenas.

CORPORATE GOVERNANCE

Considerable efforts have been made over the last years to ensure that the division of tasks and roles between the administration, the Board and the General Meeting is based on sound practice. The Norwegian recommendation on corporate governance applies insofar as it is appropriate for the organisational form. Any divergence from the recommendation arises from the fact that the Group is a family-owned business which also has restrictions under its Articles of Association.

Appropriate mechanisms are incorporated to ensure the protection of minority interests, including guidelines on amendment of the Articles of Association. A policy requiring dividend

payments of 25-50% of the annual consolidated profit after tax protects shareholders from locking-in effects as well as ensuring predictability for planning the Group’s future funding. Transactions with related parties such as other companies of the Grieg Group take place frequently. In such situations, there is an emphasis on ensuring, for example, that value assessments and agreements are commercially sound and based on the arm’s length principle. The Group is presently in a process of revising of its internal pricing policy with related pricing guidelines and documentation regarding all services provided between Group companies in Norway and abroad.

Board of Directors

The Board comprises five members, two women and three men, of whom three are elected from outside the Grieg Group. The company does not have a Nomination Committee. The Board members also function as the Board of Directors of the underlying shipowning companies in the Group, while the remaining companies consolidated with the Group are served by board members elected amongst the Group management team.

The Board convened at 7 ordinary board meetings in 2009 plus a few extraordinary meetings in order to approve internal reorganisations. In addition to following up ongoing operations, much of the Board work has been related to strategy work for the shipping activities as well as internal working processes and the recent reorganisation of the Group.

Auditor

The Annual General Meeting elects an external auditor who is responsible for conducting the financial audit of both the parent company and the Group. In 2009, the same audit company was used for all companies of the Group, except for Grieg Star Shipping AS. The Board meets with the auditor when the annual accounts are considered, and otherwise when necessary. The independence of the auditor is regularly assessed by the Board.

MARKET OUTLOOK

Going into 2009, well-founded pessimism was the prevailing view, given the financial turmoil, global recession, a dramatic reduction in world trade and order books at historically high levels. While the focus was directed towards complicated rescue operations for banks and car producers, an upswing in the raw materials trades went on in the background, almost unnoticed at first. But, what saved the world economy in general and the dry bulk shipping market in particular in 2009, was the quite dramatic increase in China's imports of raw materials. This had a major impact on dry bulk freight rates which rose from lay up levels in late 2008 to average trip charter rates of about USD 17 000 per day for supramax dry bulk carriers.

The wood pulp market was the most influential market for open-hatch activities in 2009. From a very bleak start to the year, with paper mills

closing down, followed by cancellations of transportation contracts or customers asking for freight price reductions, there was a noticeable turnaround in mid-2009. China increased its wood pulp imports by about 40% compared to 2008, which more than compensated for reductions in other areas. This resulted in a tighter pulp market and increased demand for seaborne volumes towards the end of the year.



Bjørn Gabriel Reed (51)
Board member

Mr. Reed is a partner in the law firm BA-HR and member of the company's M&A and Finance Practice Group. His experience from legal work is broad, with specialization in mergers and acquisitions, capital markets, business restructuring, corporate law, as well as securities and exchange law. Mr. Reed was Chairman of the Board of Directors of Star Shipping AS through the demerger in 2008 and has previously held board positions with, among others, Aker, Aker Maritime and Pareto.

Uncertainty with regard to overcapacity in the dry bulk market remains high. Going into 2009, there was an order book for supramax vessels accounting for as much as 58 % of the existing fleet. During 2009, it is estimated that there were cancellations and/or postponements of about 45% of scheduled deliveries, and the present order book is now in the area of 45 %. The key question thus remains: How much of the order book will materialise, and when? This will greatly effect the market conditions in the period ahead.

The open hatch fleet⁸ numbers around 170 vessels of which about 14% are older than 30 years. In addition there are 17 vessels on order which will be more efficient than any older vessel being taken out of production. Although some of the 10-15% estimated overcapacity in open-hatch at the beginning of 2009 has been reduced, there is still fierce competition for contracts, also from semi-open operators and container vessels, which are faced with an extremely high order book.

The open-hatch segment in general and the Group in particular, has historically had a strong position in North America. However, this market is maturing and is gradually losing market shares. Future pulp market growth and consequently seaborne transportation needs will come from South America. It is thus important

to position the open-hatch business in this area to take part of the anticipated growth. With that in mind, the Group has established a pulp trade from Chile to the Mediterranean and has also re-entered Brazil.

Historically, there is a high degree of correlation between global industrial

production and the development of dry bulk rates, and between the production, consumption and transportation of pulp and paper. Expectations going into 2010 are moderately optimistic and suggest an increase in seaborne dry bulk trade compared to 2009. However, much uncertainty remains with regard to the supply side and the global economy. As 2010 starts, the wood pulp market remains firm and with tight supplies. Prospects also depend heavily on China's performance, as a slowdown is unlikely to be compensated for by improved demand in Western Europe and North America. Competition will remain high and periodic volatility is likely. At the same time, this market could provide opportunities to build new tonnage at considerably lower prices than in recent years.

GOING CONCERN

The Board of Directors confirms that the annual accounts have been prepared on the basis of the going concern assumption. This assumption is based on consideration of the Group's solid financial position and expectations of future earnings.

PROFIT FOR THE YEAR AND ALLOCATIONS

The Group's financial situation is good and the Board believes that the submitted annual accounts give a correct picture of the Group's results, cash flows and economic situation. The Board recommends that the profit for the year after tax for Grieg Shipping Group AS (parent company), NOK 148 705 000, be allocated as follows:

Dividend:	NOK 113 000 000
To other equity:	NOK 35 705 000
Total allocations:	NOK 148 705 000

Distributable equity:	NOK 1 945 889 000
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The Board of Directors of
Grieg Shipping Group Holding AS

Elisabeth Grieg
Chair

Kai Grøtterud
Board member

Camilla Grieg
CEO/Board member

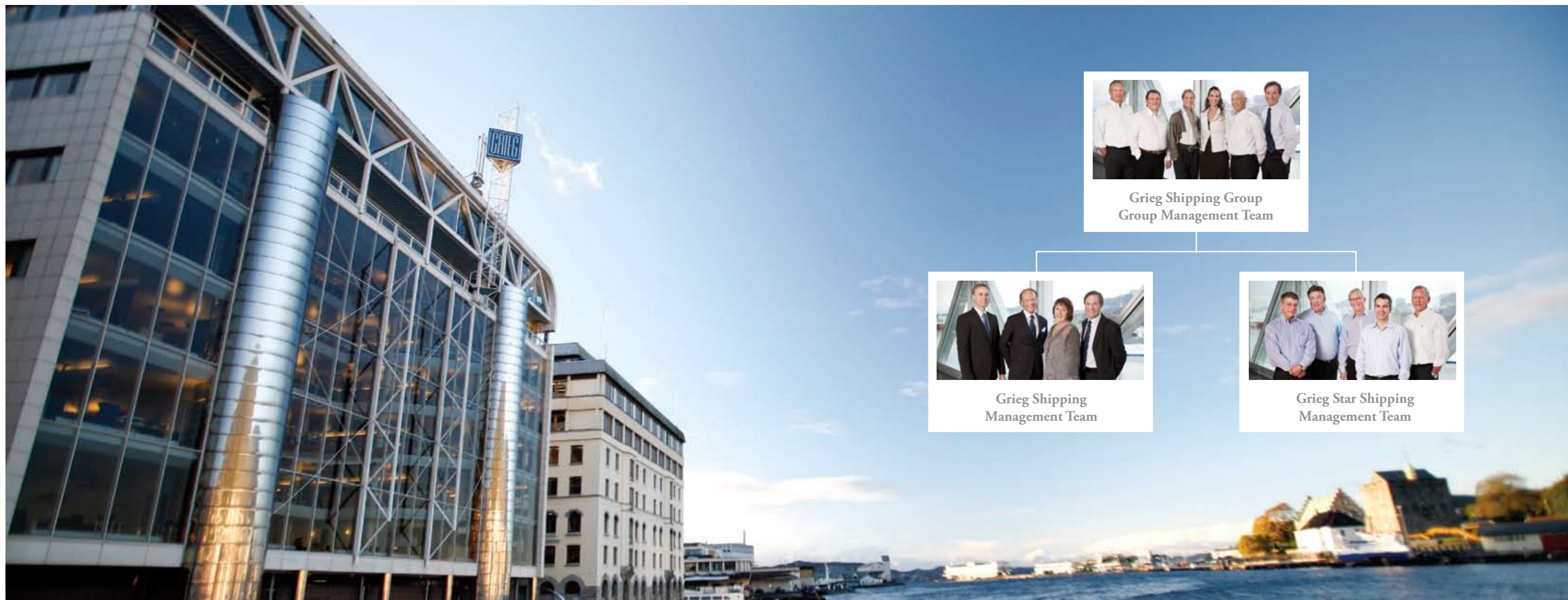
Bjørn Gabriel Reed
Board member

Jarle K. Roth
Board member

8 Including semi-open vessels owned by OHGC operators.

MANAGEMENT TEAMS

With the amalgamation of all shipping activities into one group; Grieg Shipping Group is now governed by a group management team covering the executive management and strategy work of the business. However, as the commercial and technical operating activities in the Group are organized as separate companies, these two units have in addition their own management teams.



Grieg Shipping Group
Group Management Team



Grieg Shipping
Management Team



Grieg Star Shipping
Management Team

The Group Management Team

consists of the President & CEO of the Group, the heads of its operational activities (organized through Grieg Star Shipping and Grieg Shipping) as well as the divisional heads of the Group’s Corporate Services. The main tasks of the Group Management Team are to plan and carry out the strategic management of Grieg Shipping Group, by being a distinct, coordinated and competent unit with appropriate authority and ability to make decisions and impose measures of commercial and operational character.



From left: Tom Rasmussen, Ole Steinar Mjell, Camilla Grieg, Annicken Kildahl, Terje Michelsen, Henry Svendsen

Governance areas



- Grieg Star Shipping and Grieg Shipping Group have become one team, and as a result initiated an integration process that will make us even more efficient and better positioned to absorb growth in accordance with our strategies

Camilla Grieg (45)
President & CEO
Camilla is co-owner of the Grieg Group, and a member of the founding family. She has an MBA with a major in finance from the University of San Francisco and is a Certified Financial Analyst (AFA). She is a member of the Board of Directors of GC Rieber AS, Storebrand ASA and the Norwegian Shipowners’ Association.

Annicken G. Kildahl (41)
CFO
Annicken has been working in the maritime industry since 1992, both in The Torvald Klaveness Group and Union Bank of Norway. She has a Master of Business and Economics from the Norwegian School of Management and is a Certified Financial Analyst (AFA). She holds board positions with several Grieg Group companies and Menerga AS, and is Chair of the Norwegian Shipowners’ Social Security Fund as well as member of the Norwegian Shipowners’ Association’s Tax and Capital Group. Annicken joined Grieg Shipping Group in 2000.

Ole Steinar Mjell (52)
SVP HR
Over the last 20 years Ole Steinar has held several leading positions in the field of human resource development in international businesses. His background comprises public as well as governmental companies. He joined Grieg Shipping Group in 2007 after 9 years as Vice President HR with Norske Skog. Ole Steinar holds a degree in social sciences from the University of Bergen and has taken courses at Master of Management level held by the Norwegian School of Management.

Henry Svendsen (56)
CEO Grieg Shipping
Henry is a Naval Architect and has broad experience from project development, technical/ship management and operations from various leading companies in the shipping industry in Norway. He came to Grieg Shipping Group in 1998 from Jo Tankers AS where he spent 7 years as Director Ship Management. Henry is Chairman of the Norwegian Shipowners’ Tank and Bulk Carrier Group, as well as member of the technical committee (CASTEC) of Intercargo and member of the DNV Nordic Safety Committee.

Tom Rasmussen (55)
CEO Grieg Star Shipping
Tom started his career after high school at Kristian Gerhards Shipping Company / Gearbulk in 1975. He worked at their headoffice in Bergen and at Gearbulks office in New York in the period 1982-1984. In 1985, Tom joined Star Shipping and became responsible for the open Hatch Division in 1998. He held this position until the demerger of Star Shipping by the end of 2008 and then became CEO of Grieg Star Shipping.

Terje Michelsen (54)
COO
Terje joined Star Shipping in 1981 and has broad experience from various executive positions in Norway and abroad. He headed Star’s container division for many years working in Bergen and San Francisco, was VP and General Manager Far East based in Tokyo for six years, and later VP chartering and operation and EVP of Grieg Star Shipping before taking on his current position. Terje has a business degree from Heriot-Watt University, executive education from IMD Business School and is a board member of Grieg Group Resources, Squamish Terminals Ltd. and Grieg Star Shipping’s daughter companies abroad.

Corporate Services

- Office services and administration
- Legal services and corporate structure planning
- ICT services and development
- Insurance, maritime law and claims handling
- HR development
- Investment analysis and decision support
- Personnel administration
- Foreign branch management
- Accounting, tax and control
- Internal and external communication
- Financial structure and funding
- Corporate Responsibility
- Financial asset management
- Risk management and hedging



From left: Øivind Svardal, Halvor Sveen, Eli Vassenden, Henry Svendsen

Henry Svendsen (56)
CEO Grieg Shipping

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Technical Operations & Projects

- Fleet management
- Purchasing and logistics
- Manning of maritime personnel
- Technical project development
- Vessel design and innovation
- Contracting, Sale & Purchase
- Newbuilding site team
- Market development
- Business development (outside core)
- Environmental strategy and development
- Vessel certification
- Safety management
- Emergency response and crisis management

- The shipping industry is in a challenging period, and it is necessary to turn every stone to reduce costs and look for possibilities to increase efficiency. When the earnings are in the low, it is of utmost importance to maintain a stable and good technical operation of all our vessels in order to avoid extra expenses and interruptions in our operations.

Eli Vassenden (47)

COO Grieg Shipping

Eli joined Grieg Shipping Group in 1982 and has subsequently worked in various areas; ship management, crewing, technical and purchasing. She became Purchasing Manager in 1991 and in 2004 she was appointed COO. Eli is Chair of the Board of Incentra AL, board member of GS Hydro OY, Grieg Philippines and deputy board member of Bergen Shipowners Association.

Halvor Sveen (48)

VP Market & Business Development Grieg Shipping

Halvor graduated as a Master of Law from the University of Oslo and has also a degree in business economics at the Norwegian School of Management. He started in the shipping industry in 1986 focusing on banking and went on to hold various management positions in shipowning and shipbroking. Before taking up his present position with Grieg Shipping Group in 1999, he was a partner in P.F. Basso Shipbrokers. Halvor is Grieg Shipping Group's representative in the Norwegian Shipowners' Association and member of the Nor-Shipping Advisory Board.

Jan Øivind Svardal (36)

VP Project Development Grieg Shipping

Jan Øivind is a Naval Architect, M.Sc. from NTNU in Trondheim. He came to Grieg Shipping Group in 2006, after 8 years in DNV. The first years in Grieg Shipping Group have been with the responsibilities to follow up the K-class newbuildings built at Hyundai Mipo Dockyard in Korea as Project Manager. From autumn 2009 he took up the position as Vice President Project Development and the focus going forward will be to continue the renewal program within the newbuilding segment, but also with focus on a variety of technical and environmental related projects in close cooperation with the Ship Management Department.



From left: Terje Winther, Arild Samland, Jack Birkenes, Heine Berge, Tom Rasmussen

Tom Rasmussen (55)

CEO Grieg Star Shipping

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Jack Birkenes (55)

EVP CBCD Grieg Star Shipping

Jack started his career in 1975 as shipbroker at Kr. Knudsen & Co in Kristiansand after completing high school and a year sailing as a sea aspirant. He continued as a operator/charterer at J.Brunvall in Bergen in 1977 before he became charterer in Star Shipping (CBCD) in 1984. He held this position until 1995 when he became Vice President for the chartering/operation department in Star Shipping (CBCD). In 2000, he became Executive Vice President and has continued in this position in Grieg Star Shipping.

Terje Winther (54)

VP Operations Grieg Star Shipping

Terje is a licensed Master Mariner with vast experience from open-hatch vessels. Since 1985, he has been holding various positions both within chartering and operation, including being the General Manager of Star Shipping Singapore. Terje has had the position as Vice President Operations since he returned from Singapore back to the Star Shipping head office in 2006.

Arild Samland (55)

VP North Atlantic Grieg Star Shipping

Arild has a degree in Industrial Engineering from BIH 1980. He started in shipping with Atle Jebesen in operations, and later moved into chartering. In 1986, he joined Joachim Grieg&Co. as broker for Star Shipping, and in 1997 joined Star Shipping's Atlanta office and worked there with the North Atlantic trade. Arild moved back to Bergen in 2000 and became Area Manager followed by appointment to Vice President North Atlantic fall of 2009.

Heine Berge (35)

VP Pacific Grieg Star Shipping

Heine Berge joined the company in 2000 and has subsequently had various positions within operations and chartering. From 2006 through 2008, he worked at Star Shipping's office in Vancouver, BC. He holds a Master of Science in Business from the Bodø Graduate School of Business.

Chartering & Operations

- Marketing shipping services
- Chartering of vessels
- Cargo contract negotiations and fixtures
- Cargo handling
- Equipment logistics
- Terminal ownership and operation
- Project cargoes
- Bunker purchasing
- Port captains and agents
- Market research and analysis
- Marine accounting

- The organisation abroad has also undergone change and adapted to current trading patterns and markets. Keeping focus on the Group's customers, ensuring cost efficiency and at the same time positioning ourselves for growth is a challenging combination.



C O R P O R A T E S O C I A L R E S P O N S I B I L I T Y

Creating value through engaging our stakeholders

Crossing a frozen North Sea in January. All our vessels have rain protection covering the cargo holds.





Introduction

In our strategy we target the following stakeholders specifically: the environment, employees, suppliers and local communities.

The scope of our work has increased, due to the integration of Grieg Star Shipping and the establishment of the manning office; Grieg Philippines, in 2009. These organizational developments represent a great opportunity to further involve and develop employees from our base in Manila, and become more involved in all aspects of our value chain. Building a shared culture based on our values, policies, strategies and vision, is essential to our activities. We believe the key to long term success is ensuring employees regard the industry as a place where they can build a career and be part of a sustainable industry.

The health and safety of our crew are fundamental, and we work relentlessly to improve standards onboard. Nevertheless, recent developments in piracy attacks in the Gulf of Aden represent an external threat forcing us to constantly discuss and consider the safety of our crew and vessels.

Our environmental vision is zero harmful emissions to air and sea. We acknowledge that the path to get there is long, but with a growing momentum across the industry we believe we will succeed. Our industry's main concerns today are CO₂, SOX, NOX emissions, waste handling and ballast water treatment, as well as ensuring safe journey with no accidents in fragile marine environments. Understanding the industry's environmental challenges, Grieg Shipping Group wants to be part of the solution.

An important tool in creating a sustainable value chain is the Supplier Code of Conduct which was established in 2008 and introduced to our suppliers in 2009. We experienced an increased focus on sustainable value chains in 2009, and received positive feedback both from suppliers and makers in the industry, which we will build on in the coming years.

Stakeholders

We accept having a responsibility for an ethical and conscientious relationship with the following stakeholders:

- Employees
- Customers
- Suppliers
- Business partners
- The environment
- Society in general

Understanding the priorities and concerns of stakeholders is vital to ensuring we continuously improve and raise the bar on our sustainability efforts.

Given the nature of the global shipping industry the list of stakeholders cover a wide range – starting with employees and finishing with society in general. Likewise, expectations to the industry include transparency, more innovative and ambitious actions to meet the climate challenges. Without preparing to meet the expectations of today and tomorrow, we can not succeed in the long term.

As a signatory to the UN Global Compact Grieg Shipping Group is committed to promoting responsible business practices for our stakeholders, and to report on progress, applying the Global Reporting Initiative as a standard. We are now taking the first important steps, recognizing that sustainability reporting is a challenge for the industry in general. More work needs to be done in order to establish a common set of indicators.



ENVIRONMENT

No harmful emissions

“We have identified four major areas for action, the first of which is technological innovation and development. We have to crack that code, be it wind, sun or waves, it is absolutely necessary to develop technology for renewable energy. Secondly, there is what we call ‘housekeeping’, all those little things we can do to reduce energy consumption and other harmful discharges. Next, we focus on maintaining a high level of competence in the shipping companies, and lastly, we have to implement high-standard means of measurement, so that we can keep track of actual developments.”

*Elisabeth Grieg,
Chair of Board of Directors*



Key strategic goals

Enhance environmental performance onboard existing and future ships

Ensure a safe and sound protection of the biodiversity and the earth environment

Become preferred green carrier in our cargo segment

2009 in general

Despite a weak market with less cargo volumes and increased focus on cost reductions, we have remained loyal to our environmental strategy and goals, executing numerous projects and investments throughout the year.

With the integration of Grieg Star Shipping in our company structure, the stage was set for further optimization of our environmental efforts. In June the process of establishing a common environmental strategy was initiated, involving key stakeholders from both organizations. The harmonised strategy was later approved by the Board of Directors, and implementation is a key focus for 2010 and onwards.

Innovative solutions

To survive and contribute to a sustainable business in an ever optimized shipping world, innovation must be put high on the agenda. This has resulted in an extensive Research & Development portfolio, as an integral part of our environmental strategy.

We are engaged in several projects in the industry to identify and make use of technical and operational measures for increased energy efficiency, reduced emissions and increased cost effectiveness. Some of the projects currently in progress are;

- **EMISOL- Greenhouse gas emission reduction solutions and impacts for transport systems** - together with Det Norske Veritas, Marintek and CICERO. The principal objective is to identify and evaluate existing and forthcoming solutions for reducing the fuel consumption and GHG emissions from maritime shipping activities
- **Low Carbon Shipping** - together with Det Norske Veritas, CICERO, NTNU, NSA, Wartsila and Marintek. The principal objective is to identify the cost-effective GHG reduction potential in the world merchant fleet, investigate barriers to implementation, quantify effects on climate and environment and, based on this, to develop decision support tools.
- **Synchroport** - together with Det Norske Veritas, Christian Michelsen Institute and Grieg Logistics. Optimize port operations for enhanced logistics and environmental performance. Finalized end 2009.
- **NSA environmental initiative** - a joint project with Klavness, BW Gas, Hoegh Autoliners and Wilhelmsen. The purpose is to create an arena for experience transfer and execution of projects within the field of enhanced environmental performance on ships.
- **EMIP- Energy management in practice** - a joint project with Klavness, Wilhelmsen, BW Gas and Hoegh Autoliners as a spin off from our engagement in NSA Environmental Initiative. The principal objective is to establish a common platform which facilitates future cooperation related to evaluation, execution and measurement of energy efficiency on ships.
- **Reporting and feedback from ship to shore** - in cooperation with Marintek and Odffell. The principal objective is to enhance experience transfer between ship and shore to enhance corporate learning.

Operational excellence

With a continuous focus on operational efficiency and good housekeeping onboard our vessels we always seek to minimise our environmental footprints. Through good operational practices we make sure that all details concerning the operation of a vessel are handled professionally and that all resources are spent with care.

With regards to the technical operation, our main focus is to maintain all systems in optimal operating conditions. Without additional new investments, we consider that the potential of optimal technical performance alone contributes in the order of 8-10% energy savings. To achieve this, 20 different measures have been taken, some of which will continue in 2010. We strongly believe that the combined effect of all measures undertaken will reduce the environmental impact considerably. We will leave no stone unturned in our efforts.

A number of projects were concluded in 2009, and many are still ongoing. They cover various aspects of our operations, representing our efforts to reduce emissions to air and sea. Many of the projects are related to retrofitting ships with systems to enhance energy efficiency.

- Some ongoing projects with direct energy savings include:
- Installation of Mewis Duct on three ships for improved water flow to propeller. Expected energy savings of approximately 6%.
 - Installation of the Propeller Boss Cap Fin (PBCF) on the K-class for reduction of energy losses related to the propeller. Expected energy savings of approximately 2-4%.
 - Increased propeller performance by systematic evaluation of polishing intervals and painting of propellers. Expected energy savings of approximately 1 %.
 - Performed model tests for the H/I/J class to identify optimum trim

Installation of energy management systems onboard our K-class newbuildings represent a milestone for monitoring and optimizing the performance of the vessels. The system provides the crew with real-time information and hence the possibility to take corrective actions when needed. The system is interfaced to all main system onboard and with trim optimization and propulsion efficiency monitoring we believe the tool will be vital to enable a long term energy efficient operation of the vessels.

A small measure with considerable effect

Soap dispensers for the washing machines will be installed in 2010. Accurate dosage will reduce the discharge of detergents by approximately 7 tons per year.



In addition, we have made improvements to the working environment, with accommodation ventilation systems being cleaned and balanced. Special air intake louvers with filters are now installed for the accommodation and the engine room, removing dust and water spray from the air. These efforts will continue in 2010.

In order to ensure good performance of the vessel, we have adopted a policy of planned overhauls in cooperation with the makers during the yard stay. The main engine, the boiler, economiser and other ancillaries are dismantled every 5 years and vital components thoroughly overhauled. Combined with good daily maintenance this measure will retain the equipment close to its as built condition over another 5 year period. To ensure minimum hull roughness and maintain good seagoing performance of the ship, the hull is 100% grit blasted and re-painted every 10 years.

To reduce oil spills, mechanical seals have been installed in all main pumps. Drain pipes from the drip trays to the waste oil tank have been fitted. A purifier type bilge water separator which is capable of delivering 5ppm oil content has been installed on all vessels. Sliding fuel valves reducing the NOx emissions and SIP-lubricators reducing the lubrication oil consumption have been installed on the H-, I- and J-class vessels.

However, no technical modifications or improvements have any value unless all equipment is operated and maintained properly. Good housekeeping is key, meaning our crew must be trained properly and we must continue to build on the right attitudes and leadership across the organisation.

Total emissions

Reducing emissions to air and sea is critical to improving our environmental performance. CO2, SOx and NOx represent the main harmful emissions from the shipping industry, and we apply standard performance indicators to measure performance and follow up.

Fleet average	Year	Energy consumption (metric tons)	CO2 (mt)	SOx (mt)	NOx (mt)	Cargo (mt/vessel)	Distance (nm/vessel)	Cargomile (ton*nm/vessel)
23 vessels	2008	6 114	19 038	326	635	262 754	72 607	19 077 894 372
25 vessels	2009	6 840	21 300	408	708	208 771	72 262	15 086 272 956

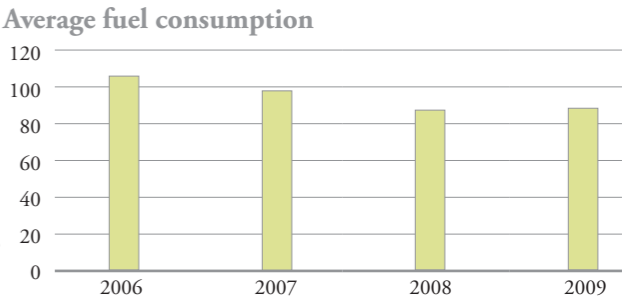
Our goals for 2009 were based on the trend from 2008, i.e. a clear reduction of energy consumption due to a weak market and with vessels running on economical speed. However, economical speed has not contributed as accounted for, and the market improved towards the end of 2009. More trade and cargo volumes called for increase of fuel consumption for the total fleet. Thus, primarily due to a fast recovery of market activities towards the end of 2009, our forecasted emission targets were hard to meet. We have also traded with an increased number of vessels part of the year, 25 vessels, compared to 2008, 23 vessels, which is reflected in the above table figures. Based on above figures one can also observe that the fleet have performed more ballast voyages compared to 2008, which in next turn will contribute to increased fuel oil consume

What is the optimal route?

All voyages performed by our vessels receive a recommended route from Applied Weather Technology which gives the most optimal route based on latest weather forecast and ocean current conditions for the intended route. All vessels are in addition equipped with software from AWT enabling them to receive a continuous update of the weather forecast and ocean current situation. Studies done by Marintek on behalf of IMO shows that optimal ship routing has a potential fuel savings of 2 - 9 %.

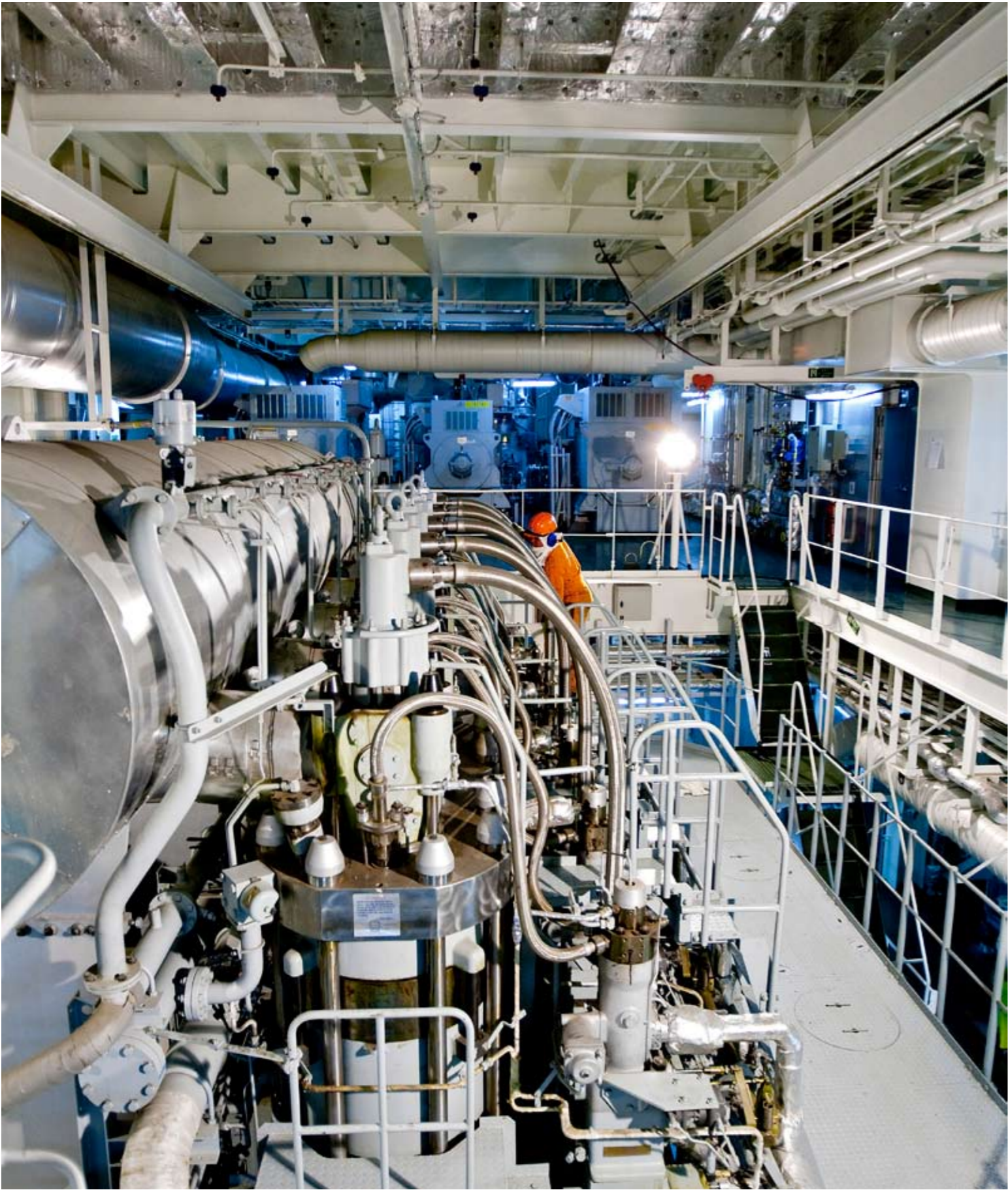
Fuel consumption trend

By retrofitting vessels, improving housekeeping and investing in new vessels, we see a positive trend in emission reductions. The trend in fuel consumption pr. nautical mile gives a good picture of our performance over the year. A small increase in consumption per nautical mile in 2009 can be explained by the fact that the fleet was run at higher speed by the end of 2009 to match prevailing market conditions.



Our goal

20% reduction in energy consumption by 2015, compared to 2006 level.

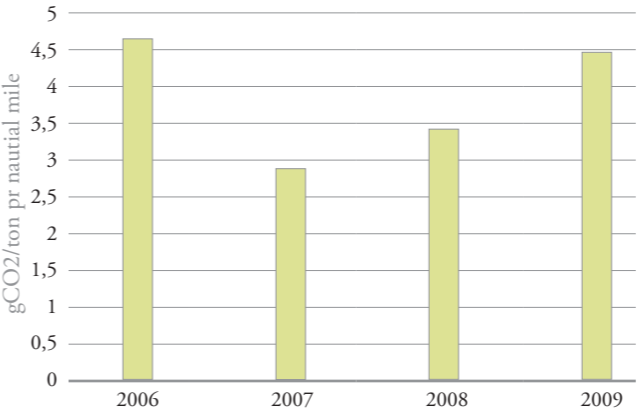


Star Kirkenes' main engine providing the vessel with 16900 HP at 105 rpm.

Energy Efficiency Index

The energy efficiency operational index indicates average CO2 emissions in grams per transport work in ton nautical miles for the total fleet. As can be observed this index is fluctuating, reflecting changing market conditions and fleet transport capacity utilization. The market situation and corresponding fleet utilization was at high levels in 2007 and 2008. As the global financial crisis hit late 2008, this had substantial implications on seaborne trade in 2009. It is to be noted that ballast voyages increase this index substantially due to the fact no transport work is carried out.

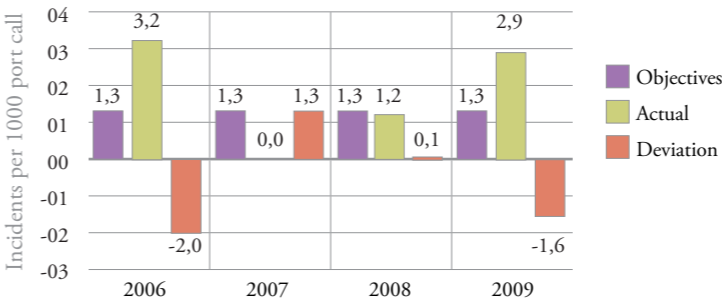
Energy Efficiency Operational Index in the Grieg Fleet



Environment Protection Index

The Environment Protection Index (EPI) measures incidents related to waste management, emissions to air, releases to water, and does as such not comprise emissions etc. from normal operations. The index shows a deviation compared to our historical average of 1,3. This relates to a small number of incidents registered in 2009, of which none were of serious consequences to air or sea. Our objective is no incidents and through good housekeeping and continuous efforts we strive to reduce the number of incidents further in 2010.

Environment Protection Index



Star Dover:
The end of a long voyage

After 32 years in operation, MV Star Dover was delivered to The Xinhui Shuangshui ship-breaking and steel rolling corporation for recycling in March 2009. The recycling was based on requirements set forth in IMO (draft) International Convention for the Safe and Environmentally Sound Recycling of Ships and Guidelines on Ship Recycling.

Prior to commencement of the recycling activities, the Green Passport inventory was handed to the yard. This is a comprehensive list of all hazardous materials found on board. After arrival, the vessel was stripped for reusable equipment like TV sets, refrigerators, radios etc. Usable spare parts for use on board our other D-class vessels were dismantled and preserved. As the yard is ISO 14001 certified, the actual dismantling of the vessel was carried out in accordance with the yard's own procedures and routines on quality, health, safety and environment (QHES). Grieg Shipping Group was represented by an experienced superintendent, who made the following observations:

All yard workers were using suitable personal protection gear and the various materials handled in a safe manner:

- No oil spills were observed around the vessel
- Paint and oily substances were removed by incineration
- Contaminated water was treated in the yard's purifying plant
- Asbestos was bagged, cement sealed and disposed in an area designated by the Chinese government.
- Special materials containing plastics/PCB were delivered to a government-licensed disposal company.
- No incidents were observed by us.

Upon completion our own ISO 14001 procedures for vessel recycling were updated with the experience gained from this undertaking.



In charge of designing future vessels

Jan Øivind Svardal (37), newly appointed Vice President of Project Development in Grieg Shipping Group, heading a department responsible for concept development and technical projects related to efficient cargo handling and environment.

This responsibility also includes newbuildings. With four newbuildings delivered from a South-Korean ship yard in 2009 and 2010, Jan Øivind and his team have no trouble keeping themselves busy.

- Our involvement and our tasks are diverse, challenging and closely connected to the pulse of the industry. As an engineer I find it inspiring to work on such a wide range of tasks and with committed owners supporting us.

- While doing all this, our focus is always on the environmental vision and strategies of Grieg Shipping Group. It is our responsibility to ensure and follow up that the entire organisation is aimed at realising our strategies and ambitious goals, such as a 20% reduction in energy consumption onboard our ships by 2015.

How do you implement these strategies?

- By identifying practical and innovative solutions that give the desired results in terms of reducing harmful emissions from our vessels, improving energy efficiency and other environmental benefits. Very often these solutions start out as desk top concepts that need to be developed into projects.

How does your concept development process work?

- In close cooperation with the commercial operators and market analysts in the Group we do a bit of qualified looking into the crystal ball. Based on this input we aim to be prepared as volumes and trade patterns change over time, ensuring our future vessels are designed to meet future market needs.

What are your responsibilities concerning newbuildings?

- During preparation and reviews of specifications, we are always seeking to improve the design and apply the best technology available for our new vessels. The evaluation is done in close cooperation with the Ship Management Department. In addition, feedback and

suggestion for improvements from our sailing crew are carefully evaluated. In the construction phase there is close cooperation between head office, site office at builder's location, and of course the builder's representatives. The last four newbuildings delivered, the K-class, were built at Hyundai Mipo Dockyard in South Korea. Once a vessel has been safely delivered from the yard, the everyday management is taken over by the Ship Management Department.

- All in all, we have some very interesting and challenging years ahead of us. The industry is attracting increased attention with regard to our environmental challenges, and we need to uphold our focus on building a sustainable and solid business.



Photo: Anne Øen





EMPLOYEES

Our greatest asset

Crew members drilling safety procedures on Star Kirkenes.



During the recent years we have increased the efforts to stay in touch and communicate closely with our seafarers. Dialogue and good communication between ship and shore is critical. We are constantly building stronger relations that help us perform better.

Establishing Grieg Philippines, the Officers' conferences, revised training and a stronger focus on leadership illustrate how this was further amplified in 2009. In addition, we have initiated a project to tap into the concept of safety culture, and how to continuously improve attitudes and practices regarding safety on board.

The "One Team" process, aimed at integrating and aligning the new Grieg Shipping Group has been high on the agenda for some time. As part of this, there are many new or revamped HR-related processes, tools and methods to develop and put into use. Coinciding with a challenging time business wise, this might easily add strains to any organization. There is however a very positive attitude towards developing a robust common company culture, building on the best from the past.

Health & Safety

Health & Safety (H&S) is an integral part of our safety, security and quality management system, certified by Det Norske Veritas.

The long term objectives of our H&S efforts are to cause no harm to crew, environment or property. These objectives guide our improvement efforts and our focus on competence development. Building personal awareness and responsibility is critical to ensure that we have a culture with H&S on top of mind.

In 2008, the Group conducted a survey amongst the crew, related to our activities in the field of corporate social responsibility. Based on feedback from this survey, we realized a need for further involvement and awareness building on H&S. A further study on H&S was therefore conducted in 2009 in order to target our efforts. In general, feedback indicates that there is a very good safety climate on board our vessels. Seafarers are knowledgeable, trained and feel well prepared to handle any H&S issue that may occur.

With a number of transits through the Gulf of Aden in 2009, we were on high alert. In addition to sailing in recommended corridors, we took various precautions onboard our vessels.

H&S performance 2009

The number of casualties leading to repatriation is down from 7 in 2008 to 4 in 2009, while the number of near misses are up from 7 to 10. Through more focus on reporting near misses, and learning from these incidents, we hope to gradually reduce the number of casualties to 0.

With regard to our environmental performance, we measure incidents and accidents resulting in spills to air and sea. Please refer to the chapter on environmental performance for more details. As for damage to property, there were no registered incidents of significance in 2009.

Ethical conduct test:

Is it legal?

Is it right?

Can it be justified?

As part of an international industry, we face many dilemmas related to various aspects of our business. Openness and good reporting routines are fundamental. Through active dilemma training we uphold focus on our ethical guidelines and how we demonstrate them in our daily work.

Researching safety climate onboard

In co-operation with a research team of psychologists from the University of Bergen, the company’s Human Resources department has initiated a study on how human factors impact on the safety climate onboard.

Whilst focusing on human interaction, behaviour, attitudes and leadership, the goal of this study is to explore ways to reduce accidents, incidents, and ultimately improve loss prevention. At the same time it gives an opportunity to identify human characteristics with a positive influence on safe behaviour.

The research is based on a model showing how leadership, attitudes and safety climate are correlated, and their impact on a variety of safety-related issues. The first step was to run a survey in order to measure levels of perceived safety climate on board. Answers from approximately 450 officers and ratings on board all our vessels provided the researchers with a huge amount of material to study. This is the first time a channel for systematic voicing of opinions for all seafarers on board has been created.

Findings from this survey give some important indications on what it takes to build a robust safety culture;

Our long term dedication to safety issues on board is clearly reflected in the feedback.

The total score on the safety climate dimension indicates that the crew is generally very satisfied with regards to the perceived safety climate onboard. This implies good communication on safety issues between management, master and crew. It also reflects a commitment to taking safety precautions when scheduling of work operations, and that clear reporting procedures for incidents are in place and used.

Regarding attitudes and mindset, ”psychological capital”, the score indicates high satisfactory levels. In general, the entire crew relate very positively to their work situation. They are engaged in work related issues such as work performance and safety, and display willingness to “walk that extra mile”.

There are also satisfactory levels of good leadership practices, indicated by open communication channels and predictable leadership behaviour, among other things.

Some findings also represent areas for improvement. Dangerous situations may be caused by i.e concurrent work operations and various stress factors. Moving on with this project we will intensify our efforts to identify and enforce solutions that target these issues and support safe and timely cargo transportation.



Photo: Benno Neeleman

SOS Children Village Cebu - a project to be proud of

Based on an initiative from The Norwegian Shipowners’ Association (NSA), Grieg Shipping Group, NSA and eleven other Norwegian shipping companies are supporting the SOS Children Village in Cebu, Philippines.

This is a five year commitment and the response from our employees have been overwhelming. After one and a half year, our employees have contributed with USD 50.000, of which USD 40.000 is from crew and USD 10.000 from office personnel.

SOS Children’s Villages is an international non-governmental social development organization that has been active in the field of children’s rights and committed to children’s need and concerns since 1949. In 132 countries and territories their activities focus on children without parental care and children of families in difficult circumstances.

SOS Children’s Villages has a long history in the Philippines. At present there are eight SOS Children’s Villages in the Philippines, seven SOS Youth Facilities, four SOS Kindergartens, various SOS Social Centres and Family Strengthening Programmes, and two SOS Vocational Training Centres.

The SOS Children’s Villages’ mission is:

- Build families for children in need
- Help the children shape their own future
- Take share in the development of their communities

Employees

Employees	Land		Sea		Total
	Male	Female	Male	Female	
2009	117	89	593	0	799
2008	25	23	568	0	616
2007	23	23	556	0	602
2006	23	22	518	0	563

Leading positions by gender (Norway)		
	Male	Female
Board of Directors	60 %	40 %
Management Teams	73 %	27 %
Middle management	70 %	30 %

Nationalities	2009	2008	2007	2006
Norwegian	116	45	43	42
Philippines	593	570	558	520
Other	90	1	1	1
Total	799	616	602	563



A life in shipping

Magne Hjertholm, the Group's Safety & Quality Manager, is dedicated to the health, safety and well-being of our people. At the age of 64, he can look back at a long and eventful career in shipping.

When did you start your career?

- It was on September 28, 1962. I was 16 years old and the name of the vessel was Haukanger, a tank ship. The duration of a contract in those days was 18 months, with a monthly salary of NOK 420. I started off in catering, but soon realized that the deck department was my goal. Our first stop was Wilhelmstadt, Curacao. My mother, who was concerned about me visiting bars in foreign harbours, had urged me to visit the Norwegian seaman's church instead, which I did. This was the beginning of a friendship which has lasted throughout my career. Tolerance and hospitality define people working in these churches. During my sailing years, I visited all 32 seaman's churches across the world.

How was life onboard?

- There were 42 crew members on board this tanker, both male and female. There were 6 young boys, myself included, thus discipline was needed. The bridge was off limits to the crew, yet after 8-9 months on board I was so curious that I one day climbed up the stairs to get a closer look. As I reached the top, an officer in his white uniform gave me a cold look, and told me to leave. Hurt by his dismissive remark, I remember saying to myself; "Magne, if you ever get a saying, you will not behave like that!"

What major developments have you experienced over the four decades in the industry?

- I have been part of "the golden years" of Norwegian shipping, but have also experienced three major crises. I started working for Grieg Shipping (AS Billabong at the time) in 1981, after having lost my former job. Back then the company had only two vessels; Star Dieppe and Star Dover. There was a major restructuring across the industry and they were challenging times. We were hiring crew from the Philippines, and they were all dedicated, highly trained and trustworthy people. In a way, Philipinos of today share the same family values which we had in Norway when I grew up. I can easily relate to their dedication to the big family, as that is how I remember my own adolescence. After I got married, I had to leave my pregnant wife two weeks before her due date. I did not get to see my eldest daughter before she was 1 year old. Being away from your loved ones can be very hard, therefore good, reliable channels of communication channels for our crew are an important focus area.

When did you move for ship to shore?

- In 1990, the wage level for Norwegian crew was so high it made our national fleet uncompetitive. It was forcing ship owners to replace Norwegian crew with cheaper labour. Although I was strongly opposed to it, I could understand the decision. As my experience was still considered useful, I became the coordinator between our vessels and the office. I do my best and take pride in being available to our captains and crew. They are our greatest assets. With the introduction of the International Safety Management Code (ISM) onboard our vessels in 1998, I also became responsible for the Group's systematic focus on health, environment and safety standards onboard.

What are the benefits of this ISM code?

- Health, environment and safety is now put into a strict system both nationally and internationally. The vessels are inspected by both flag and port state on regular basis. I believe this is to the benefit of the seafarer as well as the Group. And in addition to regular safety meetings onboard, we run two annual officers conferences in Manila, where these issues are always on the agenda. In recent years these conferences have been extended to include wives too, which is rather unique.

Do you have any special memories from all these years?

- There is one very fond memory, which I am sure all three Norwegian officers on board will never forget. I was captain onboard Star Fraser and we were in the middle of the Pacific Ocean. It was Christmas Eve and we were all longing to be with our loved ones. As was my custom, I went by the galley to talk to the chef before dinner. I was surprised to find the galley empty with no lights on, and continued to the mess room, which was the same. But suddenly the lights were turned on and in front of me the Philippino crew had lined up, ready to sing 'Silent night'. It was such a wonderful surprise and a beautiful song! I was so moved by their initiative and will never forget it.

Magne Hjertholm with the famous Bryggen in Bergen in the background. Photo: Anne Øen.



The opening of Grieg Philippines Inc.

After a presence of more than 20 years in the Philippines, employing seafarers through a manning agency, we decided it was time to be more involved in this critical part of our business. The key purposes for doing so include:

- Enhance focus on training and competence development of our seafarers,
- Gain more influence on career development opportunities for seafarers,
- Build one common company culture, based on our vision, values and policies.

Grieg Philippines is a joint venture, with Grieg Shipping Group being a minority shareholder and the only principal. All Group vessels were accredited to the new agency in the first quarter of 2009. By the end of the year, the company was fully operational with a staff of 15 people.

Our experiences from the first year in operation are very satisfactory and give high hopes for the future. The dedication and commitment from everyone at Grieg Philippines, demonstrated in how the seafarers are served and treated, is outstanding. Seafarers expressing gratitude and satisfaction represent the ultimate proof that this is a success story.

Return rate - sea	2009	2008	2007
Capt./Ch.eng	100%	98%	100%
Ch.off/1st.eng.	98%	100%	95%
Jr.officer	97%	100%	95%
Crew	84%	92%	84%

Absent rate - shore	2009	2008	2007
	2,04%	1,23%	3,24%

Introducing the management

Ernesto C. Mercado
President



Bachelor's degree in Marine Transportation from the state-run naval college Philippine Merchant Marine Academy. Started sailing as a deck cadet at age 18, as a deck officer at 21, and then decided to temporarily stop sailing 3 years later only to find himself teaching and studying Master of Business Administration at the same time. Moved on to manning agency and eventually became general manager with a total of 260 vessels under his overall watch. With extensive knowledge of the industry and 30 years of experience from manning, Ernesto C. Mercado is now the president of Grieg Philippines.

Captain Cesar S. Azanza
Vice President - Operations
and Training / QAM



After graduating from the Philippine Merchant Marine Academy in 1973, Azanza spent several years at sea. He started with Grieg Shipping Group in 1986 and was promoted to master in 1988. Over the years he got involved in the construction of the Group's vessels. On the last J-class vessel; Star Juventas, he was appointed site manager and working full time on new shipbuilding projects. With the completion of the K-class vessels, Azanza is taking on new responsibilities, focusing on training our seafarers and the company's quality assurance system.





S U P P L I E R S

Building a sustainable value chain



The gantry crane can move 150 metres along the vessel side. The crane gets traction from the Gantry travel rails seen on the picture

Engaging suppliers

Making sure our vessels are equipped with all the necessary supplies and services at all times is a complex task, involving suppliers across the world.

In order to build a sustainable value chain, we encourage our suppliers to focus on high ethical and environmental standards in their respective value chains, with our supplier code of conduct (SCC) as an essential tool. In addition to signing this code, a check list should be filled in and returned to the Group. For 2009, our five largest suppliers have all responded and returned the check list.

We do not sign any frame agreement with any Group, unless the SCC has been agreed upon and signed.

With more than 370 suppliers, our challenge is to influence effectively. As approximately 45 % of our purchases are done via Incentra, a marine purchasing organization, we have focused our efforts on influencing via business partners and other members. With 39 members, representing approximately 35% of the Norwegian fleet, Incentra represents a large stakeholder in the Norwegian shipping industry. The SCC was adopted by Incentra in 2009, and requests from other companies in the industry signal that sustainable value chains are in focus.

A key focus area for 2010 is to further strengthen our activities, by engaging more business partners in common efforts and conduct screenings to ensure the SCC is being implemented.

A researcher's perspective

Suppliers are key corporate stakeholders. How a company's suppliers operate has great impact on its products and therefore the degree of responsibility of the buying company. Most of today's large companies have developed a code of conduct for their supply chains. Supply chain codes are less common among small and medium sized businesses (SMBs), even though these are responsible for the majority of today's business. So why do large corporations have supply chain requirements and SMBs not? The risk of negative media coverage related to unethical behaviour is one of the main drivers for supplier requirements. Being caught having contracts with corrupt suppliers who employ children, or dump waste illegally, might have a substantial negative effect on a company's brand value, a key component of a company's equity. One reason why SMBs are not so concerned about supplier requirements is that their brand value is less crucial. The media is less interested in scandals involving less well-known brand names, so not ensuring that suppliers are responsible is therefore less risky. Establishing and implementing supplier requirements might in the short run imply increased costs – child labour, corruption and illegal dumping by suppliers often result in less expensive products. In the long run, however, and for sustainable development, it is of crucial importance that SMBs also establish and implement a supplier code of conduct.

Referring to the large corporations that have established such codes of conduct, only half of them disclose in their non-financial reports how these requirements are implemented and monitored. There are several paths to follow to implement supplier requirements. Some companies simply present their requirements, and perhaps ask suppliers to sign these - and that is all. No follow up of suppliers is conducted. Other companies cancel contracts with suppliers that cannot prove that they are behaving in accordance with their codes of conduct. Some companies help suppliers to fulfil their requirements by means of courses and workshops.

One way to manage the follow-up of supplier requirements for SMBs is to focus on internationally well-established voluntary guidelines, such as the UN Global Compact principles, which are also applied by larger corporations. Applying universal and well established principles make it more feasible for suppliers to fulfil the requirements.

Caroline D Ditlev-Simonsen

Research fellow and Associate Director Centre for Corporate Responsibility, BI Norwegian School of Management



GLOBAL COMPACT

Communication on progress

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

Grieg Shipping Group committed to the UN Global Compact ten principles in 2008.

As a participant in the UN Global Compact initiative, Grieg Shipping Group will implement the ten principles in its business strategies and operative work.

Grieg Shipping Group gives its assurance that the UN Global Compact and the 10 principles will be integrated in its operations and corporate culture.

We will promote and use our influence to voice UN Global Compact's ideas, and we will report implementation progress annually.

Grieg Shipping Group's vision is to "Create lasting value through our common effort".

We do this by contributing to economic and social development, without jeopardizing future generation's possibilities. Joining UN Global Compact is an important part of the Groups's social responsibility policy, and we look forward to continuing our contribution to the global initiative.

- The UN Global Compact has two objectives:
- Mainstream the ten principles in business activities around the world
 - Catalyze actions in support of broader UN goals, including the Millennium Development Goals (MDGs)

The 10 principles		Corresponding GRI indicators
HUMAN RIGHTS		
Principle 1:	Businesses should support and respect the protection of internationally proclaimed human rights; and	HR 1-7
Principle 2:	Businesses should make sure that they are not complicit in human rights abuses.	HR 1, 2
LABOUR STANDARDS		
Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	HR 5 LA 4-5 LT 14
Principle 4:	Businesses should uphold the elimination of all forms of forced and compulsory labour;	HR 7
Principle 5:	Businesses should uphold the effective abolition of child labour;	HR 6
Principle 6:	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	HR 4 LA 2 LA 13, 14
ENVIRONMENT		
Principle 7:	Businesses should support a precautionary approach to environmental challenges;	Profile disclosure 4, 11
Principle 8:	Businesses should undertake initiatives to promote greater environmental responsibility; and	EN 2 EN 5-7 EN 10 EN 13, 14, 18, 21, 22, 26, 27
Principle 9:	Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN 2, 5, 6, 7, 10, 18, 26, 27
ANTI-CORRUPTION		
Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery.	SO 2 SO 3, SO 4

GRI

Global Reporting Initiative

The Global Reporting Initiative’s (GRI) vision is that disclosure on economic, environmental, and social performance is as commonplace and comparable as financial reporting, and important to organisational success.

GRI’s mission is to create conditions for the transparent and reliable exchange of sustainability information through the development and continuous improvement of the GRI Sustainability Reporting Frame. Sustainability reports based on the GRI framework can be used to benchmark organizational performance with respect to laws, norms, codes, performance standards and voluntary initiatives; demonstrate organizational commitment to sustainable development; and compare organizational performance over time.



Cleaning and maintaining the vessel is an ongoing task for our crew.

GRI Element / Indicator		Page/References
PROFILE		
Strategy and Analysis		
1.1	Statement from the most senior decision maker of the organization	9
1.2	Description of key impacts, risks, and opportunities.	9, 19, 22-24, 26-35
Organizational Profile		
2.1	Name of the organization	Grieg Shipping Group AS
2.2	Primary brands, products, and/or services	Ship owner, management, chartering and operations, 5, 13-21
2.3	Operational structure of the organisation	5-7, 37-41
2.4	Location of organization's headquarters	Bergen, Norway
2.5	Countries where the organization operates	5, 17
2.6	Nature of ownership and legal form	Shareholding company, not listed
2.7	Markets served	World-wide, 16-17
2.8	Scale of the reporting organisation	13-21,15, 56
2.9	Significant changes in size, structure, or ownership	Significant changes, 26-35, 3
2.10	Awards received in the reporting period	None
Report Parameters		
3.1	Reporting period	2009
3.2	Date of most recent previous report (if any)	Annual Report 2008 and Corporate Responsibility Report 2008
3.3	Reporting cycle (annual, biennial, etc.)	Annual
3.4	Contact point for questions regarding the report or its content	VP HR Ole Steinar Mjell, CFO Annicken Kildahl, CR Manager Marit Trodal
3.5	Process for defining report content	Board of directors, management team, relevant departments and content providers
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, etc).	3, 5, 7
3.7	Limitations on the scope of boundary of the report	GRI reporting does not include Product Responsibility. To be included in 2010.
3.8	Basis for reporting on joint ventures, subsidiaries etc	notes 5, 6 (p. 80), note 15 (p. 87)
3.9	Data measurements techniques	note 1 (p. 76)
3.10	Effect of any re-statements of information	Nothing to report
3.11	Changes in the scope, boundary, or measurement methods	Significant changes in organisational ownership structure and reorganisation, 7, 26
3.12	GRI Index table	67-70
3.13	External assurance for the report	34, 91. Financial statements only

Governance, Commitments and Engagement		
4.1	Governance structure of the organisation	15, 30-34, 37-41
4.2	Whether the Chair of the highest governance body is also an executive officer	The chair is not executive officer, 30
4.3	For unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Three external board members, 35, 30-34
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Formal mechanisms for shareholders only. Whistle blowing policy for employees involves board as ultimate recipient. 32
4.5	Compensation for the highest governance body, senior managers, and executives	Note 14 (p. 86)
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	31-32, 55
4.7	Process for determining the qualifications and expertise of the members of the highest governance body	26-35, 37-41
4.8	Internally developed statements of mission or values, codes of conduct, and principles	8, 26, 63
4. 9	Procedures of the highest governance body for overseeing the organization	26-35
4.10	Processes for evaluating the highest governance body's own performance	26-35, audit, internal annual evaluation
4.11	Whether and how the precautionary approach or principles is addressed by the organisation	9, 26-35
4.12	Externally developed charters, principles, or other initiatives to which the organisation subscribes or endorses	UN Global Compact, Transparency International
4.13	Memberships in associations and/or national/international advocacy organisations	World Business Council for Sustainable Development, The Norwegian Shipowner Association (NSA), The Chair elected President of the NSA 2007-2009
4.14	List of stakeholder groups engaged by the organization	Employees, suppliers, environment, local community, 44
4.15	Basis for identification and selection of stakeholders with whom to engage	Strategic decision to target key stakeholders, 44
4.16	Approaches to stakeholder engagement	Dialogue and active involvement of employees, supplier code of conduct, Incentra network, environmental projects, 44-63, 30-32
4.17	Key topics and concerns that have been raised through stakeholder engagement	Ethical dilemmas, health & safety, competence development, environmental concerns, 44-63, 30-32

ECONOMIC PERFORMANCE INDICATORS

Management Approach		
EC1	Direct economic value generated and distributed	9-11, 26-35, 71-91
EC2	Financial implications and other risks and opportunities due to climate change.	Not reported
EC3	Coverage of the organization's defined benefit plan obligations.	Note 15 (p. 87)
EC4	Significant financial assistance received from government.	28
EC6	Spending on locally-based suppliers at significant location of operation.	63
EC7	Procedures for local hiring proportion of senior management	60
EC8	Infrastructure investments and services provided primarily for public benefit	57

ENVIRONMENTAL PERFORMANCE INDICATORS

Management Approach		
EN1	Materials used by weight or volume	30-31, 44-51
EN2	Percentage of materials used that are recycled input materials	Not reported
EN3	Direct energy consumption by primary energy source	44, 49-51
EN4	Indirect energy consumption by primary source	To a very low extent during dockings. Not logged.
EN5*	Energy saved due to conservation and efficiency improvements	Will be calculated and reported from 2010.
EN8	Total water withdrawal by source	All fresh water for consumption is made onboard.
EN11	Location and size of land in areas of high biodiversity value outside protected areas	Not relevant
EN12	Impacts on biodiversity in protected areas and areas of high biodiversity	Not relevant
EN16	Total direct and indirect greenhouse gas emissions by weight	49
EN17	Other relevant indirect greenhouse gas emissions by weight	Not reported
EN18*	Initiatives to reduce greenhouse gas emissions and reductions achieved	46-52
EN19	Emissions of ozone-depleting substances by weight	Not reported
EN20	NOx, SOx, and other significant air emissions by type and weight	49

EN21	Total water discharge by quality and destination	Ballast water exchange systems and routines in place to prevent the spread of species and organisms. Treatment systems not in place per to-day. Total grey water consumption is estimated at 30-35000 tons/year.
EN22	Total weight of waste by type and disposal method	Amount of waste not estimated, but segregated and delivered to shore. Lack of proper waste handling in many harbours.
EN23	Total number and volume of significant spills	No significant spills.
EN26	Environmental impacts of products and services, and extent of impact mitigation	44-51
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Not relevant
EN28	Significant fines and sanctions for non-compliance with environmental laws and regulations	None

SOCIAL PERFORMANCE INDICATORS

Labor Practices and Decent Work		
Management Approach		
LA1	Total workforce by employment type, employment contract, and region	9, 26-35, 55
LA2	Employee turnover by age group, gender, and region	6, 29, 56
LA4	Percentage of employees covered by collective bargaining agreements	Gender and region reported, not age group. 29-30, 56
LA5	Minimum notice period(s) regarding operational changes	Shore: Individual basis Seafarers: 100% (international standards applied)
LA6*	Formal joint management-worker health and safety committees	International rules and standards applied
LA7	Injuries, occupational diseases, lost days, absenteeism, and work-related fatalities	Practiced onboard the vessels due to size of organisation, internal working environment committee, 56, 30
LA8	Education, training, prevention, and risk-control programs in place regarding serious diseases	29-30, 55
LA9*	Health and safety topics covered in formal agreements with trade unions	55-56, 30, 59
LA10	Average hours of training per year per employee by employee category	International standards, and company's familiy medical plan for seafarers
LA13	Diversity within governance bodies and employee categories	Will be reported from 2010
LA14	Ratio of basic salary of men to women by employee category	36-41, 56, 30
Not reported		
Mobile worker working pattern		
LT9	Desciption of policies and programmes to determine working hours and rest hours, rest facilities and leave for seafarers	In accordance with international standards.
LT10	Approaces to provision of facilities to enable mobile workers to maintain personal communication while working	Implementation of access to mobile phones and email to start in 2010 (2 vessels)
Ship safety inspections		
LT13	List the accients when ships have been detained by port inspectors	None
Use of labour providers		
Describe how these criterias relate to existing international standards such as conventions of the ILO		Manning office in Manila follows international ILO conventions
Continuity of employment		
LT17	Describe measures in place to provide income security and employment continuity for workers employed/contraced repeatedly but not continuously	Seafarers (ratings) contract period of 9 months. Have to re-apply for next period. Stand-by payment at officers level.
Human Rights		
Management Approach		
HR1	Human rights clauses or screening related to investment agreements	6, 9, 26-35
HR2	Screening of suppliers and contractors regarding human rights	None
HR4	Total number of discrimination and actions taken	Included in Supplier Code of Conduct, UN Global Compact, ILO Conventions, 62-65
HR5	Freedom of association and collective bargaining	None
HR6	Child labor, and measures taken to contribute to the elimination of child labor	Crew is organized by international seamen associations
HR7	Forced or compulsory labor	Included in Supplier Code of Conduct, UN Global Compact, ILO Conventions, 63-64

Society		
Management Approach		
SO1	Impacts of operations on communities, including entering, operating, and exiting	Local employment and scholarship opportunities. 57, 60, 63
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Grieg Philippines only unit analyzed
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Ongoing dilemma training with employees in offices. Percentage not measured. 32, 55
SO4	Actions taken in response to incidents of corruption.	One person dismissed after violating the code of conduct
SO5	Public policy positions and participation in public policy development and lobbying	Through Norwegian Shipowner's Association
SO7*	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None
SO8	Fines and non-monetary sanctions for non-compliance with laws and regulations	None

* Additional performance indicators from Transportation & Logistics sector supplement.

GRIEG SHIPPING GROUP

Financial Statements 2009

PROFIT AND LOSS STATEMENT

PARENT COMPANY				GROUP	
(Figures in NOK 1 000)				(Figures in NOK 1 000)	
2009	2008	Note	Note	2009	2008
REVENUES					
-	-			725 909	1 167 611
-	-			2 321	-
-	-			728 230	1 167 611
OPERATING EXPENSES					
-	-			373 994	334 608
-	-			2 848	1 591
-	-		14	51 264	47 777
871	741			27 596	47 640
-	-		4	203 268	189 848
871	741			658 970	621 465
-871	- 741			69 260	546 146
FINANCIAL ITEMS					
824	1 111			10 101	17 090
-	-			850	212
-	-541			-59 917	-68 426
-	-		13	-	-26 349
150 000	312 543			-	-
-	-			245 126	-271 392
-	-			-70 712	45 140
-	-			175 393	-43 335
150 824	313 113			300 843	-347 060
149 953	312 372			370 103	199 086
-1 248	47		13	441 978	193 897
148 705	312 419			812 081	392 983
-	-			-	106 563
148 705	312 419			812 081	286 420
-113 000	-288 000			-113 000	-369 179
35 705	24 419			699 081	23 804

BALANCE SHEET AS OF 31.12.2009

PARENT COMPANY				GROUP	
(Figures in NOK 1 000)				(Figures in NOK 1 000)	
2009	2008	Note	Note	2009	2008
ASSETS					
FIXED ASSETS					
Intangible fixed assets					
-	-		3	99 248	107 411
-	-		3	55 727	64 276
-	72	13	13	-	-
-	72			154 975	171 687
Tangible assets					
-	-			37 570	4 575
-	-			34 711	-
-	-			76 712	-
-	-			3 301 779	2 608 917
-	-			558 815	658 217
-	-		4	4 009 586	3 271 709
Fixed financial assets					
2 689 914	2 006 777	5		-	-
			15	54 691	-
-	-		7	250	99
-	-		9	922	729
2 689 914	2 006 777			55 863	827
2 689 914	2 006 849			4 220 424	3 444 223
Currents assets					
Accounts receivables					
150 000	286 862	11	11	-	52 881
	-			96 773	-
			13	104 904	-
1	44			73 584	53 275
150 001	286 907			275 261	106 156
Fuel supply					
				100 243	-
			8	1 523 139	1 818 753
3 437	4 655		17	121 744	201 138
153 438	291 561			2 020 387	2 126 047
2 843 352	2 298 411			6 240 812	5 570 270

BALANCE SHEET AS OF 31.12.2009

PARENT COMPANY				GROUP		
(Figures in NOK 1 000)				(Figures in NOK 1 000)		
2009	2008	Note	Note	2009	2008	
EQUITY AND LIABILITIES						
EQUITY						
Paid-in capital						
137 052	100 150	12	12	137 052	100 150	
550 343	-			550 343	-	
1 484 765	1 597 765			1 484 765	1 597 765	
2 172 160	1 697 915			2 172 160	1 697 915	
Retained earnings						
-	-			-	15 192	
461 124	312 419			1 262 249	288 369	
-	-			-	733 854	
461 124	312 419			1 262 249	1 037 415	
2 633 285	2 010 334	2	2	3 434 409	2 735 330	
LIABILITIES						
Provisions						
-	-		15	33 002	-	
-	-		13	59 164	38 699	
-	-			92 166	38 699	
Other long-term liabilities						
-	-		10	2 138 752	1 912 699	
95 892	-		11	95 892	-	
-	-		13	-	341 633	
95 892	-			2 234 644	2 254 333	
Current liabilities						
-	54	11	11	2 544	658	
-	-			44 855	57 983	
-	-			11 791	4 245	
113 000	288 000			113 000	369 179	
1 176	-		13	14 446	74 882	
-	-			57	-	
-	23			292 900	34 960	
114 176	288 076			479 594	541 908	
210 067	288 076			2 806 403	2 834 940	
2 843 352	2 298 411			6 240 812	5 570 270	

Oslo, 16th of March 2010

The Board of Directors Grieg Shipping Group AS



Elisabeth Grieg
Chair



Jarle Roth
Board Member



Bjørn Gabriel Reed
Board Member



Kai Grøtterud
Board Member



Camilla M. Grieg
CEO/Board Member

CASH FLOW ANALYSIS

PARENT COMPANY				GROUP		
(Figures in NOK 1 000)				(Figures in NOK 1 000)		
2009	2008			2009	2008	
CASH FLOW FROM OPERATIONS						
149 953	312 372	Result before taxes		370 103	199 086	
-	-	Taxes paid in the period		-56 727	-61 455	
-	-	Gain/loss from sale of fixed assets		-2 969	66 133	
-	-	Ordinary depreciation (including dry dock)		235 776	219 059	
-	-	Change in trade debtors		648	-8 327	
-	-	Change in trade creditors		-15 721	24 014	
-	-	Difference between expensed pensions and payments in/out of the pension scheme		-	-1 084	
-	-	Effect of exchange rate fluctuations		56 369	410 989	
20	-22	Changes in other provisions		-14 925	7 507	
-	-	Items classified as investment or financial activities		22 400	-124 042	
-	300 565	Dividends from group companies without result effect		-	-	
149 973	612 915	Net cash flow from operations		594 952	731 880	
CASH FLOW FROM INVESTMENTS						
-	-	Proceeds from sale of fixed assets		16 018	-	
-	-	Purchase of fixed assets		-825 242	-123 359	
136 862	-	Proceeds from loans to other group companies		52 881	-	
-	-286 862	Repayment of loans from other group companies		-	-52 633	
-	-	Proceeds of other loans		315	-	
-	-	Repayment of other loans		-	-418	
-	-	Proceeds from sale of market based investments		681 307	580 204	
-95 892	-	Purchase of market based investments		-503 488	-911 999	
-	-	Purchase of shares in subsidiaries		-	-35 308	
40 971	-286 862	Net cash flow from investments		-578 209	-543 512	
CASH FLOW FROM FINANCING						
95 838	-10 132	Proceeds from loans to other group companies		96 188	-183 532	
-	-	Proceeds from long term loans		275 953	343 713	
-	-	Repayment of long term loans		-125 002	-105 772	
-	-	New equity received		-	-	
-	-	Repayment of equity		-	-128 981	
-288 000	-311 369	Payment of dividend		-369 179	-314 607	
-192 162	-321 501	Net cash flow from financing		-122 040	-389 179	
-1 218	4 552	Net change in cash and cash equivalents		-105 297	-200 811	
		Cash and cash equiv. taken over on merger of Grieg Star Shipping		25 902	-	
4 655	103	Cash and cash equivalents at the beginning of the period		201 138	401 949	
3 437	4 655	Cash and cash equivalents at the end of the period		121 744	201 138	
Specification of cash and cash equivalents at the end of the period						
3 437	4 655	Bank deposits, cash in hand		121 744	201 138	

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 investments 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 impaired value is due to causes which are not deemed to be temporary and are considered to be necessary in accordance with good accounting practice. 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

Owner interests in joint ventures are stated applying the gross method. The shares of income, costs, assets and liabilities is incorporated in the accounts, line for line. The figures are specified for each main group in a note to the 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 fair value 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.

FIXED ASSETS

Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is charged on a straight line basis over the remaining economic lifetime of each asset adjusted for the residual value. The estimated lifetime of the vessels is 27 years. Maintenance and 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 fund

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, write-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.

NEWBUILDING CONTRACTS

Shipyard instalments paid are posted as fixed assets in pace with the payment schedule.

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 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

Cash items denominated in foreign currency are valued at the year-end exchange rate (for USD: 5.7767). For companies which for accounting purposes are registered in USD, fixed assets and depreciation are stated at historical rates. The profit and loss account, apart from depreciation charges, has been re-stated at average rates (6.2816).

FOREIGN EXCHANGE HEDGING

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

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.

PENSIONS

Effective from 01.01.09 the Group has changed to a defined contribution based pension scheme. Costs relate to the wind-up of the former benefits-based scheme were charged in the accounts for 2008.

Grieg Star Shipping AS was acquired effective from 31.12.2009. Grieg Star Shipping has defined benefits-based pension scheme. On consolidation, pension fund assets and pension fund liabilites in the balance sheet at 31.12.2009 were consolidated.

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, the future return on pension fund assets and actuarial assumptions about

mortality, voluntary withdrawals etc. Pension fund assets are recognised at fair value and are deducted from net pension commitments in the balance sheet. Changes in commitments due to changes in pension plans are divided over the expected remaining period of service. The same applies to estimate deviations in so far as they exceed 10% of the larger of the pension commitment and 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 employer's national insurance contributions.

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 28%, 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 utilised.

Some of the companies of the Group are subject to the taxation regime for shipowning companies pursuant to chapter 8 of the Taxation Act. Tax payable related to the fund for environmental initiatives in connection with the transition to the new taxation regime is stated at discounted present value. As a consequence of the Norwegian Supreme Court's ruling that two thirds of the transitional tax in connection with the transition to the new taxation regime unconstitutional taxation of previous earned income, tax payed previously in this connection has been written back and posted as current receivables. The related transitional tax provision has been written back in its entirety. For further information, please refer to note 13.

COMPANY
Grieg Shipowning AS
Grieg Shipping AS (Former name: Grieg Shipping Group AS)
Grieg Star Shipping AS

Grieg Shipowning is a group which comprises the following companies:		
Grieg Shipping II AS (Former name: Grieg Shipping AS)	Bergen	100,00%
Grieg International II AS	Oslo	100,00%

Grieg Maritime AS and Grieg International II AS merged with accounting effect from 1.1.2009.

Grieg Star Shipping is a group which comprises the following companies		
Grieg Star Shipping (Canada) Ltd.*	Vancouver B.C., Canada	100,00%
Grieg Star Shipping (USA) Inc.	Atlanta, USA	100,00%
Atlantic Cargo Services AB	Gothenburg, Sweden	100,00%
Grieg Star Shipping SRLV	Livorno, Italy	100,00%

* Grieg Star Shipping (Canada) Ltd. has a 100% shareholding in Squamish Terminals Ltd.

Grieg Star Shipping was acquired with effect from 31.12.2009. The balance sheet of Grieg Star Shipping Group was consolidated in 2009.

ESTIMATES

When preparing the annual accounts in accordance with good accounting practice, the management make 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 of the asset. Intra-group transactions and balances are eliminated.

NOTE 2 EQUITY

(Figures in NOK 1 000)

PARENT COMPANY

Equity movements	Share capital	Share premium reserve	Other paid-up equity	Other equity	Total
Equity at 01.01	100 150	-	1 597 765	312 419	2 010 334
Capital increase*	36 902	550 343	-	-	587 245
Accounting result for the year	-	-	-	148 705	148 705
Provision for dividends	-	-	-113 000	-	-113 000
Equity at 31.12	137 052	550 343	1 484 765	461 124	2 633 285

GROUP

Equity movements	Share capital	Share premium reserve	Other paid-up equity	Other equity	Total
Equity at 01.01	100 150	-	1 597 765	1 037 415	2 735 330
Changes on restructuring of Group*	36 902	550 343	-	-587 245	-
Accounting result for the year	-	-	-	812 081	812 081
Provision for dividends	-	-	-113 000	-	-113 000
Equity at 31.12	137 052	550 343	1 484 765	1 262 249	3 434 409

* In 2009 the Grieg Foundation's shareholding in Grieg Shipowning AS was used as a non-cash consideration in respect of Grieg Shipping Group AS. Grieg Shipping II also became a wholly owned subsidiary when the minority shareholder, through a demerger and subsequent Group merger, received shares in Grieg Shipping Group. As a result, paid-up equity has increased. The Group's total equity is unaffected by the transaction.

NOTE 3 INTANGIBLE ASSETS

(Figures in NOK 1 000)

GROUP

Intangible assets	Goodwill	Contracts	Total
Purchase costs at 01.01	94 305	163 265	257 570
Additions	-	-	-
Disposals	-	-	-
Purchase cost at 31.12	94 305	163 265	257 570
Accumulated depreciation at 31.12	38 578	64 017	102 595
Book value at 31.12	55 727	99 248	154 975

Depreciation charge for the year	8 549	8 163	16 713
Depreciation period	5-20 years	20 years	
Depreciation plan	Linear	Linear	

Contracts represent excess values related to the vessels' contracts of affreightment. Parts of goodwill relate to the companies' right to renominate tonnage in Grieg Star Shipping (formerly Star Shipping).

NOTE 4 FIXED ASSETS

(Figures in NOK 1 000)

GROUP

	Vessels	Docking	Newbuildings	Total
Purchase cost at 01.01	4 644 477	175 814	658 217	5 478 509
Additions	862 660	63 550	737 239	1 663 449
Disposals	12 822	56 568	836 641	906 031
Cost price at 31.12	5 494 316	182 796	558 815	6 235 926
Accumulated depreciation at 31.12	2 321 650	53 683	-	2 375 333
Book value at 31.12	3 172 666	129 113	558 815	3 860 593

Depreciation charge for the year	185 610	32 402	-	218 012
Depreciation plan	Linear	Linear		

Depreciation of the vessels is based on an expected economic lifetime of 27 years and a residual value equal to the estimated scrap value. Capitalised docking costs are depreciated on a linear basis over the period between two drydockings and debited to operating expenses.

Vessels includes 50% ownership of Star Eviva from the company ANS Billabong II which is included in joint ventures.

The remaining contract amounts to be paid for newbuildings totals USD 39.9m.

	Terminals	Machinery, vehicles etc.	Loading & discharging equipment etc.	Other assets	Total
Purchase cost at 01.01	-	6 200	-	-	6 200
Additions	75 878	34 540	34 711	833	145 963
Disposals	-	601	-	-	601
Cost price at 31.12	75 878	40 139	34 711	833	151 562
Accumulated depreciation at 31.12	-	2 569	-	-	2 569
Book value at 31.12	75 878	37 570	34 711	833	148 992

Depreciation charge for the year	-	944	-	-	944
Depreciation plan	Linear	Linear	Linear		

Machinery, vehicles etc. have a depreciation period of 3-10 years. Squamish Terminals is depreciated over 30 years. Other assets are not depreciated.

The shipping activities have been subject to a write-down test, in accordance with good accounting practice. The test concluded that the utility value exceeds the book value. In calculating the utility value, a discount rate of of 8.3% has been used, after tax and cash flows based on the Group's long-term forecasts, and which naturally involve a degree of uncertainty.

Annual lease of fixed assets not posted in the balance sheet

Asset	Lease period	Annual lease
Vessels (vessels additional to those belonging to the Group)*	0-5 years	584 281
Containers and chassis	0-3 years	10 030
Office premises		7 101

* The lease cost is based on an average USD exchange rate in 2009 of NOK 6.2816.

NOTE 5 SUBSIDIARIES

(Figures in NOK 1 000)

PARENT COMPANY

Subsidiary	Registered office	Ownership/voting rights	Equity 2009 (100%)	Result 2009 (100%)	Book value (100%)
Grieg Shipowning AS*	Bergen	100 %	3 377 875	812 397	2 578 790
Grieg Shipping AS	Bergen	100 %	12 908	3 160	15 232
Grieg Star Shipping AS*	Bergen	100 %	67 008	17 514	95 892
Book value at 31.12					2 689 914

* The equity and results for the last year relate to the Group.

NOTE 6 JOINT VENTURES

(Figures in NOK 1 000)

GROUP

The Group has the following investments:

Company	Date of acquisition	Registered office	Ownership and voting rights	Joint & several liability*
ANS Billabong II	15.10.1992	Bergen	50%	1 729

* The joint and several liability relates to book debt for ANS Billabong II as at 31.12.09.

ANS Billabong II	
Net value at 01.01	13 742
of which undepreciated excess value	197
Additions/disposals in period	0
Share of profit for the year	6 747
Depreciation of excess value	-197
Transfers to/from the company	-8 734
Other changes during the year	0
Net value at 31.12.	11 558
of which undepreciated excess value	0

The main figures included in the accounts in accordance with the gross method are specified below:

ANS Billabong II	
Share of operating revenues	16 853
Share of operating expenses	-7 823
Share of depreciation	-90
Depreciation of excess value	-197
Share of net financial items	-2 192
Share of tax expenses	-
Share of profit for the year	6 550
Share of fixed assets	4777
Excess value pertaining to fixed assets	-
Share of current assets	7 644
Share of assets	12 422
Shares of long-term debt	-
Share of short-term debt	865
Share of debt	865
Share of equity	11 558

NOTE 7 INVESTMENTS IN SHARES ETC.

(Figures in NOK 1 000)

GROUP

	Registered office	Ownership	Book value
Incentra	Oslo	2,7 %	20
Seabound Maritime	Manila	20,0 %	79
Grieg Philippines Inc.	Makati City	20,0 %	152
Book value at 31.12			250

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 Grieg Shipping AS’ manning agent in the Philippines until 2009.

Grieg Philippines has been Grieg Shipping AS’ manning agent in the Philippines since 2009.

NOTE 8 MARKET-BASED INVESTMENTS

(Figures in NOK 1 000)

GROUP

	Cost price	Market value
Individual shareholdings	33 227	31 925
Mutual funds	544 570	586 428
Bonds	478 358	371 050
Money market funds	351 677	419 506
Hedge funds	36 575	114 230
Book value at 31.12	1 444 406	1 523 139

NOTE 9 RECEIVABLES MATURING LATER THAN ONE YEAR

(Figures in NOK 1 000)

GROUP

	2009	2008
Employee loans	419	275
Deposit on office in Shanghai	175	454
Deposit on office in Seoul	328	-
Total	922	729

NOTE 10INTEREST-BEARING DEBT

(Figures in NOK 1 000)

GROUP

Mortgage loans	Borrower	Exchange rate	USD	NOK
Loan I. DnB NOR *)	Grieg Shipping II AS	5,7767	129 200	746 350
Loan II. DnB NOR *)	Grieg Shipping II AS	5,7767	76 200	440 185
Loan III. DnB NOR *)	Grieg International II AS	5,7767	70 500	407 257
Loan IV. DnB NOR *)	Grieg International II AS	5,7767	89 300	515 859
Loan V. DnB NOR *)	Grieg International II AS	5,7767	1 071	6 189
Total - USD			366 271	2 115 840

	Exchange rate	CAD	
Loan VI. DnB NOR	Squamish Terminals Ltd.	5,5026	4 000
Sundry			22 010
Total mortgage loans			901
			2 138 752

*) as agent for a bank syndicate

Structure of maturity	USD	CAD	NOK
Instalments due in 2010	30 114	1 000	179 464
Mortgage debt maturing later than five years after year-end	218 200	0	1 260 476

Exchange rate	5,7767	5,5026
---------------	--------	--------

Instalments due in 2009	USD	CAD	NOK
Grieg Shipping II AS	13 600		82 359
Grieg International II AS	6 514		42 643
Squamish Terminals Ltd		1 000	5 507
Total instalments			130 509

Book value of mortgaged assets	Book value
Loan I: Star Istind, Star Isfjord, Star Japan, Star Java, Star Hansa, Star Herdla and Star Hidra	1 273 800
Loan II: Star Kilimanjaro and Bn 8004	237 578
Loan III: The vessels Star Harmonia, Star Ismene and Star Juventas have been given as security	1 216 249
Loan IV: Star Kirkenes og Bn 8003	321 237
Loan V: Star Atlantic	27 724

Loan covenants

The main covenants are as follows:

Grieg Shipping II AS is required at all times to have liquid funds of USD 10m.

Grieg International II AS is required at all times to have liquid funds of USD 10m.

The Group must continue to be controlled by the Grieg family.

The Group has met its loan covenant commitments throughout the year.

NOTE 11INTRA-GROUP ACCOUNTS

(Figures in NOK 1 000)

PARENT COMPANY

Other receivables	2009	2008
Grieg Shipowning AS	150 000	234 090
Grieg Holdings AS	0	52 773
Total	150 000	286 862

Other long-term liabilities	2009	2008
Grieg Property AS*	95 892	0
Total	95 892	0

Other current liabilities	2009	2008
Grieg Property AS*	0	54
Total	0	54

GROUP

Other receivables	2009	2008
Grieg Holdings AS	0	52 773
Grieg Investor AS	0	108
Total	0	52 881

Other long-term liabilities	2009	2008
Grieg Property AS*	95 892	0
Total	95 892	0

Other receivables	2009	2008
Grieg Group Resources AS	896	437
Grieg International AS	0	10
Grieg Property AS*	0	54
Grieg Investor AS	6	0
Grieg Logistics AS	52	157
Joachim Grieg & Co.	1 589	0
Total	2 544	658

* Previous name: Grieg Shipping II AS

NOTE 12 SHARE CAPITAL AND SHAREHOLDER INFORMATION

PARENT COMPANY

The share capital consists of	Number	Nominal amount	Value	
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 AS	255 018		255 018	18,61 %
Grieg Ltd AS	412 378		412 378	30,09 %
Grieg International AS	334 104		334 104	24,38 %
Per Grieg sr.	34 335		34 335	2,51 %
Grieg Foundation		334 688	334 688	24,42 %
Total	1 035 835	334 688	1 370 523	100 %

NOTE 13 TAXES

(Figures in NOK 1 000)

PARENT COMPANY

Tax charge and tax payable in the accounts	2009	2008
Taxable accounting result	4 199	-171
Tax payable (28% of taxable basis of tax payable in profit and loss account)	1 176	-
Excessive/insufficient tax provision in previous years	-	-
Total tax payable	1 176	-
Change in deferred tax	72	-48
Tax charge	1 248	-48
Deferred tax assets	-	72

GROUP

In December 2007 the Norwegian Parliament (Storting) adopted a new shipping tax regime. Grieg’s shipowning companies, which were also covered by the previous scheme, have complied with the new shipping tax regime since 1.1.2007.

Transitional rules on the transition into the new tax regime meant that retained earnings earned in the period when the old shipping tax regime applied were in reality taxed over a 10-year period, with two thirds of the transitional payable in annual installments, with each installment corresponding to 10% of the total tax payable, over the next ten years. The remaining one third would lapse if it was invested in environment-friendly initiatives. No provision was made for remaining one third of the transitional tax.

On 12 February 2010 in considering whether the transitional rules were in breach of article 97 of the Norwegian Constitution, the Supreme Court ruled that the transitional rules constituted unconstitutional taxation of previously retained earnings. As a consequence of the ruling, the tax assessments for 2007 and 2008 have been annulled. It is expected that the tax paid in 2007 and 2008 will be repaid in the current year. This tax is posted as a short-term receivable.

The provision related to two thirds of the transitional tax was written back in the accounts with effect for 2009. No provisions have been made in relation to possible changes of shipping tax regulations as a consequence of the Supreme Court ruling.

Environmental initiatives were implemented in 2009 which could reduce the environmental fund of NOK 254m by NOK 6.4m.

	2009	2008
Tax charge in the accounts		
Tax payable on taxable income	8 726	18 689
Change in deferred tax	7 380	-32 500
Tax matter in Canada	-	-
Tax payable on gain arising on transition to new shipping taxation as at 1.1.2007	-104 904	-
Long-term shipping tax	-341 633	-
Utilisation of tax loss carried forward under own tax scheme	-11 604	-
Excessive/insufficient tax provision in previous years	58	20
Change in calculated value of fund for environmental initiatives*	-	-180 104
Tax charge in the accounts	-441 978	-193 897

The tonnage tax for 2009 is booked under operating costs and consists of the following:	2 848	1 591
Imputed interest charge on long-term shipping tax		
Interest charge on the fund for environmental initiatives	-	8 265
Interest charge on tax payable in the period 2009 - 2016	-	18 084
Imputed interest charge in the accounts	-	26 349

Deferred tax		
Revaluation account	86 867	65
Fixed assets	34 929	-
Pension	28 611	-
Other temporary differences	1 268	507
Temporary differences on tax-free securities	38 177	247 487
Temporary differences on tax-free securities (0.84% of deferred tax on positive differences)	40 556	-144 898
Profit/loss account	46 750	57 799
Financial tax loss carried forward	-8 248	-167 648
Basis for deferred tax/deferred tax assets	268 911	-6 687
Deferred tax/deferred tax assets	59 164	38 699
Of which the additional amount arising on the acquisition of Grieg Star Shipping	13 085	

Tax payable in the accounts		
Taken to income from profit and loss account	11 560	14 458
Taxable financial income from shipping companies	10 129	54 586
Pre-tax profit from normally taxed companies	8 826	3 613
Permanent differences	458	29
Change in differences included in the basis for deferred tax/deferred tax assets	193	-1 385
Change in loss and tax credit carried forward	-	-4 556
Basis of tax charge for the year	17 592	66 746
Tax payable on profit for the year	8 726	18 689
Tax payable on transition to new shipping tax	-	52 452
Tax payable from previous years	2 155	2 150
Tonnage tax	2 848	1 591
Pre-paid tax	-	-
Tax payable on acquisition of Grieg Star Shipping	717	-
Tax payable in the accounts	14 446	74 882

Long-term shipping tax payable in the accounts		
Provision for tax payable in period 2009 - 2016 (present value)*	-	341 633
Allocation to the fund for environmental initiatives (present value)*	-	-
Long-term shipping tax payable in the accounts	-	341 633

* As a consequence of the Supreme Court ruling on 12 February, the provision for tax related to the gain on the transition to a new tax regime has been written back. The balance on the fund for environmental initiatives has been set at zero as the requirement concerning utilisation of the fund no longer has a time limit.

NOTE 13 TAXES (CONTINUED)

(Figures in NOK 1 000)

	2009	2008
Fund for environmental initiatives		
Fund for environmental initiatives (nominal value) 1.1	254 428	261 140
Investments in environmental initiatives	-	-6 712
Fund for environmental initiatives (nominal value) 31.12	254 428	254 428

Provided that the required approval of environmental initiatives implemented in 2009 is given by Det Norske Veritas, the Group's fund for environmental initiatives will be reduced by NOK 6.4m.

NOTE 14 PAYROLL EXPENSES, NUMBER OF EMPLOYEES, REMUNERATION ETC.

(Figures in NOK 1 000)

PARENT COMPANY

The parent company has no employees of its own, and no remuneration has been paid to the CEO or the Board. Nor have any loans or guarantees been given to the CEO, chair or related parties.

In 2009, the CEO and the Board received their remuneration from the the subsidiary Grieg Shipping (formerly Grieg Shipping Group).

GROUP

Payroll expenses	2009	2008
Salaries	41 407	33 664
Employer's national insurance contributions	6 512	6 213
Pension costs	1 944	3 752
Other remuneration	1 401	4 147
Total	51 264	47 777

The average number of employees over the year was	49	48
The average number of sailing personnel was	593	568

Salary costs related to sailing personnel totalled NOK 126m and were directly debited to the shipping companies (2008: NOK 97m). These payroll expenses are included in ships' operating costs.

Remuneration to senior personnel	CEO	Board of Directors
Salary	2 548	1 149
Pension costs	69	-
Other remuneration	45	-

No loans or loan security have been given to the managing director, the chair 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.

NOTE 15 PENSIONS

(Figures in NOK 1 000)

GROUP

Effective from 01.01.09 the Group changed to a contribution based pension scheme. Grieg Star Shipping, which was acquired with effect from 31.12.2009, has different benefits based pension schemes. The pension commitments in the balance sheet relate entirely to Grieg Star Shipping.

Grieg Star Shipping has a company pension scheme for its employees funded through a life insurance company. The scheme gives the right to future defined benefits. These rights depend mainly on the number of pension-qualifying years, the salary level on reaching retirement and the amount of the benefits under the National Insurance. The full retirement pension corresponds to approximately 70 % of the pension base (limited to 12 times the National Insurance base rate (G)), and the scheme incorporates disability, spouses' and children's pension. The pension age is 67 years of age. The company is entitled to amend the company pension scheme. This is a funded scheme.

Grieg Star Shipping also has an early retirement scheme for employees which pays 70% of salary on reaching the age of 65 until 67 years of age. This scheme is not funded but is financed through operations.

Grieg Star Shipping also has pension commitments to certain employees with a salary in excess of 12G (funded).

The pension schemes covered 116 people as at 1.11.2009, of whom 35 received a pension in 2009.

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

	2009	2008
Net present value of pension entitlements	-	4 163
Interest expenses on pension commitments	-	1 705
Expected return on pension fund assets	-	-1 482
Estimate changes posted in the profit and loss account	-	166
Administration charges	-	50
Effect of the change to a contribution based pension scheme	-	-850
Payments to the contribution based pension scheme	1 944	-
Net pension expenses	1 944	3 752

	2009	2008
Pension commitments at 31.12	-192 659	-
Pension fund assets (fair value) at 31.12	137 212	-
Changes in estimates/plan changes not recorded in the accounts	83 758	-
Employer's National Insurance contributions	-6 621	-
Net pension fund assets at 31.12	21 689	-

Economic assumptions:	2009	2009	2008
	Norway	Canada	
Discount rate	5,40 %	7,25 %	n.a.
Anticipated rise in salaries	4,25 %	3,25 %	n.a.
Anticipated return on pension fund assets	5,60 %		n.a.
Anticipated increase in National Insurance base rate	4,00 %		n.a.
Anticipated rise in salaries	4,00 %		n.a.

The actuarial assumptions in 2009 relating to demographic factors are based on assumptions generally applied within the insurance industry.

NOTE 15PENSIONS (CONTINUED)

(Figures in NOK 1 000)

Specification of pension fund assets:

	Funded		Unfunded	Total Grieg Star Shipping	
	Funded	Supplement-ary pensions	Aged 65-67	Other pensions	Total
Distribution by scheme as at 31.12.09					
Calculated pension commitments	148 724	8 208	15 144	7 433	179 508
Pension fund assets (fair value)	124 341	8 273	-	-	132 614
Pre-paid pensions (net pension commitments)	-24 382	65	-15 144	-7 433	-46 895
Estimate changes not posted in the profit and loss account	67 711	14 735	-320	-	82 127
Employer's National Insurance contributions	-3 438	-	-2 135	-1 048	-6 621
Book value of pension fund assets/commitments	39 891	14 800	-17 599	-8 481	28 611

	Grieg Star Shipping Canada	Grieg Star Shipping Japan	Total Grieg Star Shipping Consolidated
	Funded	Unfunded	Total
Distribution by scheme as at 31.12.09			
Calculated pension commitments	9 822	3 329	192 659
Pension fund assets (fair value)	4 598	-	137 212
Pre-paid pensions (net pension commitments)	-5 224	-3 329	-55 447
Estimate changes not posted in the profit and loss account	1 631	-	83 758
Employer's National Insurance contributions	-	-	-6 621
Book value of pension fund assets/commitments	-3 593	-	21 689

Economic assumptions:	Norway 2009	Canada 2 009
Discount rate	5,40 %	7,25 %
Anticipated rise in salaries	4,25 %	3,25 %
Increase in salaries	4,00 %	
Increase in National Insurance base rate	4,00 %	
Expected return on pension fund assets	5,60 %	

NOTE 16AUDITOR'S FEE

(Figures in NOK 1 000)

PARENT COMPANY

Auditor's fee	2009	2008
Statutory audit	90	85
Other confirmatory services	30	25
Taxation advice	0	0
Other non-audit services	149	124
Total fee to auditor excl. v.a.t.	269	234

GROUP

Auditor's fee	2009	2008
Group auditor		
Statutory audit	538	487
Other confirmatory services	170	119
Taxation advice	0	0
Other non-audit services	721	823
Total fee to Group auditor excl. v.a.t.	1 429	1 430

In 2009, other non-audit services relate mainly to technical assistance concerning the preparation of accounts, notes, cash flows etc. and Group assistance in connection with restructuring in 2009.

NOTE 17RESTRICTED BANK DEPOSITS

(Figures in NOK 1 000)

GROUP

	2009	2008
Restricted deposits (tax deduction account)	7 407	2 672

NOTE 18GUARANTEES

(Figures in NOK 1 000)

GROUP

In connection with refinancing of Squamish Terminals Ltd. in 2004, DnB NOR provided a loan of CAD 10 000 which corresponded to the total external funding of the terminal. The balance at 31.12.2009 was CAD 5 000. A guaranteed for a corresponding amount has been given by Grieg Star Shipping to DnB NOR.

NOTE 19 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 when parts of the Group’s debt are at a floating rate of interest. The Group’s strategy is to hedge the company’s net interest rate exposure (cash flow hedging). Non-interest bearing financial instruments are regarded as natural hedging which reduces the need for direct hedging of interest rates. In principle, the Group should be at least 100% covered, including interest-bearing financial instruments, but it should also have a certain level of hedging (at least 30%) using market-based hedging instruments. In this case, interest rate swap agree-ments are mainly used. The interest rate hedging agreements are recognised and classified in the same way as the related mortgage loan.

At 31.12.09 the Group was party to interest rate swap agreements totalling USD 165m, directly hedging 45% 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 NOK 57.1m, with an average period of maturity of 6.5 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 revenues 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 and this exposure is largely covered through forward foreign exchange contracts. Gains/losses on for-eign 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 31.12.09 the Group had entered into forward contracts to hedge a total of NOK 129.7m. At the same time, the unrealised gain on these contracts amounted to NOK 5.2m with the following average exchange rates: NOK 6.032, CAD 1.1682 and EUR 1.4368, hedging the Group’s foreign exchange requirements for 2010.

Freight rate risk
The shipping industry is very cyclical and characterised by large and unforeseeable fluctuations in freight rates. 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 time-charter contracts for the vessels. As a result, the Group’s revenues fluctuate less than is the case with spot rates in the general dry bulk market. The Group also uses FFA-contracts as a risk management instrument. The FFA contracts are settled on an ongoing basis as an adjustment of operating income.

As at 31.12.09 the Group had two FFA contracts which runs from 1.1.2010 to 31.12.2010. As these are OTC (over-the-counter) contracts, there is a credit risk attached to settlement of the contracts. The con-tracts are regarded as opposing business which cancel each other out. The unrealised gain, which is not posted in the balance sheet, amounts to NOK 42.2m.

Bunker prices
The Group uses derivative contracts to hedge bunker prices. The exposure to bunkers is defined as the annual consumption of bunkers in contracts of affreightment with no bunkers clause. The result of the hedging contracts is classified as an adjustment of operating costs. The average at 31.12.2009, including bunkers clauses, was 67%.

As at 31.12.09 the Group had made derivative contracts to hedge bunker prices for a total of 24 960 mt. At the same time, the contracts showed an unrealised gain of NOK 2.5m which is not posted in the balance sheet.

Options
As at 31.12.09 the Group held no options.



	PricewaterhouseCoopers AS Postboks 3984 - Dreggen NO-5835 Bergen Telephone +47 02316 Telefax +47 23 16 10 00
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To the Annual Shareholders’ Meeting of Grieg Shipping Group AS

AUDITOR’S REPORT FOR 2009

We have audited the annual financial statements of Grieg Shipping Group AS as of December 31, 2009, showing a profit of NOK 148 705 350 for the parent company and a profit of NOK 812 080 536 for the group. We have also audited the information in the Board of Directors’ report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the prep-eration of the financial statements. These financial statements are the responsibility of the Company’s Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes as-sessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company’s financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

- In our opinion,
- the financial statements have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the company and of the group as of December 31, 2009, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
 - the company’s management has fulfilled its duty to produce a proper and clearly set out registration and documentation of account-ing information in accordance with the law and good bookkeeping practice in Norway
 - the information given in the Board of Directors’ report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Bergen, 16 March 2010
PricewaterhouseCoopers AS

Jon Haugervåg
State Authorised Public Accountant (Norway)

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

Kontorer: Arendal Bergen Drammen Fredrikstad Førde Hamar Kristiansand Mo i Rana Molde Måløy Narvik Oslo Stavanger Stryn Tromsø Trondheim Tønsberg Ålesund
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Medlemmer av Den norske Revisorforening | Foretaksregisteret: NO 987 009 713
www.pwc.no



| **GRIEG SHIPPING GROUP**

www.grieg.no

Bergen, Norway

Grieg-Gaarden
P.O. Box 781
C. Sundtsgate 17/19
5807 BERGEN,
NORWAY

Tel.: +47 55 57 69 50
Fax.: +47 55 57 69 10

Oslo, Norway

Karenslyst Allé 2
P.O. Box 513 Skøyen
0214 OSLO,
NORWAY

Tel.: +47 23 27 41 00
Fax.: +47 23 27 41 01

