KISTEFOS

Financial Statements 2018

Org. nr. 951 408 743

Annual report

The Kistefos Group had a positive development in 2018 and recorded an after-tax profit of NOK 1.788 million. This is an improvement of NOK 1.447 million from 2017, when the Group recorded an after-tax profit of NOK 341 million.

Advanzia Bank increased its profit after tax by 26% and ended at EUR 59.1 million compared to EUR 47.0 million in 2017. The growth comes despite the company providing for loan loss provisions of EUR 8 million following the introduction of IFRS 9 in 2018. Net loan balance increased by 20% during the year and ended at EUR 1.399 million.

Viking Supply Ships recorded an after-tax profit of SEK 1.751 million in 2018 compared to SEK –332 million in 2017. This is mainly due to a significant profit following the sale of three ice breakers.

Western Bulk had an after-tax profit of USD 4.2 million in 2018, approximately the same level as in 2017, when after-tax profit was USD 4.3 million. The result is disappointing, and is mainly driven by losses on contracts within a business unit.

1881 Group AS recorded an pre-tax profit of NOK 22,7 million, a decrease from 2017 where the pre-tax profit was NOK 27,7 million.

The Group had free cash balances of NOK 2.685 million (2017: NOK 1.057 million) per December 31st, and the parent company's free cash balances amounted to NOK 363 million (2017: NOK 525 million).

The Kistefos Group's revenue in 2018 was NOK 14.379 million. This represents an increase of NOK 5.002 million from 2017. The change is mainly due to gains on sale of vessels in Viking Supply Ships, as well as higher rate levels and activity in Western Bulk and strong growth in Advanzia Bank's revenues. In addition, the group companies Lumarine AS and Kappa Bioscience AS have been consolidated.

The operating result for the year was NOK 2. 277 million, compared with NOK 205 million in 2017. The improvement is mainly due to the increase in profit in Advanzia Bank, and the sale of vessels in Viking Supply Ships.

The Group's net financial income decreased from NOK 188 million in 2017 to NOK -341 million in 2018. The change is primarily due to a positive impact in 2017 of gains on the sale of Phonero and Infront, totaling NOK 362 million. The financial result is further affected by write down of shares in 2018 of NOK -55 million, higher negative currency effects and losses on future contracts compared to 2017.

The Groups after-tax profit increased by NOK 1.447 million from NOK 341 million in 2017 to NOK 1.788 million in 2018.

The Group's total assets were NOK 26.910 million at year-end 2018, which is an increase of NOK 4.080 million from NOK 22.831 million in 2017. The increase is mainly due to increased business volumes in Advanzia Bank, as well as consolidation of the group companies Lumarine AS and Kappa Bioscience AS.

The Group's long-term debt was NOK 3.912 million at year-end 2018 compared to NOK 4.192 million at year-end 2017.

The short-term debt amounted to NOK 19.912 million (NOK 16.430 million in 2017), of which deposits from customers in Advanzia Bank amounted to NOK 17.386 million.

The Group's book equity was NOK 3.086 million at year-end 2018, compared to NOK 2.209 in 2017. It is estimated that the Group has significant values in excess of book values.

Consolidated activities

Advanzia Bank S.A. (60.3 % ownership)

Advanzia delivered record-high results on both the top and bottom line in 2018, even though new accounting rules (IFRS 9) forced the bank to book significantly higher loan loss provisions than expected actual losses. The bank's net income increased by 29%, from EUR 166.4 million in 2017 to EUR 213.8 million in 2018. The increase is mainly driven by strong customer growth in Germany and Austria. During the year the bank issued 290 000 new active credit cards, corresponding to an increase of 20% from 2017 (241 000 new active credit cards). At the end of 2018, the bank had 932 000 active credit card customers, which is 23% more than in 2017 (758 000 active credit card customers). Net customer loan balance increased by 20% and was EUR 1.399 million at year-end.

Advanzia increased its after-tax profit by 26% from EUR 47.0 million in 2017 to EUR 59.1 million in 2018. During the year, the company's operational costs and loan loss provisions increased by 18% and 40% respectively. The high increase in loan loss provisions is primarily due to the transition to IFRS 9, which means that the bank now has to make provisions for losses on customers who have not missed payments, whereas previously this was only done on loans that were not paid in time. It is important to point out that this only applies to accounting loss provisions, and that real loan losses are unaffected. The IFRS 9 implementation resulted in additional loan loss provisions of EUR 8 million. Without this effect, the after-tax profit growth would have been approx. 40%.

The bank has had positive development in all markets. In Germany / Luxembourg, customer intake was record high with 246 000 new active cards, which is an increase of 33% from the previous year. Similarly, Advanzia gained 29 000 new active customers in Austria, an increase of 17% from 2017.

In France, the bank has been working to implement improvements throughout the value chain, which are now starting to yield results. The bank hopes to be able to increase the growth rate in the second half of 2019 if everything continues to develop positively. In 2017, the bank acquired a credit card portfolio from My Money Bank in France, and this now appears to yield better results than first expected.

In December 2018, Advanzia Bank launched in Spain under the brand name "Tarjeta You". This is the fifth country where Advanzia launches its primary product (revolving gold credit card).

Advanzia also operates cards on behalf of other financial institutions and banks. This business area is called PCS, and was strengthened through the acquisition of Catella's PCS business (closing expected in 2019). The deal is expected to contribute up to 65 new partner banks.

Viking Supply Ships AB (78.3 % ownership)

Viking Supply Ships AB group posted an after-tax profit of SEK 1.751 million (SEK -332 million in 2017). The increase in profit is mainly due to the sale of three ice breaker vessels, which resulted in a gain of SEK 2.485 million. This was partly offset by loss and write-downs on the PSV fleet of SEK 213 million, write-downs on the AHTS vessel Odin Viking by SEK 145 million, and a negative result from operations of SEK 376 million.

Net revenue amounted to SEK 300 million in 2018 (SEK 331 million), of which SEK 154 million (SEK 181 million in 2017) comes from the AHTS business, and SEK 146 million comes from Services and Ship Management (SEK 150 million in 2017). The decline in revenue is still due to challenging market conditions with low utilization and low rates.

EBITDA (from continuing operations) for the Group, including gains from the sale of vessels, ended at SEK 2.382 million against SEK -185 million in 2017.

The average day-rate for the company's AHTS vessels for the year was USD 28 400 (USD 29 000), and the utilization rate was 53% (32%), excluding vessels in circulation. In 2018, Viking Supply Ships had on average three vessels in the spot market and two laid-up vessels. This excludes the icebreakers sold in August 2018. In 2017, the company had six vessels in the spot market and two laid-up vessels.

Due to persistently weak market conditions, the wholly owned danish subsidiary Viking Supply Ships A / S negotiated with the banks during the second half of 2017 regarding a restructuring solution, which, in January 2018, resulted in an agreement on reduced repayments, interest payments and adjusted loan terms until the first quarter of 2020. As part of the restructuring, the parent company Viking Supply Ships AB in January 2018 raised SEK 123 million in equity through a private placement to the existing shareholders. Kistefos invested SEK 98 million in the share issue. In addition to the share subscription, Kistefos received shares as compensation for the share issue guarantee and for the work on the restructuring. After this, Kistefos' ownership has increased from 75.3% to 78.3%.

In Q3 2018, the subsidiary of Viking Supply Ships AB; Viking Supply Ships A / S, sold the three icebreakers Tor, Balder and Vidar Viking to Her Majesty the Queen in Right of Canada. The sale resulted in a total gain of SEK 2.485 million. Viking Supply Ships A / S also sold all five PSV vessels during 2018 for a total of SEK 83 million. The sales caused an accounting loss of SEK 213 million in 2018.

In addition, Viking Supply Ships AB's subsidiary TransAtlantic AB has sold the remaining three bulk vessels, which means that all activity in this subsidiary has ceased. The Viking Supply Ships Group had a positive liquidity effect of SEK 18 million and a positive earnings effect of SEK 4 million as a result of the sales.

Following these transactions, operations in the Viking Supply Ships Group consist of four ice-class AHTS vessels; two of which have ice class 1A Super and two have ice class 1A, and a conventional AHTS (which is marketed for sale). Viking Supply Ships has preserved its core competency, which is to operate in areas with ice and extreme weather conditions. In addition, VSS maintains the icebreaker expertise through the contract with the Swedish Maritime Administration, where Viking Supply Ships has ship management for the Swedish Maritime Administration's five icebreakers in the Baltic Sea.

Western Bulk Chartering AS (75.0 % ownership)

Western Bulk Chartering (Western Bulk) delivered a net TC result of USD 31.6 million in 2018. This is a reduction of USD 9.4 million from 2017 (USD 40.5 million). The reason for the reduction was a net TC result of USD -13.1 million from Chile. In the business unit Chile, it was revealed that contracts were entered into based on unrealistic assumptions presented by a trusted employee, combined with a market that moved towards the positions the company had taken. The business unit is now restructured, and the trusted employee has been removed from the post, while internal control routines have been reviewed and improved. The majority of the loss-making contracts in Chile expire in the first quarter of 2019, and the restructuring of the business unit has led to a shift towards short-term exposure, which is more in line with the activity in the other business units. Consequently, the company expects approximately 0 in Net TC results from Chile in 2019. The other business units delivered better in 2018 than in 2017.

The company had a weak third quarter with USD -3.0 million in Net TC, but improved the result significantly to USD 13.3 million in the fourth quarter.

Western Bulk had an average net TC margin per ship day of USD 573 in 2018, compared to USD 792 in 2017. The number of ships was on average 151 in 2018, compared to 140 vessels in 2017.

After-tax profit was USD 4.2 in 2018, approximately the same level as in 2017 (USD 4.3 million).

1881 Group AS (100 % ownership)

1881 Group AS posted revenues of NOK 402 million in 2018 (NOK 394 million). The increase in revenue is mainly as a result of the effect of the acquisitions of Develo and Prisguiden, both of which were completed in 2017. The Group achieved an EBITDA result of NOK 101 million (NOK 115 million) in 2018.

After-tax profit declined from NOK 19 million to NOK 18 million. The volume decline from core services was lower in 2018 than in previous years, and growth in new services partly offsets a falling market in traditional services. The market share has been stable throughout the year.

1881 Group has a clear ambition to be a full-value provider of digital solutions for the SMB segment. As a result, 1881 Group AS acquired the media agency Idium in December 2018. Idium is a complete supplier of digital marketing services aimed at small and medium-sized companies.

With Idium and 1881 Group's existing website producer Develo 1881, the group has a portfolio of 4 000 business customers, whose web pages are drifted by the 1881 Group. This makes the Group a clear market leader. The transaction means that 1881 strengthens the expertise in the production of web pages and digital marketing, as well as becoming a complete provider of services that Norwegian companies need to succeed online. Idium had sales revenues of around NOK 50 million in 2018.

The earlier acquisition of Digitale Medier 1881 has resulted in a stronger focus on the common brand, along with achieving cost synergies. In addition, Digitale Medier 1881 is a good platform for further acquisitions, which Develo, Prisguiden and now lastly Idium is an example of.

Kappa Bioscience AS (53.5 % ownership)

Kappa's core business consists of developing and supplying synthetic vitamin K2. In 2018, Kappa increased its profitability and at the same time continued its organic growth. The operating revenues for the year was NOK 164 million (NOK 107 million), and EBITDA was NOK 25 million (NOK 4 million). The increase in revenue is a result of continuously increased sales, while the growth in EBITDA margin is driven by perpetual improvements in the production process, as well as regular investments in Research and Development.

Lumarine AS (94.9 % ownership)

Lumarine is a producer of lumpfish, used by salmon farmers to fight salmon lice, and has production facilities at Tømmervåg outside Kristiansund.

In 2018, alongside ordinary production, the company has expanded the production plant, which has significantly increased production capacity.

In 2018, the company had operating revenues of NOK 33 million, an increase of 40% from 2017 (NOK 23 million). EBITDA in 2018 was approx. NOK 11 million, a strong increase from 2017 (NOK 2 million). The profitability growth comes from increased production volume. The company has managed this even though production in the second half is negatively affected by the production plant expansion.

The parent company Kistefos AS

The parent company had operating profit of NOK -431 million in 2018 (NOK -77 million in 2017). The change is mainly due to provisions for donations and sponsorships in 2018, as well as contributions to a new museum building at the Kistefos-Museum.

Net financial result for the period was NOK 1.554 million, compared to NOK -434 million in 2017. The positive financial result is mainly due to dividends from subsidiaries and reversal of write-downs of shares from 2017. Dividends and group contributions amounted to NOK 1.308 million, compared to NOK 413 million in 2017. Net external interest expenses were NOK -114 million (NOK -103 million in 2017).

During the year, Kistefos AS increased its outstanding bond debt under KIST05 by a total of NOK 400 million.

Profit after tax for the parent company was NOK 1.130 million, compared to NOK -499 million in 2017.

The parent company's free cash balance at year-end was NOK 363 million, compared to NOK 525 million in 2017

The parent company's book equity was NOK 1.494 million at 31 December 2018, compared to NOK 1.258 million in 2017. The equity ratio was 29% (37% at the end of 2017).

Development in non-consolidated portfolio investments

Promon AS (30.4 % ownership)

Promon is a Norwegian cyber-security company that specializes in securing software applications. Promon focuses on security solutions that are incorporated into applications, and can detect and prevent attacks without human intervention - so-called Runtime Application Self Protection (RASP) technology.

Promon focuses on banking and finance, but supplies products to a variety of industries, and several major international companies use Promon's solutions.

Promon launched its solutions in the Asian market during 2018, and established a sales office in Hong Kong to support the venture.

Promon continued its strong growth in 2018. Revenue increased from NOK 29 million in 2017, to NOK 37 million in 2018, an increase of 28%. EBITDA in 2018 was about NOK -2 million, approximately the same as in 2017. The company expects further revenue growth in 2019.

Oslo Airport City AS (27.0% ownership)

Oslo Airport City is a property development company who will build a new and better city located between Oslo Airport Gardermoen / OSL and Jessheim. The company owns a total site area of approx. 1 100 000 square meters.

Kistefos is the largest single shareholder in Oslo Airport City.

TradeIX Ltd. (27.8 % ownership)

TradeIX has developed a new, revolutionary and open digital platform for Trade Finance Transactions, based on Blockchain technology. The company has already entered into cooperation agreements with a large number of international banks and financial institutions. Unlike before, the processes are highly automated and the number of intermediates reduced. By launching the product in 2019, it is expected that both banks and current business customers will be able to achieve large savings by acting more effectively with each other than has been done previously.

In 2018, TradeIX continued to develop the platform, while future bank customers simulated transactions with their corporate customers as part of a pilot project. In June 2018, the company raised USD 16 million in a new equity issue (Series A), where Kistefos reinvested at the same time as ING Ventures, BNP Paribas, Tech Mahindra and SAP entered as co-owners.

Ostomycure AS (66.3 % ownership)

Ostomycure develops a titanium implant to improve the quality of life ileostomy patients. The goal is for the solution to function as an alternative to traditional "stomi bag" on the outside of the body. The company is currently launching an extended clinical trial to demonstrate the product's functionality. At the end of 2018, the company received a grant of EUR 2.5 million from the European Commission's Horizon 2020 / FTI (Fast Track to Innovation) program.

Organization and environment

At the end of 2018, the Kistefos Group employed a total of 850 full-time equivalents. The parent company's head office is in Oslo. The Group runs a global business.

The parent company employed 14 full-time equivalents at the end of the year. Kistefos has a good working environment. There were 68 days of absence due to illness (1,9 %) in the parent company in 2018. No injuries or accidents have been reported by the Group or the parent company in 2018.

The Group seeks to provide men and women with equal opportunities related to competence-development, compensation and career opportunities. The Group practices non-discriminating personnel and recruitment policy. The parent company and Group practice equal treatment in connection with recruitment and seek to achieve gender balance.

The Kistefos Group has prepared a code of conduct that, among other things, describes applicable guidelines for preventing discrimination and for ensuring that the work is adapted to accommodate needs.

Kistefos does not engage in polluting activities of any significant extent. However, the Group has holding in enterprises where there may be potential sources of pollution. The respective boards of these companies are responsible for ensuring that their activities are conducted responsibly and in accordance with existing guidelines in order to prevent and limit emissions to the natural environment.

Group's risks

The Group is exposed to various types of risk. In addition to the inherent market risk associated with each company and project, there are also other operational and financial risks associated with the Group's activities. The Group is exposed to currency risk in connection with its operations and ownership positions, and it hedges its operational activities against exchange rate fluctuations where this is deemed appropriate.

There is an inherent risk linked to the Group's short-term and long-term liquidity, and the Group's Board of Directors focuses on ensuring that liquidity is satisfactory at all times. The focus on liquidity by the Group's board is important in today's dynamic financial market, and is intended to ensure that the parent company and the Group are able to meet their financial obligations, as well as to ensure that the Group is able to have an opportunistic approach if, and when, interesting opportunities materialise.

The Group is also exposed to interest rate fluctuations as the Group’s liabilities are subject to floating interest rates. The Group's Board and management are actively following up those parts of the business that are exposed to risk. For the bank activities of the Group, the credit-risk is the most material risk. The bank has a credit committee that oversees and evaluate the risk.

Material events after the balance sheet date and going concern assumption

The annual financial statements have been prepared on the assumption that the Group is a going concern. The Board confirms that the basis for making such an assumption exists.

Outlook for 2019

Advanzia expects to continue to capture market shares in its core areas and to develop its platform in Spain. The company expects continued strong growth.

Although today's oil price is volatile, it is at a level that is expected to result in increased activity and investment from the oil companies. In the longer term, the increased activity level will have a positive impact on Viking Supply Ships' core market, but due to an excessively high supply side, the market is expected to remain challenging also in 2019. The sale of Viking Supply Ships three icebreakers to Canada means that they are taken out of commercial operation and thereby significantly reduce the supply of vessels that can operate in the ice, which we hope will benefit our remaining four ice-class 1A and 1A Super ships.

Charge from the Chile contracts in the first quarter of 2019, as well as a weak dry cargo market so far this year, has caused a weak start of 2019 for Westen Bulk. However, Western Bulk expects that increased volatility and uncertainty in the market can provide attractive arbitrage opportunities in the future.

The 1881 Group is expected to continue to deliver good results.

Kappa Bioscience is expected to continue to deliver strong growth and good profitability in 2019.

TradeIX will launch the commercial version of the platform during the year.

Lumarine has increased its production capacity and is expected to increase sales and profitability. The development of the plant at Tømmervåg has now been completed, laying ground for such growth in 2019.

For the rest of the portfolio, positive value development is also expected.

Allocation of the profit of the year

The Board proposed the parent company's profit for the year to be allocated as follows (NOK 1 000):

Net result	1 129 665
To other equity	-235 665
Group contribution	-853 503
Dividend	-40 497
Total allocations	- 1 129 665

The board proposes a group contribution of NOK 60 million to subsidiaries.

Oslo, 25. March, 2019

Translation, not to be signed

Christen Sveaas *Chairman of the Board*	Erik Wahlstrøm *Board member*	Martin Reimers *Board member*
Tom Ruud *Board member*	Ragnhild M. Wiborg *Board member*	Bengt A. Rem *CEO*

KISTEFOS GROUP

Parent company		PROFIT AND LOSS STATEMENT		Group	
2017	**2018**	*Amounts in NOK 000s*	**Note**	**2018**	**2017**
		OPERATING INCOME			
0	0	Freight revenues ships		9 004 628	7 146 558
0	0	Sales revenue		597 353	393 865
0	0	Interest income, bank activities		2 328 268	1 796 166
0	0	Gain (loss) on disposal of fixed assets / operations		2 460 674	112
7 128	156 340	Other operating income		(11 766)	40 532
7 128	**156 340**	**Total operating income**	**1**	**14 379 158**	**9 377 234**
		OPERATING EXPENSES			
0	2	Cost of goods sold		143 310	65 101
0	0	Operating expenses ships		8 746 576	6 887 775
0	0	Interest expenses, bank activities		877 544	635 968
32 633	84 731	Wages and salaries	**3**	615 365	563 792
679	683	Depreciation and write-downs of fixed and intangible assets	**4**	442 450	285 176
50 791	501 647	Other operating expenses	**3**	1 277 044	734 111
84 103	**587 062**	**Total operating expenses**		**12 102 289**	**9 171 923**
(76 975)	**(430 722)**	**OPERATING RESULT**		**2 276 869**	**205 310**
		FINANCIAL INCOME AND EXPENSES			
413 083	1 307 665	Income / (expense) from group companies and associated companies		3 001	213
17 437	8 497	Interest received from group companies		0	0
4 658	8 261	Other interest received		35 929	17 002
(21 551)	(72 148)	Gain / (losses) on shares and other financial instruments		(72 244)	328 836
12 788	61 459	Other financial income	**2**	109 640	136 762
(715 000)	393 612	Change in value of shares and other financial instruments		(54 145)	(11 170)
(27 227)	(23 351)	Interest paid to group companies		(0)	0
(103 446)	(113 852)	Other interest expenses		(253 181)	(234 445)
(14 465)	(15 647)	Other financial expenses	**2**	(109 710)	(49 328)
(433 724)	**1 554 495**	**Net financial income / (expenses)**		**(340 711)**	**187 871**
(510 700)	**1 123 773**	**Operating result before taxes**		**1 936 158**	**393 181**
12 062	5 891	Taxes	**7**	(148 045)	(52 075)
(498 637)	**1 129 665**	**RESULT AFTER TAX**		**1 788 113**	**341 105**
		Minority’s share of net income		589 815	104 005
		Majority’s share of net income		1 198 299	237 101

KISTEFOS GROUP

Parent company		BALANCE SHEET		Group	
2017	**2018**	*Amounts in NOK 000s*	**Note**	**2018**	**2017**
		ASSETS			
		FIXED ASSETS			
0	4 908	Deferred tax assets	7	17 486	17 396
0	0	Goodwill		16 798	8 082
0	0	Other intangible assets		489 951	479 002
0	**4 908**	**Total intangible assets**	**4**	**524 236**	**504 480**
0	0	Property and real estate		35 229	34 381
0	0	Ships, PSV and AHTS		1 702 528	2 783 901
2 733	2 135	Operating equipment, FF&E, machines etc.		92 852	24 842
2 733	**2 135**	**Total tangible fixed assets**	**4**	**1 830 610**	**2 843 123**
2 203 014	2 848 551	Investments in subsidiaries	5	0	0
228 024	172 693	Loans to group companies		0	0
6 563	4 316	Other long-term receivables	3	110 283	12 136
2 437 601	**3 025 561**	**Total financial fixed assets**		**110 283**	**12 136**
2 440 334	**3 032 603**	**Total fixed assets**		**2 465 129**	**3 359 739**
		CURRENT ASSETS			
0	0	Goods for sale and consumption		428 421	174 708
55	112	Accounts receivable		414 532	247 860
0	0	Loans and advances, bank activities		14 553 521	12 092 489
145 067	1 307 665	Receivables from group companies		253 748	20 061
0	0	Restricted bank deposits		70 807	59 977
134 496	137 568	Other receivables		475 052	609 444
279 618	**1 445 345**	**Total goods for sale and receivables**		**16 196 080**	**13 204 538**
194 621	297 300	Shares and other financial instruments	6	654 313	646 066
0	0	Cash balances, bank activites		4 909 999	4 563 882
525 239	362 768	Cash and cash equivalents	9	2 684 875	1 056 611
999 478	**2 105 414**	**Total current assets**		**24 445 267**	**19 471 097**
3 439 812	**5 138 017**	**TOTAL ASSETS**		**26 910 396**	**22 830 836**

KISTEFOS GROUP

Parent company		BALANCE SHEET		Group	
2017	2018	*Amounts in NOK 000s*		2018	2017
		EQUITY AND LIABILITIES			
		EQUITY			
		Restricted Equity			
310 828	310 828	Share capital		310 828	310 828
77 508	77 508	Other Restricted Equity		77 508	77 508
		Retained earnings			
869 691	1 105 356	Other Equity		1 292 768	1 013 381
		Minority interests		1 405 326	807 146
1 258 027	**1 493 692**	**Total Equity**	8	**3 086 430**	**2 208 864**
		LONG TERM LIABILITIES			
984	0	Deferred taxes	7	62 728	91 078
0	0	Pension liabilities	3	29 557	49 330
0	0	Liabilities to financial institutions	9	1 702 078	2 395 717
575 022	602 338	Liabilities to group companies		(0)	(0)
1 280 000	1 710 000	Unsecured bond-loans	9	1 981 001	1 551 001
0	0	Subordinated loan, bank		85 205	85 001
0	7 118	Other long-term liabilities		51 835	20 268
1 856 006	**2 319 455**	**Total other long-term liabilities**		**3 912 404**	**4 192 393**
		SHORT TERM LIABILITIES			
0	0	Credit balances, bank activities		17 385 525	15 294 827
3 111	1 834	Trade creditors		206 546	115 328
0	0	Taxes payable	7	10 757	210 129
2 483	2 371	Government taxes, holiday pay, tax deductions		25 762	21 032
296 507	954 000	Liabilities to group companies		894 000	170 500
23 677	366 664	Other short-term liabilities		1 388 974	617 763
325 778	**1 324 869**	**Total short-term liabilities**		**19 911 562**	**16 429 579**
2 181 785	**3 644 325**	**Total liabilities**		**23 823 966**	**20 621 973**
3 439 812	**5 138 017**	**TOTAL EQUITY AND LIABILITIES**		**26 910 396**	**22 830 836**

Oslo, March 25 2019

Translation, not to be signed

Christen Sveaas
Chairman of the Board

Erik Wahlstrøm
Board Member

Martin Reimers
Board Member

Tom Ruud
Board Member

Ragnhild M. Wiborg
Board Member

Bengt A. Rem
Board Member

KISTEFOS GROUP

Parent Company 2017	Parent Company 2018	CASHFLOW STATEMENT Amounts in NOK 000s	Group 2018	Group 2017
		CASH FLOW FROM OPERATIONAL ACTIVITIES		
(510 700)	1 123 773	Pre-tax profit	1 936 158	393 181
0	0	Taxes (paid) / repaid during the year	(108 374)	(62 571)
679	683	Depreciations	442 450	285 176
0	0	(Gain) / loss from sale of fixed assets	(2 460 674)	(112)
(6 323)	72 148	Net (gain) / loss on sale of shares and other financial instruments	72 244	(328 836)
7 043	(57)	Change in accounts receivables	(2 627 704)	(3 159 456)
1 625	(1 277)	Change in accounts payables	2 181 914	5 316 485
(353 325)	(1 307 665)	Income from subsidiaries and associated companies	0	(213)
715 000	(393 612)	Change in value of shares and other financial instruments	54 145	11 170
6 093	383 661	Change in other receivables and other liabilities	84 243	(202 118)
(139 908)	**(122 346)**	**A = Net cash flow from operating activities**	**(425 599)**	**2 252 706**
		CASH FLOW FROM INVESTMENT ACTIVITIES		
0	0	Reduction/ (increase) in operating equipment, FF&E, buildings/real estate etc.	(53 804)	(14 968)
0	0	Reduction/(increase) ships	3 206 923	(615)
0	0	Reduction/(increase) other immaterial assets	(74 084)	(272 484)
(23 208)	0	Reduction/(increase) investments in subsidiaries/associated companies	0	0
(64 975)	(172 518)	Reduction/(increase) shares and other financial instruments	(178 417)	280 504
0	0	Change in restricted bank deposits	(10 830)	(1 367)
(34 272)	(825)	Change in other receivables	(108 372)	63 655
0	0	Cash in acquired/sold subsidiaries	0	0
(117 010)	(36 936)	Change in receivables to group companies	0	14 513
(239 466)	**(210 280)**	**B = Net cash flow from investment activities**	**2 781 416**	**69 237**
		CASH FLOW FROM FINANCING ACTIVITIES		
0	0	Increase/(reduction) liabilities to financial institutions	(395 000)	158 492
480 000	430 000	Increase/(reduction) unsecured bond loan	158 999	277 938
(24 897)	0	Increase/(reduction) other long-term liabilities	2 537	(134 161)
(200 000)	(170 500)	Capital increase/(dividend)	(141 229)	(221 131)
388 365	(89 347)	Reduction / (Increase) in loan to group companies	16 975	0
643 468	**170 153**	**C = Net cash flow from financing activities**	**(357 718)**	**81 137**
		Other Changes		
0	0	Cash in new subsidiaries in the Group	31 920	477
0	0	Other changes, accounting principles, and currency fluctuations	(55 638)	190 420
0	**0**	**D = Net other changes**	**(23 718)**	**190 897**
264 094	(162 472)	A+B+C+D = Net change in bank deposits and cash	1 974 382	2 593 977
261 145	525 239	Bank deposits and cash as per 1 January	5 620 494	3 026 517
525 239	**362 767**	**Bank deposits and cash as per 31 December**	**7 594 875**	**5 620 494**
		Balance of bank deposits and cash consists of:		
		Deposits bank activities	4 909 999	
		Other bank deposits and cash	2 684 875	

ACCOUNTING PRINCIPLES

These financial statements are presented in accordance with the Norwegian Accounting Act and generally accepted accounting practices in Norway.

This description of accounting principles is limited to descriptions that are mandatory in accordance with the accounting act or account-ing standards, and which are necessary to evaluate the accounts and are not explicitly described in the accounts or notes, and descriptions where the accounting act or accounting standards have optionality in regards of accounting principles.

Consolidation principles

The consolidated financial statements include the parent company Kistefos AS and companies in which it holds a controlling interest, directly or indirectly, regardless of how they are incorporated. These consolidated financial statements have been prepared in accordance with uniform principles that apply to the entire Group. Intragroup transactions, profits, receivables and payables have been eliminated. The cost of shares and interests in subsidiaries has been eliminated in the consolidated finan-cial statements against the shareholders' equity in the subsidiary companies at the time of establishment or purchase (the acquisition method). Excess values are distributed across the assets to which the excess values refer and are depreciated or amortised over the assumed life of the assets. Excess values that cannot be attributed to tangible or intangible assets are classified as goodwill and amortised. Goodwill is recognized in the balance sheet only with the majoritys share.

Minority interests are recognised as a separate item in the profit and loss statement and on the balance sheet. The minority's share of the profit is calculated on the basis of the subsidiary's profit after tax. On the balance sheet, minority interests are calculated as a share of the subsidiary's equity before intragroup eliminations.

When foreign subsidiaries are consolidated, balance sheet items are translated at the exchange rate on the balance sheet date. Profit/loss items are translated at the average exchange rate for the year. Translation differences are entered directly against the Group's equity.

Valuation and classification of assets and liabilities
The first annual instalment on long-term liabilities is included under long-term liabilities.

Assets and liabilities in foreign currency
Balance sheet items in foreign currency that are not hedged against exchange rate fluctuations are valued at the exchange rate on the balance sheet date

Transactions in foreign currency are converted at the exchange rate on the date of the transaction.

Financial instruments

Financial instruments are recognised in the financial statements in accordance with the intention behind the conclusion of the agreements. Agreements are defined as either hedging transactions or trades upon conclusion.

Financial instruments in the Group are derivatives linked to cargo, bunkers and exchange and interest rates. The derivatives are intended to hedge cash flows and future results. Gains/losses on financial hedging instruments are recognised at the same time as the effect of the hedged objects on the profit and loss statement.

Intangible assets

Costs from the maintenance of operating systems developed in-house are recognised as they are incurred. Development costs that are directly traceable to the design and testing of an identifiable and unique operating system that is controlled by the Group are recognised on the balance sheet as an intangible asset when certain criteria are met.

Fixed assets
Adaptions in leased premises are depreciated over the lease-contract period.

Subsidiaries, associated companies and joint ventures
Subsidiaries and associated companies are included in the parent company using the cost method.

Investments in companies in which the participants exercise joint control pursuant to agreement are recognised using the proportionate consolidation method

Write-down of fixed assets

In those cases in which the recoverable amount (higher of the utility value and sales value) of a fixed asset is lower than the recognised value, the asset is written down to the recoverable amount. The write-down is reversed if the basis for the write-down no longer exists.

Bunkers and other inventories
Bunkers and other holdings are recognised on the balance sheet under other current assets. The holdings are valued at whichever is the lower of their cost price and their fair value.

ACCOUNTING PRINCIPLES

Shares, stocks and other financial instruments

Financially motivated investments in shares and other financial instruments are classified as current assets and are valued according to the portfolio principle. The total portfolio is valued and the value adjusted if the total holding has a value lower than the acquisition cost. The acquisition cost is allocated based on average acquisition prices.

Short-term investments in companies in which the Group holds more than a 50% ownership interest are not consolidated if the objective of the investments is to dispose of all or parts of the individual investment after restructuring and development has been completed as planned.

Provisions are made for dividends on shares and these are recognised as income when it is deemed probable that the dividend will be approved by the general meeting

For the bulk operations, a writedown is made in case the total market value of its leases, freight and freight/bunkers-derivatives are negative. If the negative value exceeds the assets in the balance sheet, a provision is made for the excess value.

For Bank activities, loss provisions are made on credit card loans and other loans in accordance with IFRS 9. This means that the bank makes provisions for losses on good customers who pay on time, in addition to loans that are not paid in time. The loss provisions are calculated on the basis of historical data, where expected loan losses are projected based on this.

The Bank assesses that credit card loans which are more than 60 days past due are to be considered as impaired. Loans 90 days past due are cancelled, and the full outstanding loan balance becomes payable.For impaired loans that are considered uncollectible, the Bank will fully write off the loan balances and any related allowances for impairment.

Lease commitments

All material leasing commitments are classified as operational leasing. Leasing expenses are classified as ordinary operating expenses.

Revenue recognition principles

Sales are recognised in the profit and loss account when revenues can be reliably measured, it is probable that economic benefits will flow to the Group, and special criteria associated with the various forms of sale mentioned below are met. The Group bases the estimates for recognising revenues on historical figures, assessments of the type of customer and transaction, and any special circumstances associated with the individual transaction.

Interest income and other financial income are recognized in the profit and loss as they are earned.

Offshore og shipping

Income contingent upon travelling and expenses from offshore and shipping activities are accrued based on the number of days of the travel before and after year-end. Freight revenues on a bareboat basis are treated as freight revenues.

Telecom

Customers are billed by the telecommunications operators (the operators) via their ordinary telephone bill. The Group bills the operators. Earned revenues that have not been billed are presented as accounts receivable. Revenues are measured at fair value from the fee received from operators, i.e. net after the operator’s share and not at the fair value of the fee paid by the end customer

In the case of manual number information, the service is deemed to have been delivered when the phone call is completed.

Revenues from directory listings (advertisements, keywords, etc.) and advertising banners are periodically accrued over the lifetime of the contract from the month the listing is posted on the website and over a period that corresponds to the contract's term of office, usually 12 months.

Bank activities

Interest income and expense are recognised in the P&L using the effective interest method. When calculating the effective interest rate, the Bank considering all contractual terms but not future credit losses. The calculation of the effective interest rate includes fees and points paid or received that are an integral part of the effective interest rate. For impaired assets, the Bank continues to recognize the interest income based on the effective interest method.

Maintenance and classification expenses

Periodic maintenance and docking of vessels are recognised on the balance sheet over the period up to the next periodic maintenance. Actual expenses from running maintenance are charged against operating income when maintenance takes place.

Gifts and sponsorships

The parent company supports charitable, cultural and non-profit purposes, including the distribution of scholarships for studies at the most recognized foreign universities. Non-recurring gifts are expensed in the year in which both the declarant and the recipient agree on the terms of the performance, and the Company (the Group) has an irrevocable obligation to render the gift, regardless of the date of payment. Benefits where the Company receives a consideration, typically sponsorship agreements etc., are expensed normally when incurred, or for significant agreements, if significant future consideration can be demonstrated, at the time when the consideration is received by the Company (the Group).

NOTES TO THE ACCOUNTS

Amounts in NOK 000s

NOTE 1 - BUSINESS AREAS

	Bank	Bulk	Offshore	Industrial shipping
Operating Income 2017	1 809 605	6 835 818	287 978	48 016
Operating Income 2018	2 328 268	8 705 102	2 700 695	27 588

	IT / Telecom	Real Estate	Other	Group
Operating Income 2017	393 871	1 381	566	9 377 235
Operating Income 2018	401 381	3 608	212 517	14 379 158

Operating Income by geographical areas	2018	2017
Nordic region	3 578 260	879 906
Rest of Europe	4 996 653	3 751 748
North America	794 843	598 461
Rest of the world	5 009 401	4 147 119
Total	**14 379 158**	9 377 234

NOTE 2 - OTHER FINANCIAL INCOME AND EXPENSES

	Parent Company		Group	
	2018	2017	2018	2017
Share dividends	57 361	0	57 762	1 771
Gains on foreign exchange	0	5 208	48 159	24 195
Other financial income	4 099	7 580	3 719	110 796
Total other financial income	**61 460**	**12 788**	**109 640**	**136 762**

	2018	2017	2018	2017
Loss on foreign exchange	(3 119)	(1 770)	(90 869)	(32 132)
Other financial expense	(12 528)	(12 695)	(18 840)	(17 196)
Total other financial expenses	**(15 647)**	**(14 465)**	**(109 710)**	**(49 328)**

NOTE 3 - WAGES AND SALARIES, REMUNERATION, PENSIONS ETC.

	Parent Company		Group	
	2018	2017	2018	2017
Wages and salaries, holiday pay, fees etc	73 069	26 291	519 823	465 679
National insurance contribution	9 089	5 335	50 119	39 580
Pension expenses benefit-based pensions	0	(1 615)	8 698	21 423
Pension expenses contribution-based pensions	1 363	1 422	10 580	9 740
Other personnell expenses	1 209	1 201	26 143	27 370
Total wages and salaries	**84 731**	**32 633**	**615 365**	**563 792**
Full time equivalents	14	14	850	824

Wages and salaries for ship-based crews are recognised under operating expenses, ships.

NOTES TO THE ACCOUNTS

Amounts in NOK 000s

Renumeration of the company's officers and managing director

The Executive Chairman NOK 0, other fees to the Board of Directors NOK 1 000.

The Managing Director's salary, bonus and other remuneration amounted to NOK 23 570 in 2018.

The Managing Director has a bonus agreement based on performance components and value creation, as well as concractual agreement of 6 months salary after an eventual resignation. Beyond the above-mentioned benefits for the Managing Director and the members of the Board of Directors, there are no other agreements relating to bonuses, severance packages, subscription rights or options.

Auditor's fee (ex. VAT)	**Parent Company**	**Group**	
		Parent company's auditor	Other auditors
Statutory audit	646	4 022	2 906
Assistance with preparing annual financial statements, tax returns and other tax services	530	1 864	1 339
Services other than audit	98	486	272
Total	1 274	6 371	4 517

Some of the subsidiaries have a defined benefit pension scheme that covers a total 373 (413) employees in the Group at 31 December 2018, of which 328 (337) are retired. The employees are beneficiaries to certain defined future benefits. These benefits mainly depend on the number of earnings years, salary at the age of retirement, future returns on pension assets and size of the benefits received from the National Insurance Scheme. At the end of October 2018, the hedged defined benefit plan in Western Bulk Chartering was converted into a defined contribution pension scheme, while the unsecured scheme was changed to a defined contribution plan.

The collective pension agreement is financed by generating reserves structured in a life insurance company. Net pension expenses are categorised in their entirety as wage and salary expenses in the financial statements. Under the Norwegian Mandatory Occupational Pension Act, Kistefos AS is obliged to have an occupational pension scheme. The scheme satisfies the relevant requirements.

	Parent Company		**Group**	
Pension expenses and liabilities in the financial statements:	2018	2017	2018	2017
Current value of this year's pension contributions			(6 440)	7 029
Interest cost of accrued pension liability			4 563	5 088
Expected return on pension assets			(3 861)	(3 056)
Amortisation		(1 597)	0	(1 597)
National insurance contribution and administration expenses			1 311	1 074
Net pension expenses, contribution plans	0	1 403	13 126	14 306
Year's pension expenses/(income)	**0**	**(193)**	**8 698**	**22 846**
		0		
Pension assets/(liabilities):	**2018**	2017	**2018**	2017
Estimated pension liabilities			(190 482)	(210 999)
Pension assets (at market value)			166 301	167 212
Unrecognised actuarial differences			0	0
Estimated national insurance contribution			(5 376)	(5 832)
Adjustment IFRS to NGAAP			0	286
Net book value, pension liabilities	**0**	**0**	**(29 557)**	**(49 330)**
Pension scheme with net liability classified as an accrual			**(29 557)**	**(49 330)**
Pension assets included in other receivables	**0**	**0**	**0**	**0**

Estimate assumptions:	
Discount rate	2,3 % - 2,6 %
Expected returns	2,3 % - 2,8 %
Wage and salary adjustment rate	2,5 % - 3 %
National Insurance Scheme's basic pension adjusmtent rate	0,8 % - 2,5 %
Pension regulation	0,8 % - 2,6 %

Amounts in NOK 000s

NOTE 4 – TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

	Parent Company	Group	
	FF&E machinery, etc.	FF&E machinery, etc.	Buildings real estate
Acquisition cost as per 1 January	10 194	37 404	34 860
Reclassification	0	0	275
Foreign currency translation differences	0	1 127	0
Additions during the year	85	98 661	23 223
Disposals during the year	0	(415)	(7 500)
Acquisition cost as per 31 December	**10 279**	**136 776**	**50 859**
Depreciations and amortisations as per 1 January	7 460	30 614	478
Reclassification	0	373	665
Foreign currency translation	0	857	0
This year's depreciations	0	10 216	20
This year's writedowns	683	910	14 467
Additions during the year	0	1 133	0
Disposals during the year	0	(178)	0
Accumulated depreciations and amortisations	8 143	43 924	15 630
Book value as per 31 December	**2 135**	**92 852**	**35 229**
Economic life	5-10 years	3-10 years	50 years
Depreciation plan	Straight line	Straight line	Straight line Real estate is not depreciated

	Ships, Offshore	Other Intangible assets	Goodwill / (Negative Goodwill)	**Total Group**
Acquisition cost as per 1 January	4 874 966	907 678	(163 453)	5 691 455
Reclassification	175 490	0	0	175 765
Foreign currency translation differences	250 694	3 841	0	255 661
Additions during the year	3 103	76 917	10 649	212 553
Disposals during the year	(2 614 122)	0	0	(2 622 037)
Acquisition cost as per 31 December	**2 690 130**	**988 435**	**(152 804)**	**3 713 397**
Depreciations and amortisations as per 1 January	2 091 063	410 625	(171 533)	2 361 246
Reclassification	179 562	0	0	180 600
Foreign currency translation	108 729	2 512	2 630	114 728
This year's depreciations	116 888	85 615	(966)	211 773
This year's writedowns	215 300	0	0	230 677
Additions during the year	0	0	0	1 133
Disposals during the year	(1 723 939)	0	0	(1 724 117)
Accumulated depreciations and amortisations	987 602	498 480	(169 597)	1 376 040
Book value as per 31 December	**1 702 528**	**489 951**	**16 798**	**2 337 359**
Economic life	20-25 years	2 - 99 years	5 - 20 years	
Depreciation plan	Straight line	Straight line / 10 % balance	Straight line	

Net goodwill consists mainly of negative goodwill following acquistion of share sin Viking Supply Ships AB in 2016 and 2018, as well as goodwill following the acquisition of Western Bulk Chartering in 2016, Synthetica AS and Kappa Ingredients GmbH (previosly KPP) in 2016 and the aquisition of Digitale Medier AS in 2017. The balance is amortized based on the Accounting Act.

Intangible assets
Intangible assets derive from the acquisition of Opplysningen 1881 AS in 2011 and Digitale Medier AS in 2017, and internally developed IT - and production systems.

Lease agreements

Western Bulk Chartering has signed some long-term T/C agreements with a duration for longer than 12 months. These represent a lease liability of USD 181 million, excluding options. In addition, Bulk Invest has entered into some long-term T/C agreements as charterer. These represent a lease asset of USD 18,9 million.

Viking Supply Ships AB's subsidiaries have lease agreements for leased vessels with a future obligation of SEK 9,6 million.
Future time charter income, including owned vessels, amounts to a minimum of SEK 174,3 million.

Amounts in NOK 000s

NOTE 5 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

The parent company owns the following direct ownership interests in consolidated companies	Ownership share / voting rights	Business office
Kistefos Eiendom AS	100,0 %	Oslo
Kistefos Venture Capital AS	100,0 %	Oslo
Kistefos International Equity AS	100,0 %	Oslo
Oktant Invest AS	100,0 %	Oslo
Viking Invest AS	100,0 %	Oslo
Advanzia Holding AS	100,0 %	Oslo
Kistefos Equity Holdings AS	100,0 %	Oslo
Advanzia Bank S.A.	60,3 %	Luxembourg
Odin Viking SPV AS	100,0 %	Oslo
Holding Akvaservice AS	100,0 %	Oslo
Kistefos Equity Holding AS	100,0 %	Oslo
Kappa Bioscience AS	53,5 %	Oslo

Total book value of the subsidiaries is NOK 2 848 551.

Material subsidiaries	Parent company	Ownership share / voting rights	Business office
Viking Supply Ships AB	Viking Invest AS	78,3 % / 74,7 %	Stenungsund, Sweden
1881 Group AS	Kistefos Venture Capital AS	100,0 %	Oslo
Western Bulk Chartering AS	Kistefos Equity Operations AS/ Kistefos Equity Holdings AS	75,0 %	Oslo
Lumarine AS	Holding Akvaservice AS	94,9 %	Tømmervåg

NOTE 6 – SHARES AND OTHER FINANCIAL INSTRUMENTS

PARENT COMPANY

	Number of shares owned	Ownership interest (%)	Book value
Instabank ASA	68 784 568	22,6 %	115 034
TradeIX Ltd	55 748	27,8 %	62 058
Ostomycure AS*		68,5 %	24 646
Alliance Venture Polaris			71 143
Other shares and financial instruments			24 418
Total shares and other financial instruments – parent company			**297 300**

OWNED BY SUBSIDIARIES

	Number of shares owned	Ownership interest	Book value
Oslo Airport City AS	20 539 565	27,0 %	205 396
Promon AS	201 399	30,4 %	22 566
Bilagos AS	142 298	19,8 %	15 187
Previwo AS	545 742	30,4 %	15 187
Other shares and financial instruments			98 867
Total shares and other financial instruments – Subsidiaries			342 016
Total shares and other financial instruments – Group			**654 313**

* Not consolidated due to temporary ownership.

NOTES TO THE ACCOUNTS
Amounts in NOK 000s

NOTE 7 – TAXES

Tax expenses for the year:	Parent Company 2018	Parent Company 2017	Group 2018	Group 2017
Change in deferred tax/deferred tax assets*	(5 891)	(2 183)	(10 833)	(51 411)
Tax payable	0	0	161 341	100 972
Tax on group contribution in P&L	0	(7 646)	2 383	0
Other changes	0	(2 234)	(4 846)	2 514
Year's tax expense/(income)	**(5 891)**	**(12 062)**	**148 045**	**52 075**

**: Change in deferred tax differs from the tax effect of changes in temporary differences because the tax effect of parts of the group contribution is recognized directly against deferred tax assets in the balance sheet.*

Tax payable in this year's tax expense:	2018	2017
Operating result before tax	1 123 773	(510 700)
Permanent differences	(1 211 226)	494 336
Change in temporary differences	14 868	4 907
Basis for tax payable	**(72 585)**	**(11 457)**
Tax (23 % /24%)	0	0

Specification of the basis for deferred tax:

Offsetting differences	Parent Company 2018	Parent Company 2017	Group 2018	Group 2017
Temporary differences, current receivables/debt	0	0	(2 777)	(9 504)
Temporary differences, fixed assets/long term debt	13 500	17 252	515 358	633 320
Temporary differences, others	(10 970)	18 538	(48 355)	(14 652)
carried forward	(15 126)	(21 803)	(222 798)	(210 974)
Change in deferred tax/(deferred tax assets)	**(12 596)**	**13 987**	**241 429**	**398 191**
	22 %	*23 %*	*22% - 23%*	*22% - 23%*
Estimated deferred tax/(deferred tax assets)	**(2 771)**	**3 217**	**53 114**	**91 703**
			0	
Deferred tax - not recognized on balance sheet	**0**	**0**	**(5 276)**	**(1 582)**
Net deferred tax / (deferred tax asset)	**(4 908)**	**984**	**45 242**	**73 682**
Deferred tax on balance sheet	**0**	**984**	**62 728**	**91 078**
Deferred tax asset on balance sheet	**(4 908)**	**0**	**(17 486)**	**(17 396)**

Net deferred tax asset is recognized in the balance sheet when its deemed probable that the asset can be utilized. Deferred tax assets and deferred taxes are offset against each-other when they can be utilized in such manner.

NOTE 8 – SHAREHOLDERS' EQUITY

PARENT COMPANY	Share capital	Other paid equity	Other equity	Total equity
Equity as per 1 January	310 828	77 508	869 691	1 258 027
Profit/(loss) for the year	0	0	1 129 665	1 129 665
Provision for group contribution	0	0	(853 503)	(853 503)
Provision for dividend	0	0	(40 497)	(40 497)
Other changes and conversion differences	0	0	0	0
Equity as per 31 December	**310 828**	**77 508**	**1 105 356**	**1 493 692**

The company's share capital is NOK 310,828 divided into 22,202,000 shares at NOK 14 each. All shares carry equal rights.
The company's shares are owned by AS Holding (95,47 %) and Kistefos Skog AS (4.53%), all companies indirectly owned by Christen Sveaas.

GROUP	Share capital	Other paid equity	Other equity	Minority interests	Total equity
Equity as per 1 January	310 828	77 508	1 013 381	807 146	2 208 863
Profit/(loss) for the year	0	0	1 198 299	589 815	1 788 113
Provision for group contribution	0	0	(853 503)	0	(853 503)
Provision for dividend	0	0	(40 497)	0	(40 497)
Other changes and conversion differences	0	0	(24 912)	8 366	(16 547)
Equity as per 31 December	**310 828**	**77 508**	**1 292 768**	**1 405 326**	**3 086 430**

NOTE 9 – DEBT, MORTGAGES, GUARANTEES, DISPUTES AND RESTRICTED BANK DEPOSITS

The parent company has at year-end 2018 and 2017 no secured debt.
The Group has debt of NOK 1 702 078 (2017: NOK 2 395 717) that is pledged in assets with a book value of NOK 2 560 005 (2017: NOK 3 321 365).

Bond loan in Advanzia Bank (NOK 85 000) is issued without maturity date. In Lumarine AS, NOK 5 000 of the bank debt matures in 2024. The loan from Sparebanken Øst in Kistefos Eiendom is paid off quarterly, with the final downpayment in 2041. There are no other debt that matures later than five years in the Group.
The parent company has no liabilities that matures later than five years.

Bank deposits

NOK 180 192 (2017: NOK 158 066) of the parent company's and the Group's bank deposits are in deposit accounts as collateral for forward funded shares. This can be freed when the instalments are realised.

In addition to this, NOK 1 242 (2017: NOK 1 120) is deposited in tax withholding account for the parent company.
Western Bulk Chartering has restricted cash deposits of USD 8 148 related to obligations to brokers, guarantees and pension liabilities.
The parent company and Group are subject to covenant requirements concerning a minimum level of available liquidity.
The parent company and Group were in compliance with these requirements as per 31 December 2018.

Guarantees, etc.

Kistefos AS has, for the benefit of the lender, made a conditioned guarantee for a loan taken out by the wholly-owned subsidiary 1881 Group AS and Opplysningen 1881 AS. The outstanding loan was NOK 130 million at the end of the year. Kistefos's guarantee was not exposed to losses at the time the financial statements were presented.

Kistefos AS has made a guarantee for bank overdraft and credit facilities in Western Bulk Chartering AS, limited to USD 8 000.

Opplysningen 1881 AS and Digitale Medier AS has pledged guarantees as collateral for various operations-related liabilities. Bank guarantees and collateral totalling NOK 17 993 in value have been pledged as security for the liabilities.

Disputes:

The subsidiary Western Bulk Chartering AS is involved in legal disputes, both as a defendant and as a plaintiff. The company makes accounting provisions based on the individual cases. The provisions made in the company's financial statements are considered sufficient, and of no material effect for the Group. The Group does not wish to describe the provisions in detail due to ongoing cases.

China Invesments AS (wholly owned subsidiary of Kistefos AS) has appealed against a decision by the Tax Authorities on increased taxable income in connection with the sale of fund shares in 2015. No provision has been made for the tax expense in the accounts. The case is under consideration by the Tax Appeals Committee.

NOTE 10 – FINANCIAL RISK FACTORS

Operational exposure

The Group's activities within shipping and offshore are exposed to the global cargo market and results will vary with rates and utilisation rates. Where appropriate, cargo derivatives are used to hedge or adjust the risk exposure in the market. The Group is also heavily exposed to changes in the price of oil, which can cause major fluctuations in the cost of bunkers. Swap or forward contracts for fuel are used to reduce the bunkers risk.

Currency risk related to the balance sheet

The Group has significant operational activities abroad and needs ongoing exposure in foreign currencies in order to maintain its daily operations. The majority of the companies' income and expenses are in the same currency. Therefore, the overall currency risk in relation to cash items is relatively modest. Some small items in subsidiaries are hedged using forward exchange contracts.

The Group's financial statements are prepared in Norwegian kroner (NOK). Balance sheet risk arises when the subsidiaries' balance sheets are translated from their respective local currencies into NOK. The Group's liabilities are calculated on the basis of the currency composition of assets on the balance sheet.

Interest rate risk

The Group's interest rate risk primarily derives from long-term loans. Variable rate loans involve an interest rate risk to the Group's cash flow. Some items in subsidiaries are hedged using interest-rate futures.

Liquidity risk

The Group focuses on the liquidity reserves and liquidity necessary to cover ongoing operating liabilities. The liquidity requirements associated with loan covenants are monitored on an ongoing basis. It also focuses on the liquidity necessary to use derivatives for hedging purposes.

Credit Risk

Credit risk is the main individual risk for the banking activities. Credit risk is the risk of financial losses if a customer is uanble to fulfill its contractual obligations and, for the main part, arises in relation to the banks loans and advances to customers and other banks, as well as investments in debt papers. The bank has established a separate Credit Comittee which supervises and assesses the risk. This includes, amongst other, establishing credit guidelines and routines and structures for approval and renewal of credit facilities, and assessment and estimation of credit risk.

Amounts in NOK 000s

NOTE 11 – TRANSACTIONS WITH RELATED PARTIES, MATERIAL TRANSACTIONS AND EVENTS AFTER THE BALANCE SHEET DATE

In January 2018, Viking Supply Ships AB completed a share issue, in which Kistefos, through wholly owned subsidiaries, participated and increased our ownership from 75.3% to 78.3%.

The parent company issued NOK 200 000 in June and NOK 200 000 in September on the bond loan KIST05. The loan is now fully drawn with NOK 1 000 000.

The parent company Kistefos AS invested NOK 114 million in Instabank ASA during the second half of 2018, and owned 22.6% of the company at the end of 2018.
During February 2019, Kistefos has invested an additional NOK 43 million in a share issue in the company, and after this owns 25% of Instabank ASA.

In December, Advanzia Holding AS raised a bridge loan in DNB of NOK 150 million. This loan comes in addition to existing facilities of NOK 300 million.
The NOK 150 million loan is to be repaid in March 2019.

In 2018, the parent company Kistefos AS has booked provisions of NOK 328 million for donations and sponsorships, which will be paid in the coming 5 years. During 2018, the parent company has paid the remaining NOK 85 million in donations to Kistefos-Museet for construction of the new museum building.

Kistefos has on February 15, 2019, submitted bids for 100% of the shares in NextGenTel Holding ASA via its subsidiary Telecom Holding 3 AS. The bid was NOK 14.00 per share with deadline 25 March, with the possibility to extend until 29 March. Kistefos AS previously owns 25.02% of the company through stock futures.

The parent company had liabilities to, and receivables from, other group companies. These are subject to interest of 6 month NIBOR + a 1.75% margin.

Lumarine A and Kappa Bioscience AS was consolidated for the first time in 2018. If the companies had been consolidated for the full year or 2017, the Group would have increased its revenue for the year of appr. NOK 129 800.

RSM Norge AS

Filipstad Brygge 1, 0252 Oslo
Pb 1312 Vika, 0112 Oslo
Org.nr: 982 316 588 MVA

T +47 23 11 42 00
F +47 23 11 42 01

www.rsmnorge.no

To the General Meeting of Kistefos AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kistefos AS showing a profit of NOK 1 129 665 000 in the financial statements of the parent company and profit of NOK 1 788 113 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company Kistefos AS, which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Kistefos AS and its subsidiaries, which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 25 March 2019
RSM Norge AS

Translation, not to be signed

Per-Henning Lie
State Authorised Public Accountant