KISTEFOS

ANNUAL REPORT 2010

Front page picture:
Monica Bonvicini: "She lies" (2006) © Monica Bonvicini / BONO 2011.
The sculpture is a gift on display at The Norwegian National Opera & Ballet.

"She lies" is a three dimensional interpretation of Caspar David Friedrich's painting "Das Eismeer" (1823–1824).

Photo:
Andreas Brändstöm, courtesy of the artist.

CONTENTS

THIS IS KISTEFOS

Kistefos AS is a privately held investment company owned by Christen Sveaas.

The company comprises wholly owned and partly owned industrial businesses within offshore, shipping and property but also strategic investments in various listed and unlisted companies, principally within IT and telecommunications.

QUALITY AND INVESTMENT PHILOSOPHY

For Kistefos AS quality in investments and ownership are prerequisites for achieving long term value creation. Thorough analysis and good procedures creates good decisions, reduce risks and contribute to an attractive return for the companies.

The investment philosophy in Kistefos is that long term and targeted returns are best achieved through active ownership. Through a combination of capital, industrial and financial expertise and a professional management team, Kistefos is helping to lay the foundation for profitable growth in the companies. This often entails strategic repositioning, implementing efficiency measures, adjusting financial structures and sector consolidation. Active ownership means that Kistefos working alone or in close collaboration with other shareholders and executives, manages a controlling interest.

Kistefos is organised in the following business areas:
Shipping and Offshore
Investment portfolio
Property
Other operations

COMPANY HISTORY

Kistefos as a company name has a long history, dating back to the time when Christen Sveaas' grandfather, Anders Sveaas, founded the timber processing company A/S Kistefos Træsliberi in 1889. The company was named after the Kistefossen waterfall in the Randselva in Jevnaker. Up until 1955 the factory produced wood pulp for Norwegian and European newspaper producers and other typographical businesses. The company was sold out of the family in 1985, but an 85% share was bought back by Christen Sveaas in 1993.

The old pulp mill building at the Kistefos Museum, with the sculpture "Viewing Machine" (2001) by Olafur Eliasson in the foreground.

KEY FIGURES – GROUP

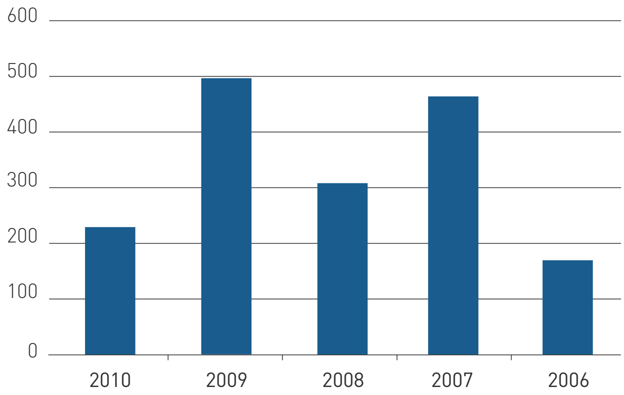
(NOK million)

Income statement	2010	2009	2008	2007	2006
Revenues	7,906	4,997	6,707	5,947	4,778
Operating profit	492	86	590	576	298
Net financial income	-230	351	-300	138	-37
Net Income	**234**	**499**	**308**	**466**	**169**
Balance sheet					
Non-current assets	4,984	2,047	1,849	1,969	2,196
Bank deposits	884	863	950	1,028	491
Other current assets	2,248	2,417	2,416	2,275	1,653
Equity	2,894	1,873	1,592	1,404	1,117
Non-current liabilities	4,023	2,882	2,755	2,898	2,673
Current liabilities	1,199	572	868	970	550
Total assets on Balance Sheet	**8,116**	**5,327**	**5,215**	**5,272**	**4,340**
Solidity					
Equity ratio (book value)	**35.7%**	**35.2%**	**30.3%**	**26.6%**	**25.7%**

BOOK VALUE OF ASSETS *(NOK million)*

- 483 Real Estate
- 2,914 Offshore
- 1,072 Bulk and industrial shipping
- 884 Cash and cash equivalents
- 1,104 Equity and financial instruments
- 1,659 Recievables and other assets

NET INCOME *(NOK million)*



HIGHLIGHTS 2010

- Kistefos has written down the value of the shares in Trico Marine Services Inc. by NOK 430 million to 0 after the company applied for Chapter 11 bankruptcy protection.

- The operating profits in our offshore businesses, anchor handling vessels, supply boats and barges, as well as the Baltic Sea based industrial shipping industry were all weaker than expected.

- Kistefos became the majority owner in the listed shipping company Rederi AB Trans-Atlantic (RABT) in September. For this we paid SEK 150 million, and transferred our 50% ownership interest in the jointly owned anchor handling vessel business to RABT. The cash compensation can be seen as a payment for 50.01% of RABT's industrial shipping business.

  The transaction led to a realised gain of NOK 454 million, that has been recorded under revenues in the financial statements.

- In May 2010 the new AHTS vessel Loke Viking was delivered from Astilleros Zamakona Yards, Bilbao. The vessel has ice class DNV 1A and went immidiately from the ship-yard to the first assignment for Cairn Energy in Greenland. Following its assignment in Greenland, the vessel was awarded a contract in the Barents Sea for Statoil.

- New-build two out of four, the AHTS vessel Njord Viking, has been awarded a four year contract for Eni Norge and will operate in the Barents Sea. The ship was delivered in February 2011 and is operating for the time being in the spot market in the North Sea until starting work for Eni in autumn 2011.

- Kistefos sold in July 2010 its entire ownership interest of 16.7% in Scorpion Offshore Ltd and realised a gain of NOK 179 million.

- After having been the principal owner in Global IP Solutions AB since 1999 Kistefos announced in May that we had accepted a bid from Google Inc. The sale resulted in a gain of NOK 42 million.

- Western Bulk AS delivered another solid net profit of USD 22 million. In 2010 Western Bulk Shipholding signed two long time charters for Supramax vessels with purchase options. Both vessels are new-builds and are expected to be delivered in 2012 and 2014. Furthermore a handysize vessel was acquired in partnership with a minority investor. This ship was delivered in August 2010.

- Atex Ltd. has carried out extensive changes in its management and organisation, and the company's sales activities have suffered as a result. However the fundamental profitability of the business is strong and the company managed to achieve an impro-ved EBITDA compared to the previous year's figures.

- Advanzia Bank S.A. has continued its positive development and recorded strong growth in the number of credit card customers. The combination of increased lending and a reduction in losses resulted in a tremendous improvement in net profit of 250% from last year, reaching EUR 6.5 million in 2010.

MANAGING DIRECTOR'S REPORT

As a whole 2010 has been a successful year for Kistefos. We report a result that is lower than in recent years and below the average performance targets we have established. At the same time we can state that Kistefos has managed to deliver positive results during the years of the financial crisis. Periods of turbulence also create opportunities, and we believe that we have managed to make adjustments both in the portfolio and in some of our portfolio companies that create a good foundation for positive development in the years ahead.

The most important event in 2010 was the restructuring of our anchor handling vessels business. Through the creation of a unified organisation that we control, we have laid the foundation for creating a more focused and powerful organisation. This presupposes a restructuring of TransAtlantic, which currently includes both offshore and industrial shipping activities. Work on this is well underway, and we expect to be able to show the first results this year.

The Offshore Services business in TransViking will move to Copenhagen, where we will build a new management team. Our plan is eventually to list Trans-Viking on the Oslo Stock Exchange. The strategy of focusing on operations in icy conditions and exposed regions remains the same.

TransAtlantic has a long history as a supplier of industrial maritime services in the Baltic Sea with the operation of ice class ships. The company operates Ro-Ro, container and bulk vessels. The competitive environment is fierce and the price pressure is noticeable. It is therefore important to deliver flexible, customised logistics services and costeffective operations. For us it seems obvious that the market needs structural solutions to some of its challenges. It is our intent that TransAtlantic shall be a participant in these types of processes.

Global IP Solutions, of which Kistefos owned 37% and had been invested since its beginning in 1999, was sold to Google for a total of NOK 430 million. The company created the leading technology in its segment, but did not manage to exploit it commercially. Therefore selling to Google was both economically and industrially a good solution for the shareholders and employees.

During the financial crisis Kistefos established financial ownership positions in selected listed companies. During 2009 and 2010 there were total realised gains of just over NOK 500 million from these investments.

Kistefos has been the largest shareholder since the offshore shipping company Trico Marine emerged from Chapter 11 bankruptcy in 2005. The shipping company qualified as a Jones Act company in the US, and this legislation has acted as a poison pill that meant we never managed to develop a reasonable dialogue with the management. Two very costly acquisitions that were not adequately funded led to the company again filing for bankruptcy protection in the US in 2011, and Kistefos has had to record a loss of NOK 430 million on our investment in the company. In retrospect we conclude that we probably were too willing to fight for our case and thus ended up with a loss that was larger than it should have been.

Developments in Atex have been challenging and have required extraordinary efforts. The company has a new management team and changes have been made to the way the company is organised and operates. Atex is a leading participant in its market segments. After a period of healthy growth and strengthened market position between 2004 and 2009 the company has faced some challenges. The company has a credible strategy that we believe in. It is therefore in the execution of the strategy that the challenge lies. We think that the new management team has the ability to master this, and after a "transition year" in 2011 we expect Atex to deliver stronger profit figures and be back on track in 2012.

Western Bulk continues to achieve strong profit performance in a volatile and difficult market. The company has an innovative business model that we are proud to have developed in collaboration with the owners and management. Moreover in 2010 we have started establishing a ship ownership unit as a supplement to the Chartering & Operations business. This will enable us in the future to build on the considerable market expertise in Western Bulk's organisation, and a fleet expansion over the years will help to create a company that is financially very well founded.

Performance in Advanzia Bank has been very good. We note that development of financial service companies is time consuming and challenging. But when the business model and the organisation establish themselves and work together, the results will follow. This is what has happened in Advanzia in 2010. The bank now has running net revenues of about EUR 1 million per month. This safeguards current values and creates a good basis for further work on the strategic goals for the company.

We are about to close Springfondet I and establish Springfondet II in collaboration with Oslo Innovation Center at the University of Oslo with a fund-size of NOK 100 million. This is an expression of our satisfaction the joint venture. Springfondet has invested in 16 companies in total, of which Kistefos has co-invested in 4 companies: Kappa Bioscience AS, Protia AS, Ostomycure AS and Promon AS. These companies have had positive developments during 2010.

Now as I complete my final year, I would like to thank you for the nine years as Managing Director. Kistefos has under-gone a positive development during these years. It has been a learning experience. Challenging, fun and demanding – but never boring!

Managing Director Åge Korsvold.

ANNUAL REPORT 2010

Kistefos Group's net result in 2010 was a little weaker than expected. Net income for the year fell from NOK 499 million in 2009 by NOK 265 million to NOK 234 million in 2010. From 22 September 2010 the Swedish listed shipping company Rederi AB TransAtlantic (RABT) was consolidated in the Group's financial statements.

RESULTS AND FINANCIAL SITUATION

Group revenues grew from NOK 4,997 million in 2009 by NOK 2,909 million to NOK 7,906 million in 2010. This was largely due to increased activity in the dry cargo business, which showed an increase in revenues totalling NOK 1,912 million to NOK 6,539 million. The acquisition of RABT on 22 September, where Kistefos owns 50.01%, means that RABT's revenues are consolidated from that date. This transaction increased operational revenues by nearly NOK 550 million.

Other revenues increased from NOK 8 million in 2009 to NOK 455 million in 2010. The sale of the anchor handling vessels business to RABT triggered a gain of NOK 442 million that is classified as part of Group operating profit.

No research and development costs have been recorded for 2010.

In total Group operating profit grew from NOK 86 million in 2009 by NOK 406 million to NOK 492 million in 2010.

The Group's net financial income was reduced from NOK 351 million in 2009 to NOK - 230 million in 2010. Most of the decline can be ascribed to writing down the investment in US company Trico Marine with NOK 430 million. Realised gains on shares and securities were NOK 231 million, a decline of NOK 105 million from the previous year. Realised currency losses were NOK 26 million compared to a gain of NOK 72 million last year. The Group's net interest expense grew by NOK 11 million to NOK -75 million in 2010.

The Group's net tax expense was NOK 28 million, of which NOK 13.2 million was not payable taxes. Group net-income was reduced from NOK 499 million in 2009 by NOK 265 million to NOK 234 million in 2010.

The Group's total book value of assets increased from NOK 5,327 million in 2009 by NOK 2,789 million to NOK 8,116 million in 2010. The consolidation of RABT's accounting figures from 22 September is the main reason for the change. Other changes in the book value of assets are explained by the increase in investments in Western Bulk's shipping fleet of NOK 153 million. The share portfolio was reduced by NOK 415 million.

The Group's free cash balances were NOK 884 million at the end of the year, a marginal increase of NOK 21 million compared to the previous year. The liquidity position of the Group is good.

During 2010, the Group has increased its liabilities from NOK 3,454 million by NOK 1,768 million to NOK 5,222 million. Consolidation of working capital and the shipping loan in RABT explains most of the differences from the previous year. During the year the parent company has refinanced its credit facility of NOK 1,000 million. In addition, three of the six supply ships in SBS Marine have been refinanced during the year.

The Group's book equity has increased from NOK 1,873 million in 2009 by NOK 1,021 million to NOK 2,894 million in 2010. The consolidation of RABT has resulted in an increase in minority interests equivalent to NOK 1,076 million. The Group's equity is 36% of the total balance sheet, compared to 35% at the end of last year.

When it comes to investment activity in the parent company, total assets were reduced from NOK 5,481 million in 2009 by NOK 244 million to NOK 5,237 million in 2010. The parent company's pre-tax profit is reduced from NOK 509 million in 2009 by NOK 270 million to NOK 239 million in 2010. The difference is due to a reduction in net financial income, which principally comprises returns relating to investment activities and results from Group companies. The parent company's distributable equity amounted to NOK 1,069 million at the end of the year.

The Group is exposed to various types of risk. In addition to the market risk inherent to the company or project, there are other operating and financial risks connected with the Group's activities. The Group is exposed to currency risk through operations and ownership interests, and hedges its operating activities against currency fluctuations where it is considered appropriate. The Group is also exposed to changes in interest rates when the Group's liabilities have a variable interest rate. The risk that the counterparty does not have the financial ability to fulfil its obligations is deemed low in the off-shore area but is relatively higher for the shipping activities.

SIGNIFICANT INVESTMENTS IN 2010

Rederi AB TransAtlantic (RABT)/ TransViking (TRVI)

Viking Supply Ships (VSS) has had a collaboration with the Swedish listed shipping company RABT on its anchor handling vessels operations since 1999. The collaboration has been organised as a 50/50 joint venture, TRVI. In September 2010 VSS sold its ownership share in TRVI to RABT. The sale, plus cash payment of SEK 150 million, resulted in VSS gaining ownership of just over 50% of both classes of shares in RABT.

Following the transaction, RABT comprises 8 AHTS of which 2 are under construction, and 29 vessels (bulk, RoRo, and container) within the industrial contract-based shipping industry.

Viking Supply Ships AS

Construction of the four large AHTS ships of type VS 4622 with ice class at the Spanish shipping yard Astilleros Zamakona is proceeding on schedule. The first ship, AHTS Loke Viking was delivered in May 2010. The second ship, Njord Viking, was delivered in early February 2011. The two final ships are expected to be delivered in Q3 2011 and Q1 2012 respectively. The total contract sum for all four ships is EUR 224 million, and the ships are fully financed. Njord Viking is under a four year charter with options to Eni Norge for operations in the Barents Sea.

Western Bulk AS

Western Bulk has completed a new strong year, and this shows that the business model performs satisfactorily in falling markets as well. During 2010 there has been a focus on establishing shipping ownership as an independent business unit. The company has built up a fleet of 11 vessels through investments in wholly or partly owned vessels and new builds, combined with chartering ships on long TC contracts with purchase options. The company owns two vessels at year end, three ships will be delivered during 2011 and six ships will be taken over in 2012. Nine out of 11 vessels are ensured employment on acquisition.

SIGNIFICANT REALISATIONS IN 2010

In 2010 the Group sold its ownership stake of 37% in the listed company Global IP Solutions to Google Inc. realizing a profit of NOK 42 million. Intelecom AS, of which Kistefos owned 30%, was sold to a Norwegian private equity company. This transaction resulted in a profit of NOK 50 million. Furthermore, the shares in Scorpion Offshore were sold with a profit of NOK 179 million.

Bergmoen has entered into an agreement with Coop Norge for the sale of about 37 to 50 acres of fully developed land. Coop will use the plot of land to build a new central warehouse for eastern Norway. The sale is scheduled to take place on 1 July 2011. Coop has secured itself an option to acquire an additional 12.5 acre plot of land in close proximity to the central warehouse site.

DEVELOPMENTS OF PRINCIPAL HOLDINGS

Operational activities

Rederi AB TransAtlantic (RABT) / TransViking (TRVI) (50.01%)

In September 2010 Viking Supply Ships (VSS) sold its ownership interest in TRVI to RABT. The sale, together with a cash payment of SEK 150 million, resulted in VSS becoming the owner of just over 50% of both classes of shares in RABT. In reality this means that the cash amount was payment for 50% of RABT's industrial shipping operations.

At year-end TransViking owns and operates five large anchor handling vessels, of which three have ice breaker capabilities and one has ice class. The ships principally operate on the spot market, but TransViking has an agreement with the Swedish Maritime Administration (SMA) for the three icebreakers to be available to break ice in the Baltic Sea during the first quarter of each year. The contract with SMA runs until 2015, with three further options for five year extensions. In the last few years this contract has become unprofitable, as the agreement has not accounted for the cost increases that have occurred in the offshore industry.

Moreover, the company has contracts for building anchor handling vessels with ice class with the Spanish shipping yard Astilleros Zamakona. One vessel was delivered in 2010, and the second vessel was delivered in February 2011. The two remaining vessels are expected to be delivered in the middle of 2011 and the start of 2012. AHTS Loke Viking has participated in an operation in Greenland, as well as being employed on the spot market in the North Sea. AHTS Njord Viking will go on a four year charter to Eni Norge later in 2011.

In December 2010 Tor Viking was involved in a rescue of the Greek dry bulk cargo carrier "Golden Seas" off the coast of Alaska. The vessel, with 20 crew members and 65,000 mt of granola seeds on board, started to drift towards the coast. Thanks to good seamanship Tor Viking succeeded in getting the damaged vessel under tow, and later to tow her into Dutch Harbour.

TransViking's revenues rose from SEK 117 million in 2009 by SEK 175.1 million to SEK 292.1 million in 2010. This is mainly due to the company acquiring the anchor handling vessels business from Viking Supply Ships from 22 September, combined with slightly higher rates and better utilisation. TransViking's operating profit improved from SEK -20.0 million in 2009 by SEK 85.6 million to SEK 65.6 million in 2010 and the net profit before taxes increased from SEK -25.0 million in 2009 by SEK 70.4 million to SEK 45.4 million in 2010.

TransAtlantic has considerable involvement in industrial contract based shipping with a fleet of 29 vessels. The business is focused on fundamental Nordic industry needs and is composed of three divisions:

- RoRo Baltic offers RoRo and container vessels and is one of the most comprehensive maritime transport systems in the Baltic Sea
- Container carries out container based line traffic between Sweden, England and Germany
- Bulk/LoLo through its ice class vessels and ice expertise is a niche player within the specialised smaller bulk segment. In the Atlantic Ocean transport is carried out by RoRo vessels that travel between Europe and the east coast of the US and the Caribbean.

Industrial shipping's revenues fell from SEK 1,900 million in 2009 by SEK 35 -million to SEK 1,865 million in 2010. There is still an operating loss but it shows a slight improvement from SEK -106.8 million in 2009 by SEK 29.8 -million to SEK -77.0 million in 2010. The net loss before taxes improved from SEK -139.8 million in 2009 by SEK 34.8 million to SEK -105.0 million in 2010.

SBS Marine Ltd. (100%)

Viking Supply Ships AS, through SBS Holding Norway AS, owns 100% of the company SBS Marine Ltd. (SBS). SBS owns three platform supply vessels, and also has three similar vessels leased on a bareboat charter with purchase options. The platform supply vessels have been under long term contracts in recent years, five to Transocean in India and one to Talisman in the North Sea. Three of the vessels in India completed their contract in the first quarter of 2010, and returned to the North Sea where they now operate.

SBS' revenues were reduced from NOK 193.6 million in 2009 by NOK 18.3 million (-9%) to NOK 175.3 million in 2010. This is due to lost revenues of just over NOK 20 million on the return of the three aforementioned vessels. Furthermore SBS incurred substantial extraordinary costs due to these returns totalling NOK 12 million. SBS also had increased bareboat costs as a result of exchange rate fluctuations in 2010 and higher administration costs due to refinancing and increased legal assistance.

SBS' operating profit was thereby reduced from NOK 34.8 million in 2009 by NOK -54.6 million (-157%) to an operating loss of NOK -19.8 million in 2010. Net income fell from NOK 18.2 million in 2009 by NOK 56.3 million (-309%) to NOK -38.1 million in 2010.

Viking Barge AS (100%)

Viking Barge owns and operates seven large, modern North Sea barges of about 10,000 DWT. The company's revenues fell sharply from NOK 72.5 million in 2009 by NOK 54.0 million to NOK 18.5 million in 2010. This is due to a soft market which led to lower rates and weaker utilisation rates compared to last year. The company's operating profit was reduced from NOK 41.1 million in 2009 by NOK 44.4 million to an operating loss of NOK -3.3 million in 2010, and the net income fell from NOK 38.6 million in 2009 by NOK 40.5 million to a loss of NOK -1.9 million in 2010.

Western Bulk AS (94.0%)

The company's primary focus is within the supramax segment, but the business also operates handysize tonnage. In 2010 the company used on average 95 vessels, which is 26 more vessels than in 2009 (69 vessels).

The company's revenues grew from USD 738 million in 2009 by USD 344 million to

USD 1,082 million in 2010. This is principally due to an increase in the number of vessels operated, as the average rates have been relatively stable compared to last year. The company's operating profit rose from USD 26 million in 2009 by USD 1 million to USD 27 million in 2010. The company has shown that the business model also works in challenging markets and that it is scalable. Net income was USD 21 million in 2010, compared to USD 22 million in 2009.

Kistefos Eiendom AS (100%)
Kistefos Eiendom's 57% owned subsidiary Bergmoen AS has purchase options on about 1,800 decares of land in Gardermoen Business Park. The principal focus for the administration in -Bergmoen during 2010 has been on zoning work. The final area plan is expected to be approved in June 2011.

Bergmoen signed a contractual agreement with Coop Norge Handel AS in March 2010 for the sale of up to 50 acres of land for building Coop's new central warehouse for eastern Norway.

Other investments

Advanzia Bank S.A. (50.6%)
Advanzia Bank S.A. (Advanzia) is a Luxembourg based bank that offers two products: A no-fee credit card to a large number of users in the eurozone, especially Germany and Luxembourg, and a deposit account to a more limited number of customers within the EU area. Advanzia Bank does not have any branches. Communication with customers takes place over the internet, post, fax or customer service telephone.

The total number of credit cards in active use at the end of 2010 was 194,000, an increase of about 22% from 160,000 active cards at the end of 2009. The bank recorded a solid increase in revenues during 2010, and total net revenues in 2010 were EUR 40.3 million, up from EUR 34.2 million in 2009. Losses on lending has fallen in 2010, which has also contributed to an increase in profitability. Net income for 2010 was EUR 6.3 million, against EUR 2.5 million in 2009.

The company has a satisfactory capital adequacy ratio of 13.0% at the end of 2010.

Atex Group Ltd. (66.4%)
Atex Group Ltd. is a leading global supplier of software to the media industry and the largest company in the world in this market. The company provides solutions largely within the business areas of advertising systems, editorial systems and distribution systems.

2010 has been a year with significant reorganisation, and Atex established a new management group with a new CEO and CFO. The management team has however several people with many years of employment history in Atex, which ensures breadth and continuity in the team. The restructuring work during 2010 has resulted in provisions in the financial statements that have lead to a net income that is not satisfactory. However the underlying profitability in the business is good, and the accounts for 2010 also reflect this.

In 2010 Atex had revenues of USD 94.9 million compared to USD 97.2 million in the previous year. However EBITDA rose by 19%, from USD 23.7 million to USD 28.2 million in 2010.

Opplysningen 1881 AS (31.4%)
Opplysningen 1881 is Norway's leading directory service with listings of personal and corporate information. In order to refine the focus on the key area of information services, Intelecom AS was demerged from Opplysningen 1881 in summer 2010 and later sold to Herkules Capital.

As a further step in refining the various business areas, Opplysningen 1881 has chosen to demerge its Internet division, Digitale Medier 1881 AS. The demerger was executed in such a way that Digitale Medier AS has a similar shareholder structure to Opplysningen 1881 AS.

As a result of the sale of Intelecom revenues in Opplysningen 1881 fell from NOK 998.5 million in 2009 to NOK 737 million in 2010. The operating profit increased though from NOK 52 million in 2009 to NOK 82 million in 2010. Net income was NOK 56 million in 2010 compared to NOK 35.7 million in 2009.

Infront AS (27.0%)
Infront AS is the Nordic region's leading company within the development and sale of real time solutions for information and trading in shares and other financial instruments. The core product "The Online Trader" is the market leader in Scandinavia and is starting to establish itself in selected markets outside the Nordic region as well.

Revenues in 2010 were NOK 166.5 million, compared to NOK 144.3 million in 2009. The company's operating profit was NOK 24.8 million, compared to NOK 24.6 million in 2009. Net income was NOK 24.4 million in 2010 compared to NOK 25.2 million in 2009. Taking into account an extraordinary gain that was recognised in 2009, the underlying operations and profitability have developed positively during 2010.

Phonero AS (50.5%)
Phonero operates as a virtual operator in the Norwegian corporate market for mobile telephony and fixed telephony. The company has a broad product portfolio and provides solutions ranging from web-based switchboard solutions to IP telephony, but with a primary focus on mobile telephony. Key to the company's business idea is a high level of service, customer satisfaction and efficient distribution.

Phonero was established in autumn 2008, and already has over 20,000 subscribers and 120 employees after barely two years of operation. Furthermore, in 2010 Phonero was voted best mobile network operator in the corporate market in the EPSI survey.

2010 was Phonero's second full year of operations, and revenues amounted to NOK 118 million, a tripling from 2009.

EBITDA was NOK -14.5 million, an improvement of NOK 6.2 million from the previous year. The operating loss for 2010 was NOK -16 million compared to NOK -19.6 million in 2009.

Trico Marine Services Inc. (18.2%)
Trico Marine Services is a supply ship company that also provides underwater services within the offshore industry. Kistefos has been the largest shareholder in Trico since the company emerged from Chapter 11 in 2005 and our ownership of the bonds was converted. Trico had to seek protection under Chapter 11 again in 2010, after the company had made two large acquisitions without securing adequate financing. Kistefos has written down the value of its investment to 0.

Springfondet (50.0%)
Springfondet is a fund affiliated with Oslo Innovation Center in Oslo. Springfondet invests in early stage companies that develop innovative products or services. Springfondet's portfolio has had a positive development in 2010. Kistefos has invested directly in four of the most promising companies in Springfondet's portfolio: Kappa Bioscience AS, OstomyCure AS, Promon AS and Protia AS. The focus on following up the current portfolio has meant that no new investments have been made in Springfondet in 2010. A new fund, Springfondet II will be created in 2011 to continue the investment collaboration, focusing on companies that emerge from Oslo Innovation Center's incubator activities. Kistefos and Oslo Innovation Center have committed NOK 70 million and NOK 30 million respectively to this fund.

ORGANISATION AND ENVIRONMENT

The Kistefos Group and the portfolio companies employed a total of 2,478 full time equivalent positions at the end of 2010. The parent company's head office is in Oslo. The Group runs a global business.

The number of full time equivalent positions in the parent company has risen from 15 to 19, of whom six are women and 13 are men. The working environment in Kistefos is good. In 2010 total sick leave was 205 days (5.5%).

The Group promotes equal opportunities for both genders in expanding their professional skills, salaries and other development opportunities. The Group practices a personnel and recruitment policy that prevents discrimination. The parent company and the Group practice gender equality in recruitment and seek a balanced number of men and women. In the Group, seven incidents resulting in injury have been reported which have lead to lost work time. There have been no reports of injuries in the parent company.

Kistefos does not pollute the environment to any significant extent. However the Group is engaged in a number of businesses that are potential sources of pollution. The Boards of Directors of these companies are responsible for ensuring that their businesses are being run properly and in accordance with the guidelines for preventing and curtailing environmental pollution.

MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date there have not been any material events that affect the financial statements for the year.

OUTLOOK FOR 2011

It has slowly become clear to us all that the financial crisis is not over. Considerable financial problems in Greece, Ireland, Portugal and Spain has lead to scepticism of the eurozone countries and the European Central Bank's ability to tackle and solve these problems. As a result of excess government expenditure, inadequate attention to government efficiency and the large discrepancy between spending and revenues, the inevitable result becomes crystal clear: taxes must be raised and spending and the number of government employees must be cut. In the short run this will result in increased unemployment and reduced consumption for private households. However over the long run the effects are much more positive: A more efficient public sector and hopefully a positive increase in the scope of the private sector, which is healthy and good for long term growth and prosperity.

Following considerable gains on the Oslo Stock Exchange in 2009 (+64.8%) and in 2010 (18.3%), the stock market so far in 2011 has largely moved sideways both as a reaction to the previous years' gains and also as a result of concerns for the consequences of the aforementioned countries' problems, which has made investors more reticent. We don't dismiss the possibility that the stock market could face a correction in 2011 of 10–20%. The question is whether this has already taken place or if it is coming during the autumn. He who knew...

The Kistefos Group operating results were not satisfactory in 2010, and although we expect an improvement to some extent in 2011, it will be rather moderate. We expect the weak results in our newly acquired business, TransAtlantic's industrial shipping operations to continue, but with the considerable restructuring that has been implemented the second half of 2011 is expected to show some improvement and eventually positive results. We expect to continue the strong performance from Western Bulk, albeit slightly below the level we have seen in 2010.

We anticipate a significant improvement in both sales volumes and performance for Atex Group Ltd., after the new management team has settled in and starts building momentum in the business. We are also expecting considerable progress for Advanzia Bank S.A. Opplysningen 1881 faces fierce competition but it has maintained its market leading position and we are anticipating healthy results from this business which we now own a 57% interest in as of 2011. Infront AS is expected to continue to deliver good performance and in Bergmoen AS the property sale to Coop was executed with satisfactory results.

Our exposure to the stock market is significantly reduced and this investment activity is not expected to deliver material positive results in 2011. No realisations are planned for 2011 and the annual result is expected to be of similar size to the 2010 figure.

ALLOCATION OF NET INCOME

Christen Sveaas, Chairman of the Board of Kistefos, owns indirectly all the shares in Kistefos AS.

The annual financial statements have been prepared on the basis of continuing operations. The Board confirms that the prerequisites for the going concern assumption exist.

The Board proposes that a Group contribution be made to subsidiaries of NOK 368.7 million.

The Board proposes the following allocation of the year's net income in the parent company:

NOK	
Result for the year	232.637 million
Transferred from other equity	(2.773) million
Transferred to revaluation reserve	235.410 million
Total allocation of net income	**232.637 million**

Oslo, 4 May 2011
On the Board of Kistefos AS

Christen Sveaas Executive Chairman	Erik Wahlstrøm	Tom Ruud	Martin Reimers	Christian H. Thommessen	Åge Korsvold Managing Director

The Board of Kistefos AS
From the left: Christian H. Thommessen, Erik Wahlstrøm, Martin Reimers, Christen Sveaas, Tom Ruud and Managing Director Åge Korsvold.

PROFIT AND LOSS STATEMENT

PARENT COMPANY				GROUP	
2009	**2010**	*(Amounts in NOK 1,000)*	**Note**	**2010**	**2009**
		OPERATING INCOME			
0	0	Freight revenues ships and barges	1	7,450,814	4,988,714
0	0	Gain on disposal of fixed assets	1	354	791
0	0	Other operating income	1	454,482	7,081
0	**0**	**Total operating income**		**7,905,650**	**4,996,586**
		OPERATING EXPENSES			
37,000	39,007	Wages and salaries	4	297,568	163,576
0	0	Operating expenses ships and barges	2	6,828,350	4,495,337
0	0	Operating expenses real estate		2,783	1,858
1,002	422	Depreciation of fixed and intangible assets	5	157,365	96,493
57,868	34,809	Other operating expenses		128,079	153,691
95,871	**74,239**	**Total operating expenses**		**7,414,145**	**4,910,955**
(95,871)	**(74,239)**	**OPERATING RESULT**		**491,505**	**85,631**
		FINANCIAL INCOME AND EXPENSES			
299,605	662,171	Income from investments in subsidiaries and associated companies	6	(1,910)	0
28,855	33,564	Interest received from group companies		0	0
9,288	9,569	Other interest received		16,076	42,087
332,350	183,272	Net gains (losses) on shares and other financial instruments		231,099	336,475
92,350	736	Other financial income	3	89,880	147,678
0	(430,325)	Change in value of shares and other financial instruments		(434,604)	(36,090)
(86,282)	(89,128)	Interest paid to group companies		0	0
(69,927)	(54,341)	Other interest expenses		(90,483)	(105,079)
(1,364)	(2,188)	Other financial expenses	3	(39,885)	(34,443)
604,876	**313,330**	**Net financial income / (expenses)**		**(229,827)**	**350,629**
509,005	**239,091**	**Operating result before tax**		**261,678**	**436,260**
(16,182)	(6,455)	Tax	8	(27,844)	62,437
492,823	**232,637**	**NET INCOME**		**233,834**	**498,697**
		Minority's share of net income		1,197	5,874
		Majority's share of net income		232,637	492,823

BALANCE SHEET AS PER 31 DECEMBER

PARENT COMPANY				GROUP	
2009	2010	*(Amounts in NOK 1,000)*	Note	2010	2009
		ASSETS			
		FIXED ASSETS			
0	0	Deferred tax assets	8	10,409	0
0	0	Goodwill (badwill)	5	(44,839)	45,018
0	0	Other intangible assets	5	8,771	0
0	**0**	**Total intangible assets**		**(25,658)**	**45,018**
0	0	Real estate		483,104	428,298
0	0	Ships, PSV and AHTS vessels		2,913,812	1,077,877
0	0	Ships, industrial shipping		704,878	0
0	0	Ships, bulk carriers		367,231	227,879
	0	Barges		58,703	69,110
2,737	2,551	Operating equipment, FF&E, machines etc.		46,642	8,876
2,737	**2,551**	**Total tangible fixed assets**	5,10	**4,574,370**	**1,812,040**
2,986,718	3,788,614	Investments in subsidiaries	6	0	0
1,016,534	655,609	Loans to group companies		0	0
0	0	Investments in associated companies		29,481	0
0	0	Restricted bank deposits		326,526	170,855
1,131	69,604	Other long-term receivables		79,528	19,113
4,004,383	**4,513,827**	**Total financial fixed assets**		**435,535**	**189,968**
4,007,120	**4,516,378**	**Total fixed assets**		**4,984,247**	**2,047,026**
		CURRENT ASSETS			
0	0	Stock-in-trade		2,106	0
0	7,450	Accounts receivable		489,118	190,807
108,661	53,410	Other receivables		652,648	706,344
108,661	**60,860**	**Total stock-in-trade and receivables**		**1,143,873**	**897,151**
911,831	550,133	Shares and other financial instruments	7	1,103,840	1,519,369
452,974	109,590	Cash and cash equivalents	10	883,992	863,226
1,473,466	**720,584**	**Total current assets**		**3,131,704**	**3,279,746**
5,480,587	**5,236,962**	**TOTAL ASSETS**		**8,115,952**	**5,326,772**

BALANCE SHEET AS PER 31 DECEMBER

PARENT COMPANY				GROUP	
2009	2010	*(Amounts in NOK 1,000)*	Note	2010	2009
		EQUITY AND LIABILITIES			
		EQUITY			
		Restricted equity			
310,828	310,828	Share capital		310,828	310,828
		Retained earnings			
0	235,410	Fund for valuation differences		0	0
1,378,568	1,069,267	Other equity		1,304,673	1,378,566
		Minority interest		1,278,292	183,301
1,689,396	**1,615,505**	**Total equity**	9	**2,893,793**	**1,872,695**
		LIABILITIES			
28,512	28,515	Deferred tax	8	109,838	133,126
6,520	0	Subordinated loans		0	6,520
1,462,136	1,268,512	Liabilities to financial institutions	10	3,767,443	2,589,423
2,120,081	1,824,393	Liabilities to group companies		0	0
66,590	63,102	Other long-term liabilities		146,140	153,131
3,683,839	**3,184,522**	**Total other long-term liabilities**		**4,023,421**	**2,882,200**
0	0	Liabilities to financial institutions		0	612
267	655	Trade creditors		226,663	95,675
0	0	Tax payable	8	16,154	4,378
3,006	1,615	Government taxes, holiday pay, tax deductions		38,173	3,719
60,065	410,588	Liabilities to group companies		165,787	49,928
44,013	24,076	Other short-term liabilities		751,961	417,563
107,352	**436,935**	**Total short-term liabilities**		**1,198,738**	**571,875**
3,791,192	**3,621,457**	**Total liabilities**		**5,222,159**	**3,454,075**
5,480,587	**5,236,962**	**TOTAL EQUITY AND LIABILITIES**		**8,115,952**	**5,326,772**

Oslo, 4 May 2011
The Board of Kistefos AS

Christen Sveaas
Executive Chairman

Erik Wahlstrøm

Tom Ruud

Martin Reimers

Christian H. Thommessen

Åge Korsvold
Managing Director

CASH FLOW STATEMENT

PARENT COMPANY			GROUP	
2009	2010	*(Amounts in NOK 1,000)*	2010	2009
		CASH FLOW FROM OPERATING ACTIVITIES		
509,005	239,091	Pre-tax profit	261,678	436,260
0	0	Tax (paid) /repaid during the year	69,428	0
1,002	422	Depreciation and amortisation	157,365	96,493
0	0	Gain on disposal of fixed assets	(440,289)	0
(332,350)	(183,272)	Net (gain)/losses on sale of shares and other financial instruments	(231,099)	(336,350)
1,218	(7,450)	Change in accounts receivable	(149,133)	82,160
(2,929)	388	Change in trade creditors	40,374	7,897
(299,605)	(662,171)	Income from use of equity method	0	0
0	430,325	Change in value of shares and other financial instruments	434,604	36,090
(25,766)	33,922	Change in other receivables and other liabilities	104,298	(137,196)
(149,425)	**(148,745)**	**A = Net cash flow from operating activities**	**247,226**	**185,355**
		CASH FLOW FROM INVESTMENT ACTIVITIES		
(30)	(236)	Reduction/(increase) operating equipment, FF&E, machinery etc.	(14,700)	(2,298)
0	0	Reduction/(increase) ships	(305,313)	(298,113)
0	0	Reduction/(increase) goodwill	0	2
0	0	Reduction/(increase) barges	0	4,615
0	0	Reduction/(increase) buildings, land, and other real estate	(21,303)	(9,649)
102,649	(139,724)	Reduction/(increase) investments in subsidiaries/associated companies	(32,342)	0
249,361	114,645	Reduction/(increase) shares and other financial instruments	262,079	185,718
0	0	Change in restricted bank deposits	(155,671)	24,898
0	(68,473)	Change in other long-term receivables	(17,872)	0
0	0	Cash in acquired and disposed of subsidiaries / associated companies	214,621	0
	360,925	Reduction/(increase) receivables for group companies	0	0
351,980	**267,137**	**B = Net cash flow from investment activities**	**(70,501)**	**(94,827)**
		CASH FLOW FROM FINANCIAL ACTIVITIES		
0	0	Injection from minority	30,438	0
42,238	(193,624)	Increase/(reduction) liabilities to financial institutions	(121,947)	84,805
179,977	(15,254)	Increase/(reduction) liabilities and loans to group companies	115,859	0
2,452	(3,488)	Increase/(reduction) other long-term liabilities	80,752	0
(81,000)	(242,990)	Distribution of dividends	(254,541)	(81,000)
(130,435)	(6,520)	Change in subordinated loans	(6,520)	(130,435)
13,232	**(461,876)**	**C = Net cash flow from financial activities**	**(155,959)**	**(126,630)**
		OTHER CHANGES		
0	0	Change in minority interests	0	(14,266)
2,588	0	Change in income tax against capitalised tax	0	118,271
(159,384)	100	Other changes, accounting principles, and currency fluctuations	0	(153,808)
(156,796)	**100**	**D = Net other changes**	**0**	**(49,803)**
58,991	(343,384)	A + B + C + D = Net change in bank deposits and cash	20,766	(85,906)
393,983	452,974	Bank deposits and cash as per 1 January	863,226	949,132
452,974	**109,590**	**Bank deposits and cash as per 31 December**	**883,992**	**863,226**

ACCOUNTING POLICIES

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

CONSOLIDATION POLICIES

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 units in subsidiaries has been eliminated in the consolidated financial 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 assets are classified as goodwill and amortised.

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.

SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Subsidiaries and associated companies are included in the parent company using the equity method. The equity method of accounting means that the value of the investment in the balance sheet is equal to the company's share of reported equity, less remaining excess values. At the time of purchase, the value is the acquisition cost. The share of the profit minus dividends is added to the investment entry on the balance sheet. When calculating the share of the profit, account must be taken of excess/less value at the time of acquisition, as well as intragroup gains.

The equity method is used for associated companies. Associated companies are companies in which Kistefos AS holds a significant but not a controlling interest.

Investments in companies in which the participants exercise joint control pursuant to agreement are recognised using the proportionate consolidation method. In accordance with the proportionate consolidation method, a proportion of the assets, liabilities, income and expenses corresponding to the company's percentagewise ownership interest are recognised. In addition to this, excess/less value at the time of acquisition and intragroup gains are taken into account.

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.

VALUATION AND CLASSIFICATION OF ASSETS AND LIABILITIES

Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables due within one year are classified as current assets. The same criteria have been used in the classification of short-term and long-term liabilities.

Currents assets are valued at the lower of estimated fair value and cost. The first annual instalment on long-term liabilities is included under long-term liabilities.

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.

ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

Balance sheet entries in foreign currencies that are not hedged against exchange rate fluctuations are valued at the exchange rate on the balance sheet date. Balance sheet entries in foreign currencies hedged against exchange rate fluctuations using financial instruments are valued at the hedged exchange rate.

INTANGIBLE ASSETS

Intangible assets are recognised on the balance sheet to the extent that the criteria for recognising them on the balance sheet are met. Goodwill (badwill) is an intangible excess (deficit) value from purchase transactions and is amortised on a straight-line basis over 5 years.

TANGIBLE FIXED ASSETS

Tangible fixed assets are recognised on the balance sheet at their acquisition cost, less accumulated depreciations.

The depreciations are allocated on a straight-line basis and established on the basis of an assessment of the individual equipment's assumed remaining economic life. Fittings in leased premises are depreciated over the term of the lease agreement.

WRITING DOWN 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.

NEW-BUILDS

Shipyard instalments for new-builds are entered as tangible assets as and when payment is made. New ships are included on the balance sheet when the ship is delivered from the yard. The stated cost price is the sum of the paid yard instalments based on the exchange rate at the time of payment plus costs incurred during the construction period.

LEASING OBLIGATIONS

The Group differentiates between financial leases and operation leases based on an assessment of the lease contract upon its signing.

A lease contract is classified as financial if the contract transfers the material risk and control associated with ownership to the lessee. All other lease contracts are classified as operational leases. When a lease contract in which the Group is the lessee is classified as a financial lease, the rights and obligations are recognised on the balance sheet and classified as assets and liabilities.

The interest element of the lease payment is included in interest expenses and the capital element of the lease payment is treated as a repayment of debt.

The leasing obligation is the remaining portion of the principal. Lease amounts for operational leases are treated as ordinary operating expenses.

SHARES 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. Shares that have experienced a material and permanent loss of value are written down to their fair value. Financial instruments are valued at market value or by using the lowest value principle.

For short-term investments in exchange-listed instruments, the market vale principle is used. Realised and unrealised gains / losses are recognised in the profit and loss account as financial items.

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.

This complies with generally accepted accounting principles, which stipulate that such investments are by their nature temporary and therefore should be recognised under current assets.

Received dividends and other profit distributions from the companies are recognised as financial income. Dividends that exceed the share of the profits earned during the period of ownership are recognised as a reduction in the cost price of the shares.

The Group has a hedging policy and utilises various freight derivatives, bunkers derivatives and currency derivatives to hedge future results. In line with Section 4-1 No. 5 of the Norwegian Accounting Act, gains and losses on securities instruments and hedging objects are recognised in the profit and loss account in the same period as the hedging was entered into in line with the adopted hedging policy.

Write-downs are made if the total market value of the Group's lease contracts, freight agreements and freight/bunkers derivatives is negative. If the negative value exceeds the assets associated with the portfolio and recognised on the balance sheet, the overshoot is allocated as a liability.

RECEIVABLES

Receivables are recognised at their nominal value, less provisions for expected bad debts.

BUNKERS AND OTHER HOLDINGS

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 and their fair value.

INCOME AND COST RECOGNITION PRINCIPLES

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.

Interest income is recognised as income when it is earned.

MAINTENANCE AND CLASSIFICATION EXPENSES

Periodic maintenance and docking of ships are recognised on the balance sheet over the period up to the next periodic maintenance.

In the case of deliveries of new-builds, a share of the cost price is recognised as periodic maintenance on the balance sheet. Actual expenses from running maintenance are charged against operating income when maintenance takes place.

PENSIONS

Pension expenses and pension liabilities are computed using straight-line earnings based on assumptions about the discount rate, future adjustments of wages and salaries, pensions and benefits from the National Insurance Scheme, future returns on pension funds as well as actuarial assumptions about mortality, voluntary retirement, etc. Pension funds are valued at their fair value less net pension liabilities on the balance sheet. Changes in the liabilities caused by changes to pension plans are distributed across the presumed remaining earnings period. This also applies to estimated changes if the deviation exceeds 10% of whichever is bigger of the gross pension liabilities and pension funds.

TAX

The tax expenses in the profit and loss statement comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax on the balance sheet is calculated on the basis of existing temporary differences between accounting and taxable profit. Net deferred tax assets are recorded on the balance sheet to the extent it is likely that the assets can be utilised.

GOING CONCERN ASSUMPTION

The annual financial statements are prepared on the basis of a going concern assumption.

CASH FLOW STATEMENT

The company uses the indirect method for its cash flow statement.

Transactions between related parties
Kistefos AS performs some administrative services for other companies in the Group. The services are priced and invoiced based on the arm's length principle for transactions between related parties.

NOTE 1 – OPERATING INCOME

	Group	
	2010	2009
Freight revenues – offshore:		
Offshore	434,636	288,848
Ship management	29,802	0
Barges	18,497	72,460
Total freight revenues offshore*	**482,935**	**361,308**
Freight revenues - shipping:		
Industrial shipping	428,740	0
Freight revenues on T/C basis (Western Bulk)	6,539,138	4,627,406
Total freight revenues shipping*	**6,967,878**	**4,627,406**
Other operating income:		
Other income / gain on disposal of fixed assets*	454,836	7,872
Total other operating income	**454,836**	**7,872**
Total operating income	**7,905,650**	**4,996,586**
Freight revenues from shipping and offshore by geographic region		
Nordic countries	600,689	186,275
EU countries outside Nordic region	1,832,880	1,107,096
Americas	1,217,244	623,848
Asia / Pacific region	2,105,739	1,362,427
Middle East	299,233	202,635
Other	1,395,028	1,506,433
Total freight revenues from shipping and offshore	**7,450,814**	**4,988,714**

* See also note 13

NOTE 2 – OPERATING EXPENSES, SHIPS AND BARGES

	Group	
	2010	2009
Operating expenses – offshore:		
Offshore	272,338	172,909
Ship management	69,193	0
Barges	7,438	17,714
Total operating expenses offshore	**348,969**	**190,623**
Operating expenses - shipping:		
Industrial shipping	351,547	0
T/C expenses and voyage-dependent expenses	6,127,834	4,304,714
Total operating expenses shipping	**6,479,381**	**4,304,714**
Total operating expenses shipping and offshore	**6,828,350**	**4,495,337**

NOTE 3 – COMBINED ITEMS

	Parent company		Group	
	2010	2009	2010	2009
Share dividends	549	1,503	83,877	50,094
Gain on foreign exchange	186	89,115	3,857	95,852
Other financial income	0	1,733	2,145	1,732
Total other financial income	**736**	**92,350**	**89,880**	**147,678**
Loss on foreign exchange	(1,743)	(1,364)	(29,614)	(24,427)
Other financial expenses	(445)	0	(10,270)	(10,016)
Total other financial expenses	**(2,188)**	**(1,364)**	**(39,885)**	**(34,443)**

NOTE 4 – PAYROLL EXPENSES, NUMBER OF PERSON-YEARS, REMUNERATION, ETC.

	Parent company		Group	
	2010	2009	2010	2009
Wages and salaries, holiday pay, fees, etc.	32,116	31,072	245,477	137,543
National Insurance contributions	4,750	4,033	25,233	10,952
Pension expenses	1,166	815	14,433	5,972
Other staff expenses	975	1,081	12,425	9,109
Total payroll expenses	**39,007**	**37,000**	**297,568**	**163,576**
Number of person-years	19	15	1,029	105
Number of person-years, incl. crews	19	15	1,219	344

Payroll expenses for crews are recognised under operating expenses, ships and barges.

Remuneration of the company's officers and managing director
Chairman of the Board of Directors, NOK 0, other fees paid to the Board of Directors, NOK 875.

The Managing Director's salary, bonus and other remuneration amounted to a total of NOK 9,500 in 2010

The Managing Director has a bonus agreement based on performance components, value creation, etc, as well as a 12-month salary guarantee in the event of termination of his employment contract. 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, pensions, post-employment benefits, subscription rights or options.

The parent company and some of the subsidiaries has a pension scheme that encompasses a total of 20 (17) employees of the parent company and 105 (81) employees of the Group as per 31 December 2010, of which 27 have retired. The schemes give the right to defined future benefits. These are primarily dependent upon the number of vested years of service, level of salary when pensionable age is reached and the magnitude of the National Insurance benefits. The collectively negotiated pension agreement is financed by building a fund in a life assurance company. Net pension costs are classified in the financial statements entirely as payroll expenses. Kistefos is obligated to have a occupational pension scheme under the Norwegian Act relating to Obligatory Occupational Pensions, and the scheme satisfies the relevant requirements

At the end of 2010, the parent company had granted short-term loans to employees of the Group amounting to NOK 7,648 (2009: 8,193). At the Group level the total loans are NOK 7,749 (2009: 8,193). The interest is calculated on the basis of normal interest rates in employment relationships.

The fees for statutory auditing amounted to NOK 437 for the parent company and NOK 3,515 for the Group. The auditor received NOK 439 from the parent company and NOK 2,057 from the Group for assistance with the annual accounts, tax assessment statements and tax advice. The auditor received NOK 1,314 from the Group for services other than auditing.

NOTE 5 – FIXED ASSETS

	Parent company	Group			
	FF&E, machinery, etc.	FF&E, machinery, etc.	Buildings, etc.	Plots	Ships, offshore and new-builds
Acquisition cost as per 1 January	19,408	47,094	83,941	348,339	1,330,245
Foreign exchange adjustments	0	(226)	261	0	6,006
Additions during the year	236	41,471	34,832	21,862	2,660,367
Disposals during the year	0	0	0	0	(1,002,810)
Acquisition cost as per 31 December	**19,644**	**88,340**	**119,034**	**370,201**	**2,993,808**
Accumulated depreciation as per 31 December	17,093	41,695	6,131	0	338,600
Disposals during the year	0	0	0	0	(258,604)
Book value as per 31 December	**2,551**	**46,642**	**112,903**	**370,201**	**2,913,812**
Depreciation for the year	**422**	**5,260**	**2,149**	**0**	**85,927**
Economic lifetime	5–10 years	5–10 years	50 years		20–25 years
Depreciation schedule	Straight-line	Straight-line	Straight-line		Straight-line

	Other intangible assets	Ship, industrial shipping	Ship, bulk carriers	Barges offshore	Goodwill / (Badwill)	Total Group
Acquisition cost as per 1 January	0	0	239,253	179,398	118,304	2,346,574
Foreign exchange adjustments	0	9,429	(10,538)	0	(28)	4,904
Additions during the year	9,005	718,050	152,881	0	(71,444)	3,567,024
Disposals during the year	0	0	0	0	0	(1,002,810)
Acquisition cost as per 31 December	**9,005**	**727,479**	**381,596**	**179,398**	**46,832**	**4,915,690**
Accumulated depreciation as per 31 December	231	22,679	14,366	120,694	91,673	636,069
Foreign exchange adjustments	0	(78)	0	0	0	(78)
Disposals during the year	0	0	0	0	0	(258,604)
Book value as per 31 December	**8,771**	**704,878**	**367,231**	**58,703**	**(44,839)**	**4,538,302**
Depreciation for the year	**231**	**22,679**	**12,311**	**10,408**	**18,402**	**157,365**
Economic lifetime	4 years	25 years	25 years	20 years	5–10 years	
Depreciation schedule	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	

Goodwill of NOK 118 million is recognised on the balance sheet in accordance with the phased acquisition of the shares in Western Bulk AS. Kistefos AS currently holds 94% of the company. The value of the remaining goodwill on the balance sheet is NOK 22.5 million.

Goodwill from other acquisitions in 2010 of NOK 8.8 million in included and is being depreciated over 10 years. The duration of the depreciation is based upon the lease contract for the company's premises.

In connection with the acquisition by Viking Supply Ships AS of Rederi AB TransAtlantic on 22 September 2010, negative goodwill of NOK 82.2 million was incurred.

Lease agreements:
Western Bulk has signed long-term T/C agreements that run for longer than 12 months from January 2011. These represent a lease obligation of USD 321.8 million, excluding options. Some of the ships have been leased out again for the period.

Western Bulk has an obligation outstanding to inject capital into Western Alterna Partnership and Western Alterna GP LLC of a total of USD 9.4 million.

Viking Supply Ships' subsidiaries SBS and RABT have lease obligations for a total of 18 leased ships with a future obligation of NOK 1,255 million distributed over periods of from 1 to 11 years.

In addition to the obligations mentioned, the parent company and the Group have ordinary, operating-related lease obligations associated with premises, operating equipment, etc.

NOTE 6 – INVESTMENTS IN SUBSIDIARIES

	AS Bagatelle	Aldebaran AS	Kistefos Eiendom AS	Kistefos Int. Equity AS	Kistefos Venture Capital AS	Viking Barge AS	Oktant Invest AS
Acquisition time	2010	1999	1999	1999	1999	2008	1993
Business office	Oslo	Oslo	Oslo	Oslo	Oslo	Kristiansand	Oslo
Shareholding / voting rights	100%	100%	100%	100%	100%	100%	100%
Acquisition cost	20,386	442,328	123,751	842,767	89,921	89,315	100
Book value of equity at time of acquisition	(12,793)	442,328	198,409	9,857	217,741	27,993	0
Calculated excess value at time of acquisition	8,754	0	0	0	0	0	0
Book value as per 1 January	0	454,289	147,412	180,795	201,680	134,619	88,406
Share of profit for the year	0	13,908	(2,796)	(4,781)	124,182	(1,903)	2,801
Other changes and transfers to/(from) the company	20,386	15,870	1,130	262,453	(8,188)	(125)	(2,773)
Book value as per 31 December	**20,386**	**484,066**	**145,746**	**438,467**	**317,674**	**132,591**	**88,435**

	Viking Supply Ships AS	Waterfront Shipping AS	Western Bulk AS	VSSR II AS	Kistefos Rederi Holding AS	Total
Acquisition time	1998	2000	1999/2006/ 2009	2008	2007	
Business office	Kristiansand	Oslo	Oslo	Kristiansand	Oslo	
Shareholding / voting rights	100%	100%	94%	100%	100%	
Acquisition cost	579,965	207,053	504,443	502,582	150,605	
Book value of equity at time of acquisition	105,000	165,953	165,313	460,059	150,100	
Calculated excess value at time of acquisition	0	0	98,974	0	0	
Book value as per 1 January	529,631	319,153	579,161	202,671	148,898	2,986,718
Share of profit for the year	402,021	8,172	98,984	16,761	4,822	662,171
Other changes and transfers to/(from) the company	14,606	93,117	(140,467)	(110,765)	(5,516)	139,728
Book value as per 31 December	**946,258**	**420,442**	**537,678**	**108,667**	**148,204**	**3,788,614**

NOTE 7 – SHARES AND OTHER FINANCIAL INSTRUMENTS

PARENT COMPANY

	Total number of shares owned	Shareholding (%)	Book value
EQT III, IV, V and Infrastructure			185,614
Bryggen 2005 AS*	104,110	100.0%	51,221
Advanzia Bank SA*	106,266	50.6%	215,606
Springfondet			5,121
Protia AS	809,619	31.6%	4,858
Progress ASA	804	14.3%	7,552
Kappa Bioscience AS	252	33.8%	13,460
OstomyCure AS	1,058,200	32.5%	14,349
Other shares and financial instruments			52,353
Total shares and other financial instruments – parent company			**550,133**

SHARES AND FINANCIAL INSTRUMENTS OWNED BY SUBSIDIARIES

	Total number of shares owned	Shareholding (%)	Book value
Atex Media Group Limited - ordinary shares*	1,887,973	66.4%	192,298
Atex Media Group Limited - preferred shares*	9,524,001	86.4%	117,876
Promon AS	38,952	14.3%	4,224
Infront AS	593,174	27.0%	22,096
Online Services AS*	2,016,743	75.5%	21,301
Wergeland Asset Holding AS	50,264	26.1%	22,001
Toktumi Inc (number of shares includes 3,243,260 subscription rights)	37,666,499	31.9%	16,770
Telecom Holding AS*	13,307,378	98.6%	69,977
Phonero AS*	17,834	50.5%	31,209
Bambuser AB	2,728,334	12.0%	11,940
Other shares and financial instruments			44,016
Total shares and other financial instruments			**553,706**
Total shares and other financial instruments – Group			**1,103,840**

* Not consolidated due to ownership being temporary.

NOTE 8 – TAX

Specification of basis for tax	Parent company 2010	Parent company 2009	Group 2010	Group 2009
Change in deferred tax/deferred tax assets	4	13,594	(33,697)	55,834
Change in deferred tax due to group contributions distributed (received)	6,451	2,588	0	0
Other changes	0	0	46,925	(16,027)
Tax payable, present year	0	0	16,097	4,378
Tax payable, prior periods	0	0	(1,481)	0
Recognition of earlier provisions for the Environmental Fund/ tax as income	0	0	0	(45,723)
Previous years' tax payment reversed	0	0	0	(60,899)
Tax expense/(income) for the year	**6,455**	**16,182**	**27,844**	**(62,437)**

Tax payable in year's tax expense:	2010	2009
Operating result before tax	239,091	509,005
Permanent differences	1,450	1,395
Permanent differences, shares	424,326	(153,001)
Change in temporary differences	20,343	25,655
Share of results from investments in subsidiaries	(662,171)	(299,605)
Received/(paid) group contributions	(23,038)	(9,242)
Basis, tax payable	**0**	**74,207**
Tax (28%)	0	20,778
Use of unused compensation, share dividends	0	(20,778)
Tax payable on year's result	**0**	**0**

Specification of the basis for deferred tax	Parent company 2010	Parent company 2009	Group 2010	Group 2009
Temporary differences, receivables	0	0	(46)	(47,075)
Temporary differences, fixed assets	(756)	(861)	242,951	4,626
Temporary differences, gains account	82,834	103,543	802,474	951,502
Temporary differences, others	(591)	(852)	31,609	(38,154)
Total	**81,487**	**101,830**	**1,076,988**	**870,899**
Temporary differences, affiliated companies	0	0	(41,277)	(17,176)
Temporary differences, intragroup transfers	0	0	0	5,984
Temporary differences, shares	0	0	14,375	0
Loss carry-forward for tax purposes	0	0	(719,644)	(428,643)
Temporary differences, others	20,355	0	20,355	44,387
Change in deferred tax / (deferred tax assets)	**101,842**	**101,830**	**350,796**	**475,451**
Deferred tax / (deferred tax assets)	**28,516**	**28,512**	**99,429**	**133,126**
Deferred tax on book	**28,515**	**28,512**	**109,838**	**133,126**
Tax assets on book	**0**	**0**	**(10,409)**	**0**

NOTE 9 – SHAREHOLDERS' EQUITY

PARENT COMPANY	Share capital	Fund for valuation differences	Other equity	Total equity
Book value as per 1 January	310,828	0	1,378,568	1,689,396
Profit for the year	0	235,410	(2,773)	232,637
Dividends	0	0	(213,990)	(213,990)
Other changes and conversion differences	0	0	(92,538)	(92,538)
Book value as per 31 December	**310,828**	**235,410**	**1,069,267**	**1,615,505**

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 Kistefos Holding AS (directly and indirectly 95.5%) and Portfolio Management AS (4.5%), both of the companies are indirectly owned by Christen Sveaas.

GROUP	Share capital	Other equity	Minority interests	Total equity
Book value as per 1 January	310,828	1,378,566	183,301	1,872,695
Profit for the year	0	232,637	1,197	233,834
Dividends / Group contributions	0	(313,079)	(11,069)	(324,148)
Other changes and conversion differences	0	6,550	29,172	35,722
Subsidiary acquisition	0	0	1,075,691	1,075,691
Book value as per 31 December	**310,828**	**1,304,673**	**1,278,292**	**2,893,793**

NOTE 10 – DEBT, MORTGAGES, GUARANTEES AND RESTRICTED BANK DEPOSITS

The parent company's debt amounted to NOK 1,268,512 for which assets are mortgaged having a book value of NOK 2,934,842. The Group has debts of NOK 3,767,443 for which assets are mortgaged having a book value of NOK 5,605,618.

The Group has debt that falls due for payment in more than 5 years totalling NOK 1,311,667. The parent company has no debt that falls due for payment in more than 5 years.

Bank deposits
NOK 30,767 of the parent company's and Group's bank deposits are deposited in a deposit account as security for instalment financed shares. This can be released when the instalments are realised. In addition, NOK 640 is deposited in a tax withholding account.

Guarantees, etc.
Since 2005, Kistefos has provided a guarantee for Atex's supplier obligations related to customers, limited to a ceiling of approx. GBP 4.2 million. No claims have been presented in relation to this guarantee.

Kistefos AS has provided a guarantee to the lender for Viking Barge DA's fulfilment of a loan agreement with first priority collateral in seven North Sea barges with the lender as the beneficiary. Kistefos' guarantee is limited to a ceiling of NOK 76 million. Kistefos' guarantee had not been exposed to losses when the accounts were prepared.

Viking Supply Ships AS has jointly with Rederi AB Transatlantic pledged guarantees in connection with two ships under construction at Astilleros Zamakona. This joint and several liability amounts to a total of EUR 22.0 million as per 31 December 2010. In total the company is liable for the agreed price for the ships in addition to agreed supplemental equipment/upgrades.

Viking Supply Ships AS is the guarantor for loans in subsidiaries of USD 36.2 million in total.

Western Bulk AS has posted guarantees for loans and obligations for subsidiaries of USD 96.4 million in total. In addition, they have issued guarantees on behalf of subsidiaries and Western Alterna Partnership for the benefit of third parties in connection with long-term charter contracts and the purchases of ships/new-builds contracts. The remaining obligations under the contracts stood at around USD 140 million at the end of the year.

NOTE 11 – DISPUTES

In November 2009 the subsidiary Kistefos Venture Capital AS received a letter from the Tax Assessment Office stating that the Office disagreed with the company's accounting treatment of a gain arising from the realisation of shares in 2004. The gain amounted to about NOK 209 million, equivalent to NOK 59 million in tax, for Kistefos Venture Capital AS. The case was heard in the District Court in November 2010, which found in favour of the government. The government was not awarded costs. The judgment has been appealed to the Court of Appeal. No provisions have been made in the accounts.

In the annual tax assessment for 2003 Kistefos Venture Capital AS claimed a tax deduction for a loss of NOK 79.8 million (equivalent to NOK 22 million in tax benefits) in connection with the liquidation of a U.S. subsidiary. The tax authorities believe that the loss is not tax deductible in Norway. The case has been examined in Oslo District Court and the Court of Appeal. The District Court and later the Court of Appeal found for the tax authorities in a judgment from 17 November 2010. The company appealed the case to the Supreme Court where it was heard on 10 and 11 May this year. At the time the Annual Report is being printed there has been no judgment in the case.

Moreover, the two cases will not result in current tax payable, but reduce the tax loss carry forward by a corresponding amount. No provisions have been made in the accounts.

The subsidiary Western Bulk AS is involved in legal disputes both as the defendant and the plaintiff. The company allocates provisions in the accounts on the basis of individual cases. The provisions made in the accounts are considered to be sufficient. Due to ongoing legal proceedings the Group does not wish to provide a detailed description of the provisions. As of 31 December 2010 total provisions amounted to USD 6.2 million.

NOTE 12 – FINANCIAL RISK FACTORS

The Kistefos Group is exposed to currency risk both through its operations and through its translation of ownership interests in foreign companies.

Operational exposure
The Group has significant operational activities abroad, and requires ongoing exposure in foreign currencies in order to maintain its daily operations. The majority of the companies maintain both their income and costs in the same currency. In total, the currency risk related to cash items is therefore relatively modest. Some individual smaller items in subsidiaries are hedged through currency futures contracts.

Currency risk related to the balance sheet
The Group's financial statements are submitted in Norwegian kroner (NOK). Balance sheet risk arises when the subsidiaries' balance sheets are translated from the 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 exposure is primarily connected with long-term loans. Loans with adjustable rates give rise to an interest rate risk for the Group's cashflow. In total, the interest rate risk comprises a relatively minor item. Some individual smaller items in subsidiaries are hedged through interest rate derivatives.

NOTE 13 – MAJOR INDIVIDUAL TRANSACTIONS

Western Bulk AS invested a total of NOK 177.5 million in Western Bulk Shipholding in 2010.

On 22 September 2010, Viking Supply Ships' share of the joint venture Transviking, and SEK 150 million were transferred to the Swedish shipholding company Rederi AB Transatlantic (RABT).

Viking Supply Ships received in return 50% + 1 share in both classes of shares. RABT has been consolidated with effect from this date. The figures for previous years have not been restated. The transaction resulted in a gain for Viking Supply Ships on NOK 442 million, which is recognised as "Other operating income", ref. note 1.

Pro forma:
The Group's pro forma freight revenues if the purchase of RABT had occurred at the beginning of the period of comparison:

2010	2009
9,316,664	6,685,861

On March 31 2011, RABT announced that they are acquiring the Swedish shipholding company Österströms International AB in order to strengthen their industrial shipping activities. At the same time, it was announced that RABT will be divided into two areas of activity: industrial shipping and offshore/icebreaking. The main office for offshore/icebreaking will be located in Copenhagen, and a listing is planned for the shares on the Oslo Stock Exchange.

AUDITOR'S REPORT 2010

To the shareholders' meeting of Kistefos AS

Auditors report for 2010

Report on the Financial Statements

We have audited the financial statements of Kistefos AS, which comprise the financial statements for the parent company, showing an annual result of NOK 232,637,000, and the financial statements for the group, showing an annual result of NOK 233,834,000. The financial statements of the parent company and of the group comprise the balance sheet as at December 31, 2010, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of Kistefos AS and the group at December 31, 2010, and of the financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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Medlem av Den Norske Revisorforening Medlem av HLB International

Report on Other Legal and Regulatory Requirements

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

Opinion on Registration and documentation
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the company's 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, 4th of May 2011
Kjelstrup & Wiggen AS

Translation, not to be signed

Per-Henning Lie
State Authorised Public Accountant (Norway)

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

SHIPPING AND OFFSHORE

Viking Supply Ships AS
SBS Marine Ltd.
Rederi AB TransAtlantic
Viking Barge AS
Western Bulk AS

VIKING SUPPLY SHIPS AS

www.vikingsupply.com

Viking Supply Ships AS has been owned by Kistefos AS since 1989. The company is based in Kristiansand and organised into business areas as shown in the company structure below.

Viking Supply Ships AS

50,01% — Rederi AB TransAtlantic (through the 100% owned subsidiary Odin Viking AS)

6 anchor handlers
2 anchor handlers under construction
29 vessels within industrial shipping

100% — SBS Marine Ltd.

6 platform supply vessels

Rederi AB TransAtlantic

The most important event for the company in 2010 was the takeover of more than 50% of the shares in Rederi AB TransAtlantic (TransAtlantic), a Swedish listed company, on 22 September. Following the transaction, Rederi AB TransAtlantic comprises eight AHTS vessels, two of which are under construction, and 29 vessels (bulk, RoRo, and container) within the industrial contract-based shipping industry.

Results and markets

The Viking Supply Ships Group's operating income increased by NOK 610.3 million (211%) from NOK 288.8 million in 2009 to NOK 899.1 million in 2010. This was primarily due to Rederi AB TransAtlantic being 100% consolidated into Viking Supply Ships following the aforementioned transaction and thus now including 100% of TransViking, as well as TransAtlantic's industrial shipping. In addition to the operating income, transaction gains of NOK 442 million were booked when our shares in the TransViking companies were realised based on current market prices for the vessels. The group's operating result increased by NOK 427.2 million (3,791%) from NOK 11.3 million in 2009 to NOK 438.5 million in 2010, and the net profit after tax increased by NOK 367.7 million (1,071%) from NOK 34.3 million in 2009 to NOK 402.0 million in 2010.

In general, 2010 was a better year for the offshore market than 2009. The levels of activity in the North Sea and most other markets, with the exception of the Gulf of Mexico (due to the Deepwater Horizon accident), rose markedly in relation to 2009. In the case of the platform supply fleet (PSVs), this resulted in average income of NOK 118,000 per day for medium-sized vessels, which is equivalent to an increase of 55% in relation to 2009. Due to the delivery of a total of 18 anchor handlers (AHTS vessels) in the North Sea, these did not manage to keep pace with the PSV segment and income fell by 8% to NOK 173,700 per day. The utilisation rate in the rig segment in the North Sea increased from 74% to 89%. Oil prices rose from USD 77.14 a barrel at the beginning of the year to USD 93.75 a barrel at the end of the year, which indicates there will be a further increase in offshore oil activities and a corresponding improvement in the market for PSV and AHTS vessels as the fleet's utilisation rate increases in line with the reduction in deliveries of new vessels. In the field we specialise in, Arctic offshore, we are seeing further increases in

Balder Viking at work off the west coast of Greenland, June 2010.

activities, at the same time as activities in the Barents Sea are also expected to increase.

2010 was another poor year for the industrial shipping business area in Trans-Atlantic, with poor volumes. Weak markets in the USA and Europe, combined with a weak USD, had a negative impact on Atlantic Ocean traffic. The strong SEK exchange rate also generally reinforced industrial shipping's losses. Both RoRo Baltic and Bulk/LoLo experienced large losses, but are seeing signs of improvement in relation to last year. Volumes in container activities have increased, off-setting last year's losses.

Financial results – Viking Supply Ships

MNOK	2010	2009	2008
Operating income	899.1	288.8	483.8
Transaction gains	441.9	0.0	0.0
EBITDA	546.6	67.7	260.1
Operating result	438.5	11.3	209.5
Profit after tax	402.0	34.3	205.2
Total assets	4,787.3	1,442.9	1,398.5
Book equity*	2,028.4	529.9	495.5
No. of employees*	1,173	260	250
Kistefos' ownership interest	100%	100%	100%
Managing Director	Rolf Skaarberg	Rolf Skaarberg	Rolf Skaarberg

* Book equity includes minority interest in Rederi AB TransAtlantic

** No. of employees includes own employees, personnel on contract and TransAtlantic (100%)

ANCHOR HANDLING ACTIVITIES/INDUSTRIAL SHIPPING – Rederi AB TransAtlantic

TRANSATLANTIC

Viking Supply Ships AS took over 50% of the shares of Rederi AB TransAtlantic in 2010.

In 2010, Odin Viking AS, a wholly owned subsidiary of Viking Supply Ships AS, took over 50% of the shares, plus two shares, of Rederi AB TransAtlantic (TransAtlantic), a Swedish listed company. The parties previously had a 50/50 joint venture within anchor handling activities. The transaction was completed on 22 September 2010 by Odin Viking AS transferring its shares in the jointly owned TransViking companies and SEK 150 million to TransAlantic as settlement for the company's shares.

Following the transaction our 50% ownership interest in TransAtlantic was 100% consolidated into Viking Supply Ships. The other owners' shares of the result and equity are booked as minority interest shares in Viking Supply Ships. The tables below show the result and balance sheet figures for TransAtlantic on a 100% bass for 2010, and not the results that were consolidated into Viking Supply Ships from the date of the transaction.

MSEK	2010	2009	2008
Operating income	2,403.0	2,286.0	2,656.6
Transaction gains	775.0	0	0
EBITDA	883.6	-8.0	500.1
Operating result	454.9	-242.9	313.5
Profit after tax	585.3	-221.4	266.0
Total assets	5,146.1	3,172.4	3,348.0
Book equity	2,396.5	1,175.5	1,420.0
No. of employees	980	1,050	1,058
Kistefos' ownership interest	50%	0%	0%
Managing Director	Stefan Eliasson	Anders Källström	Carl-Johan Hagman

The TransAtlantic Group's operating income increased by SEK 117.0 million (5%) from SEK 2,286.0 million in 2009 to SEK 2,403.0 million in 2010. This was chiefly due to the company taking over the anchor handling vessel business from Viking Supply Ships from and including 22 September. In addition to the operating income, a gain of SEK 775.0 million from the transaction was also booked. The group's operating result increased by SEK 697.8 million (287%) from SEK -242.9 million in 2009 to SEK 454.9 million in 2010, and the net profit after tax increased by NOK 806.7 million (364%) from SEK -221.4 million in 2009 to SEK 585.3 million in 2010.

Anchor handling business

TransAtlantic owns and operates (via the wholly owned TransViking companies) six large anchor handlers (AHTS vessels), three of which are icebreakers. TransViking has an agreement with the Swedish Maritime Administration (SMA) that the three AHTS icebreakers will be available for icebreaking duties in the Baltic Sea during the first quarter of each year if needed. The agreement with SMA runs until 2015, with three further options for five-year extensions. Two out of a total of four AHTS ice class new builds have been delivered, one in May 2010 and one in February 2011, from the Astilleros Zamakona shipyard in Spain. The last two will be delivered during 2012.

The average fixture rate for AHTS vessels increased by NOK 87,769 (44%) from NOK 199,709 per day in 2009 to NOK 287,478 per day in 2010, while the utilisation rate increased from 53% in 2009 to 80% in 2010. The average daily rate increased by NOK 122,139 (116%) from NOK 105,698 in 2009 to NOK 227,837 in 2010. TransViking's operating income increased by SEK 207.5 million (94%) from SEK 221.7 million in 2009 to SEK 429.2 million in 2010. This was due to higher rates and utilisation. TransViking's operating result increased by SEK 146.3 million (1,343%) from SEK -10.9 million in 2009 to SEK 135.4 million in 2010, and the net profit before tax increased by SEK 120.8 million (561%) from SEK -21.5 million in 2009 to SEK 99.2 million in 2010.

The anchor handling business performed well in 2010. This was due to all five vessels being on long-term contracts for large parts of the year. TransViking contributed three vessels to a large operation off the coast of Greenland, and was also involved in operations off the coast of Alaska and in the Barents Sea. At the start of the year, all of the three icebreakers were involved in icebreaking

Anchor handling business

NOK	2010	2009	2008
Fixture rate per day	287,478	199,709	677,985
Utilisation rate (%)	80%	53%	64%
Average day rate	227,837	105,698	433,114

MSEK*	2010	2009	2008
Operating income	429.2	221.7	734.5
EBITDA	227.9	70.4	597.7
Operating result	135.4	-10.9	528.4
Profit before tax	99.2	-21.5	472.3
No. of employees	174	106	102
No. of vessels	5	4	4

* The figures show 100% of the anchor handling business (previous joint venture with Viking Supply Ships).

A curious polar bear near Loke Viking, Greenland, June 2010.

in the Baltic Sea for SMA. There are also clear indications of an improved offshore market with a strong increase in oil company activities. We anticipate further increases in activities within Arctic offshore and the Barents Sea going forward. Njord Viking, our second new build, will start a four-year contract with the oil company ENI in the Barents Sea in autumn 2011.

Industrial shipping

TransAtlantic has a fleet of 29 vessels engaged in industrial contract-based shipping. The business focuses on basic Nordic industry needs and is composed of three divisions:

- RoRo Baltic offers RoRo and container vessels, and represents one of the most comprehensive maritime transport systems in the Baltic Sea
- Container carries out container-based line traffic between Sweden, the UK and Germany
- Bulk/LoLo is, thanks to its ice class vessels and ice expertise, a niche player within the specialised smaller bulk segment. In the Atlantic Ocean, transport is performed by RoRo vessels between Europe and the east coast of the US and the Caribbean.

Industrial shipping's operating income fell by SEK 35.0 million (-2%) from SEK 1,900.0 million in 2009 to SEK 1,865.0 million in 2010. The operating result increased by SEK 29.8 million (28%) from SEK -106.8 million in 2009 to SEK -77.0 million in 2010, and the net profit before tax increased by SEK 34.8 million (25%) from SEK -139.8 million in 2009 to SEK -105.0 million in 2010.

2010 was a poor year for the industrial shipping business area, with poor volumes. Both RoRo Baltic and Bulk/LoLo experienced large losses in 2010, but are seeing signs of improvement in relation to last year with increasing volumes. RoRo Baltic's losses in 2010 were generated by TransSuomi Line and TransFeeder North. Renegotiated T/C for TransFeeder North's vessels turned around this loss making situation and resulted in gains from and including November 2010. A reduction in the number of vessels in the TransSuomi Line reduced losses from and including the second half of 2010. In addition to this, write-downs totalling SEK 85 million were recognised in connection with SCA exercising its purchase option for the vessels Obbola, Østrand and Ortviken. Volumes also increased in the container business, meaning that the result for the year was around zero, compared to substantial losses in 2009. A weak market in the USA, combined with a weak USD, had a negative impact on the Atlantic Ocean region. The strong SEK also generally reinforced industrial shipping's losses. Write-downs totalling SEK 156 million were recognised due to the changed market conditions in the Atlantic Ocean. Each area is intensely focused on improving profitability.

Industrial shipping

MSEK	2010	2009	2008
Operating income	1,865.0	1,900.0	2,005.0
EBITDA	30.0	22.2	245.0
Operating result	-77.0	-106.8	118.0
Profit before tax*	-105.0	-139.8	81.0
No. of employees	642	740	729
No. of vessels	29	34	34

* Extraordinary depreciation of SEK 241 million in 2010 was not included in the result for industrial shipping, instead it was classified as restructuring costs (included in the group).

Loke Viking is on an assignment for the Polar Pioneer rig in the Skrugard field where Statoil announced on 1 April 2011 that they had discovered the largest oil reserves in the Barents Sea so far. Photo: Harald Pettersen, Statoil.

PLATFORM SUPPLY BUSINESS
SBS Marine Ltd.

Three vessels returned to the North Sea from India in 2010.

Viking Supply Ships owns 100% of the Scottish shipping company SBS Marine Ltd (SBS) through its subsidiary SBS Holding Norway AS. (SBS). SBS owns three platform supply vessels (PSV) and has bareboat leases with purchase options for a further three vessels. At the start of 2010, all the vessels were on long-term contracts. Five of them were chartered to Transocean in India and one to Talisman in the North Sea. Three vessels ended their contracts with Transocean in India in 2010 and returned to the North Sea spot market at their own expense.

The average fixture rate per day increased by USD 1,562 (11%) from USD 14,809 in 2009 to USD 16,371 in 2010 due to agreed rate adjustments and the transfer of three vessels to the North Sea market. Meanwhile, the utilisation rate fell from 100% in 2009 to 83% in 2010. This was primarily due to the return of the three vessels from India. The average day rate fell by USD 1,020 (-7%) from USD 14,741 in 2009 to USD 13,721 in 2010.

SBS' operating income fell by NOK 18.3 million (-9%) from NOK 193.6 million in 2009 to NOK 175.3 million in 2010. This was due to lost revenues of just over NOK 20 million on the return of the three aforementioned vessels. SBS also incurred substantial extraordinary costs totalling NOK 12 million due to their return. Furthermore, SBS experienced increased bareboat costs as a result of exchange rate fluctuations in 2010, and higher administration costs due to refinancing and increased legal assistance.

SBS' operating result thereby fell by NOK 54.6 million (-157%) from NOK 34.8 million in 2009 to NOK -19.8 million in 2010. The net result after tax fell by NOK 56.3 million (-309%) from NOK 18.2 million in 2009 to NOK -38.1 million in 2010. During the year, the company completed a refinancing process in which DvB Bank SE took over the financing of the company's fleet.

The PSV market started poorly with rates of between GBP 3,500-7,500 for spot assignments in the first four months of 2010. The market then improved due to an increase in activities in the North Sea and a number of other markets. In addition to this, a number of vessels gained long and medium-term contracts outside the North Sea, and with few new builds being delivered during the first quarter this resulted in a North Sea spot rate of GBP 35,000 towards the end of June. The market in the region was stable at GBP 15,000-20,000 until the end of September when a large number of vessels returned from summer season assignments, and more new builds were delivered. This resulted in a rate level of GBP 2,500–3,000 in December.

Platform supply vessel business

USD	2010	2009	2008
Fixture rate per day	16,371	14,809	14,468
Utilisation rate (%)	83%	100%	97%
Average day rate	13,721	14,741	14,080

MNOK	2010	2009	2008
Operating income	175.3	193.6	166.1
EBITDA	3.3	57.4	38.8
Operating result	(19.8)	34.8	18.1
Profit after tax	(38.1)	18.2	(5.9)
Total assets	414.8	366.8	497.7
Book equity	48.8	85.2	81.3
Number of employees *	142	136	133
Kistefos' ownership interest	100%	100%	100%
Managing Director	Nigel Taylor	Mark Derry	Mark Derry

* Number of employees includes own employees and hires.

The PSVs SBS Nimbus and SBS Stratus.


Loke Viking's crew greet a visiting polar bear, Greenland, June 2010.

THE BARGE BUSINESS
– Viking Barge AS

VIKING BARGE

The barge business was characterised by low rates and low utilisation in 2010.

Kistefos AS owns, directly and indirectly, 100% of Viking Barge DA. The company owns and operates seven large, modern North Sea barges of approximately 10,000 DWT. Their commercial and technical operations are managed by Viking Supply Ships AS.

The barge business experienced a fall in the fixture rate per day of NOK 15,836 (-30%) from NOK 53,664 in 2009 to NOK 37,828 in 2010, and the utilisation rate fell from 56% in 2009 to 19% in 2010. The average day rate fell by NOK 22,589 (-76%) from NOK 29,888 in 2009 to NOK 7,299 in 2010.

The company's operating income fell by NOK 54.0 million (-74%) from NOK 72.5 million in 2009 to NOK 18.5 million in 2010. This was due to lower rates and utilisation than in 2009. The company's operating result fell by NOK 44.4 million (-108%) from NOK 41.1 million in 2009 to NOK -3.3 million in 2010, and the net result after tax fell by NOK 40.5 million from NOK 38.6 million in 2009 to NOK -1.9 million in 2010.

In 2010, the oil companies reduced both their exploration and field development budgets, the construction of large new offshore windmill parks was put on hold, and there was a marked reduction in activity in the shipyard industry. The market for buying and selling barges almost ground to a halt in 2010, and at the same time five new barges were delivered to the North Sea. Compared with 2009, there was a halving of the rate levels due to the lack of assignments, and the utilisation rate fell from 56% to 19%. The summer season rates were between NOK 40,000-50,000 per day, while the rates in the off season were between NOK 20,000-30,000 per day. Oil and offshore windmill construction activities are expected to improve in 2011 and going forward.

The barge business

NOK	2010	2009	2008
Fixture rate per day	37,828	53,664	44,931
Utilisation rate (%)	19%	56%	54%
Average day rate	7,299	29,888	24,147

MNOK	2010	2009	2008
Operating income	18.5	72.5	62.2
EBITDA	7.1	51.6	47.1
Operating result	(3.3)	41.1	36.8
Profit after tax	(1.9)	38.6	38.5
Total assets	220.5	232.5	182.8
Book equity	132.6	134.6	66.9
No. of employees	0	0	0
Kistefos' ownership interest	100.0%	100.0%	100.0%
Managing Director	Rolf Skaarberg	Rolf Skaarberg	Rolf Skaarberg

KISTEFOS SHIPPING
– Western Bulk AS

Western Bulk

www.westernbulk.no

Satisfactory results and well-developed business model.

Western Bulk AS is a leading operator and trading company for shipping dry bulk in the Handysize and Supramax segments (30,000–60,000 dwt). The company carries a wide-range of products such as coal, minerals, fertiliser, timber products, cement and sugar. In the last two years the company has focused on expanding and it had an average fleet of 95 vessels at its disposal in 2010, compared with around 69 vessels in 2009 and 55 vessels in 2008.

Portfolio management of ships, cargo and hedging instruments

Western Bulk has offices in Oslo, Singapore, Seattle and Santiago, and controls a substantial fleet of vessels on short, medium-term and long contracts. The size and composition of the fleet varies based on the freight and cargo contracts that have been concluded at any given time. Freight and cargo contracts of varying lengths and differing freight routes are concluded to take advantage of operational synergies and ensure stable earnings and an increased level of service for customers.

Western Bulk has a modern approach to its chartering activities. The company seeks to achieve a balanced relationship between the contracting in and out of vessels through the use of one of the sector's most advanced risk management systems, and at the same time uses its local knowledge to identify opportunities in the market. Western Bulk actively participates in the freight derivatives market and uses freight derivatives to secure exposure generated by ship and cargo contracts. Its self-developed risk management system is the tool that underpins its entire business model. The company's risk management covers risk due to bunkers prices and freight rates, including geographical risk and vessel specific risk.

Value at Risk (VaR) is Western Bulk's most important parameter for risk management. The company has defined clear limits and allocated these to its seven business areas. Western Bulk uses daily market values for all positions and contracts, and conducts stress tests of its portfolios. The company also focuses on cash flow risk and counter-party risk.

Western Bulk Shipholding – vessel owning

In the last year, Western Bulk has established a vessel owning unit, Western Bulk Shipholding, and become a vessel owner in its segment, both to secure access to long-term tonnage and to take advantage of opportunities relating to developments in vessel values. The company is either the sole owner or joint owner of five vessels, three of which are new builds that will be delivered by yards during 2011. The company has also concluded a number of long-term lease contracts for vessels with purchase options. The company enjoys almost full contract coverage for its vessels during the period 2011–2013, and one of its vessels will start a 10 year contract when it is delivered in 2012.

Market outlook

The dry cargo market is expected to be volatile in the next few years as well. The development of freight rates and vessel values will be closely linked to the extent to which growth in demand is able to make up for the net increase in the global fleet (new vessels less vessels sent for breaking up). Given the current order books, a large increase is expected in the global fleet in 2011 and 2012, and it is uncertain whether the growth in global trade will be capable of absorbing this increased capacity in the short-term. However, the actual number of delivered vessels has proven to be lower than first indicated by the order books in recent years, and at the same time actual demand has exceeded expectations, both with regard to volume and ton-miles. If this continues, it will have a positive effect on the market and generate volatility in the rates.

The portfolio and risk management systems in Western Bulk are well-suited to following market developments and ensuring earnings in a falling market as well. However, in a poorer market it is expected that the company's margins may be squeezed, which may to some extent be compensated for by higher volumes and activity.

The company expects revenues from its operator and trading activities in 2011 to be on a par with revenues in 2010, and also expects stable results from its vessel owning activities due to its high contract coverage ratio.

Financial results

The current business model was fully implemented in 2007, and the company's financial results in the period 2007 to 2010 show that the risk management and rest of the business model are providing good returns. In the same period, the shipping market in the dry bulk segment has experienced major fluctuations and many market players have been unable to meet their obligations. As a trading company, Western Bulk has the ability to manage portfolios and risk well, and focus on result margins and avoiding downside risk. Counterparty risk has in particular been addressed and kept at an acceptable level. The company has taken advantage of its strong position to grow during a turbulent period. It is well positioned for further growth and to take advantage of potential investment opportunities.

Net freight revenues increased by 43% in 2010. The primary reasons for the increase were increased activity and the size of the fleet. EBITDA fell by 3% in 2010, while the operating result increased by 4%. Its financial performance is regarded as satisfactory in what was at times a demanding market in 2010 with falling rates and low volatility, especially in the second half of the year.

MUSD	2010	2009	2008
Operating income (freight revenues on a T/C basis)	739.4	517.7	831.4
EBITDA	25.9	26.6	54.7
Operating result	26.8	25.8	54.1
Profit after tax	20.7	22.3	38.9
Total assets	242.5	207.5	185.6
Book equity	98.6	98	96.8
No. of employees	88	76	70
Kistefos' ownership interest	94.0%	95.0%	94.5%
Managing Director	Jens Ismar	Jens Ismar	Jens Ismar

Western Stavanger

INVESTMENT PORTFOLIO

Advanzia Bank S.A.
Atex Group Ltd
Opplysningen 1881 AS
Infront AS
Phonero AS
Alliance Venture Polaris
SPRINGfondet

ADVANZIA BANK S.A.

www.advanzia.com

Advanzia Bank S.A. (Advanzia) is a Luxembourg based bank offering two products: no-fee credit cards to a large number of users in the eurozone, primarily in Germany and Luxembourg, as well as deposit accounts to customers within the EU. Advanzia is a virtual bank without branches, where all communication with customers takes place via the internet, mobile phone, post, fax or customer service telephone.

The bank's main product is a no-fee credit card. Customer intake was good during 2010 and about 62,000 new-customers used the card during the year. The card is sold either directly via the internet or jointly with partners. At the end of 2010 194,000 credit cards were in active use, an increase of 18% from 2009. Net lending after provisions for losses was EUR 224 million, up 36% compared to the end of 2009.

Advanzia also offers deposit accounts with competitive terms. At the end of 2010 Advanzia had 18,000 active deposit accounts with total deposits of EUR 329 million, an increase of 28% compared to 2009.

The bank experienced a strong increase in revenues during 2010. Total net revenues were EUR 40.3 million, an increase of 18% compared to 2009 when net-revenues were EUR 34.2 million.

The development of losses on credit card debt also showed a positive development in 2010. Even though the net lending balance grew by 36% in 2010, the loan losses fell by 17%. In 2010, Advanzia has continued to improve its credit risk monitoring systems, through the ongoing optimization of its several layers of credit risk scorecards. These systems are used systematically in order to assess the expected risk for each customer or customer group, and follow a thorough credit assessment strategy throughout the customer's use of Advanzia's credit card product. For 2010, profit after losses and taxes was EUR 6.3 million. This is a 152% improvement from 2009 profit of EUR 2.5 million. Return on equity was 20% in 2010.

Advanzia has a solid capital adequacy ratio of 13.0% and therefore a good foundation for further growth. The bank is planning an increase in sales and marketing activities in 2011, and has budgeted for continued robust growth in both revenues and profits.

Kistefos is represented on the Board by Beatriz Malo de Molina as Chairman and Christian Holme and Thomas Altenhain as Directors.

Key figures	2010	2009	2008
Active credit cards	194,000	160,000	142,000
Net lending balance	EUR 224 million	EUR 164 million	EUR 160 million
Deposit balance	EUR 329 million	EUR 257 million	EUR 251 million

MEUR	2010	2009	2008
Net revenues	40.3	34.2	24.3
Profit before losses and tax	25.6	23.2	11.2
Losses on lending and guarantees	-17.1	-20.6	-18.9
Net income after losses and tax	6.3	2.5	-5.7
Capital under management	371.8	288.8	279.7
Book equity	35.0	28.6	23.3
Number of employees	51	50	47
Kistefos' ownership interest	50.6%	50.6%	50.6%
Managing Director	Marc E. Hentgen	Marc E. Hentgen	Marc E. Hentgen

ATEX GROUP LTD.

www.atex.com

Atex, with head office in the UK, is a leading global supplier of software to the media industry.

Atex is a leading software supplier to the media industry and the largest company in the world within this market. The company's most important products are systems for editorial content, advertising and distribution. In recent years, the industry has had to structurally adapt and develop functionality to ensure that traditional systems can communicate across all media channels, from paper and websites to social media and mobile telephones. Atex has developed comprehensive solutions to these issues, and the company's technology is already integrated into many of the world's leading media companies. Atex has installed software at more than 1,000 clients across over 40 countries.

Significant changes in industry requirements have also resulted in a need for restructuring in Atex. The company, with its broad product platform and global distribution, is a result of four large acquisitions over the last eight years. The work on establishing a unified corporate culture, simplifying and improving the products and streamlining the distribution has been complicated and time consuming, but has been largely completed by the end of 2010.

By year's end 2010, Atex was under the leadership of a new CEO and CFO. The broader management team, however, includes key personnel with many years of employment history in Atex. This ensures depth and continuity in the team in charge of day-to-day execution of the corporate strategy. The restructuring work during 2010 has resulted in provisions in the financial statements that have lead to a net income that is not satisfactory. However, the underlying profitability in the business is good, and the accounts for 2010 also reflect this.

In 2010, Atex had revenues of USD 94.9 million compared to USD 97.2 million in the previous year. However, EBITDA rose by 19%, from USD 23.7 million to USD 28.2 million in 2010.

In 2011, the focus will remain on the product portfolio, while a simpler and more focused market organisation is expected to bring the company into a new period of significant growth. This is expected to result in satisfactory profitability, enabling Atex to maintain its leading position in the market.

Kistefos is represented on Atex's Board by Åge Korsvold (the Chairman) and Beatriz Malo de Molina.

MUSD	2010	2009	2008
Revenues	94.9	97.2	110.8
EBITDA	28.2	23.7	28.8
Total assets	177.0	198.8	182.1
Book equity	20.6	40.5	28.1
Number of employees	524	556	591
Kistefos' ownership interest	66.4%	66.4%	62.3%
Managing Director	Jim Rose	John Hawkins	John Hawkins

OPPLYSNINGEN 1881

Opplysningen® 1881 vi snakkes!

2010 was a year characterized by efficiency measures and refining of the company's various business areas. Intelecom was spun off and sold during the year and Digitale Medier, the internet division of Opplysningen 1881, was spun off to a separate company towards the end of 2010.

At the end of 2010 Kistefos owned 31.4% of the shares in Opplysningen 1881, where Telenor and the Anders Wilhemsen Group also hold significant ownership interests.

Kistefos came into Opplysningen 1881 through its ownership in Carrot Communications ASA. In the middle of 2007, Carrot was sold to Opplysningen 1881 with settlement in shares, and Kistefos became the company's second largest shareholder with about 30.4% of the shares. In 2010 Kistefos acquired about 1% of the company's outstanding shares for NOK 6 million.

In the second half of 2009, Opplysningen 1881 chose to complete an acquisition of Intelecom to strengthen its telecom division. Opplysningen 1881 acquired 100% of the shares in Intelecom and merged it with Carrot Communications. The main rationale behind the investment was cost and income synergies between the companies. In addition, there was interest in bolstering the competitive footing of the new entity that would aim to become a large and important market participant in the Norwegian – B2B telecom business.

In order to cultivate the focus on directory services, Intelecom was spun off from Opplysningen in summer 2010 and later sold to Herkules Capital. The transaction led to a gain of NOK 50 million for Kistefos.

As a further step in refining the various business areas, Opplysningen 1881 has chosen to spin off its Internet division, Digitale Medier 1881 AS. Digitale Medier 1881 AS has identical shareholder structure to Opplysningen 1881 AS. Digitale Medier has performed well in 2010 and has a solid platform for further growth. On two occasions and most recently in 2010, the portal www.1881.no has been named the best directory service by the European industry organisation, EADP (European Association of Directory Publishers). The web site has experienced a stable growth in its number of users since its inception and at year end has about 700,000 unique users per week.

The directory services experienced a reduction in volumes for both voice and

SMS in 2010. Lengthier conversations, as a result of more complicated questions or other questions than name, number and address, counteract this trend. Opplysningen 1881's market share remains unchanged in 2010 at about 70% for voice and 60% for SMS.

The decline in volumes that Opplysningen has experienced in recent years is a trend that is expected to continue. As a result, the company in 2010 has made organisational changes and increased its focus on efficiency. The purpose being to preserve profitability in the company by adjusting the cost base ahead of further decreases in volume. In early 2010 the division in Fagernes was closed and later some staff functions for the traditional number information business were moved from Oslo to Otta. The measures implemented in 2010 have been successful and the company has significantly cut its cost base at the start of 2011.

To counter a further fall in volumes within its core services, Opplysningen 1881 offers expert services via telephone and e-mail through the portal Eksperthjelp. Doctors, lawyers, and IT experts offer their services through this portal which serves as an extension of 1881.

Eksperthjelp has developed well and now accounts for approximately 6% of revenues in Opplysningen 1881 and contributes with a positive operating profit. The service is expected to make an increasingly large contribution to revenues and profits in the company.

Kistefos is represented on the Board by Ditlef de Vibe (Chairman) and Gunnar Jacobsen (Director).

MNOK	2010*	2009	2008
Revenues	737	998.5	990.3
EBITDA	134	140.2	237.2
Operating profit	82	52	157
Net income	56	35.7	115.5
Total assets	497	1,093.7	669.1
Book equity	120	233	197.4
Number of employees	376	1,115	1,081
Kistefos' ownership interest	31.4%	30.2%	30.2%
Managing Director	Jan Erik Sørgaard	Anne Karin Sogn	Stig Eide Sivertsen

*Pro forma figures, not audited and not including Intelecom which demerged in September 2010.

INFRONT AS

www.infront.no

2010 was another year of solid growth for Infront. At the end of the year the company is making good progress in preparing for a long-planned expansion into Europe. The strongest growth in the number of new customers came in the final quarter, from outside Scandinavia.

Kistefos AS made the first investment in Infront in 2000 and made a further acquisition in 2007. At present Kistefos AS owns about 27% of the shares in Infront. The other principal shareholders are the company's founders and management.

Infront AS is the Nordic region's leading company within the development and sale of real time solutions for information and trading in shares and other financial instruments. The core product "The Online Trader" is the market leader in Scandinavia and is starting to establish itself in selected markets outside the Nordic region as well. "The Online Trader" is supplied as purely an information terminal, or as an integrated information and trading system. Leading banks and finance houses use Infront's solutions internally and as an advanced internet based information and trading system for their customers.

The news agency Direkt, which Infront acquired in 2008, has grown in accordance with the expectations at the time of the transaction. The news agency, which is the market leader on consensus estimates in the Nordic region, has also helped to boost sales of the core product "The Online Trader". Compared to the core business, Direkt has lower margins, and together with goodwill amortisation from the acquisition, this has affected the profit margin in the Group for 2010.

As in prior years, Infront in 2010 has continued to strengthen its position in the domestic market in parallel with developing its international ambitions. Through analysis of new markets and recruiting staff with international profiles, the company is now well positioned for larger projects both within and outside the Nordic region.

In 2011 we are expecting a new year of growth especially through the international expansion. While at the same time we have great faith in the company continuing its success in Scandinavia.

Kistefos is represented on the Board by Åge Korsvold (Chairman) and Gunnar Jacobsen (Director).

MNOK	2010	2009	2008*
Revenues	164.6	144.3	106.9
EBITDA	27.6	29.2	29.5
Operating profit	22.0	24.6	29.0
Net income	25.0	25.2	22.0
Total assets	94.1	103.9	81.2
Book equity	10.9	9.6	15.8
Number of employees	87	75	73
Kistefos' ownership interest	27.0%	27.0%	27.0%
Managing Director	Kristian Nesbak	Kristian Nesbak	Kristian Nesbak

* Direkt AB and Direkt A/S are included from December. 2008

PHONERO AS

www.phonero.no

In 2010 Phonero achieved a tripling of revenues compared to the year before and was also voted best mobile network operator in the corporate market in the EPSI survey for 2010. Phonero, which was established in autumn 2008, had revenues of NOK 118 million in 2010 and has 120 employees. The company already has more than 20,000 subscribers.

Kistefos owns 50.5% of Phonero at the end of 2010. The remaining shares in the company are owned by the founders, management and other employees in the company.

Phonero operates as a virtual operator in the Norwegian corporate market for mobile telephony and fixed telephony. The company delivers basic products from Telenor's "wholesale"platform, but has central functions such as product, invoicing and customer support internally. The company has a broad product portfolio, but focuses on mobile telephony. Key to the company's business idea is the high level of service, customer satisfaction and efficient distribution.

2010 was Phonero's second complete year of operation, and revenues were NOK 118 million – strong growth compared to revenues in 2009 of NOK 42 million. The operating loss for 2010 was NOK -16 million compared to NOK -19.6 million in 2009.

The organic growth since inception in autumn 2008 has been very strong. The company started 2010 with about 10,000 subscribers and finished the year with about 20,000 subscribers. The second half of the year in particular was a good sales period for the company. The company's growth means that it is better positioned now to transition into segments where the businesses have more employees. This challenges the organisation at all levels and is especially motivating for the sales department, in addition to it representing an opportunity for further development for the company.

Phonero was named Norway's best mobile network operator in the corporate market in EPSI's annual survey of Norwegian businesses. Phonero is better than its competitors in all the key areas such as customer satisfaction, customer loyalty, product quality, service quality and value for money. This is impressive bearing in mind that the company has achieved this position during the course of just the first two very hectic years of the start-up.

At the end of the year Phonero had 120 employees distributed in offices in Kristiansand, Trondheim, Oslo, Bergen and Stavanger

Kistefos is represented on the Board by Ditlef de Vibe (Chairman) and Gunnar Jacobsen (Director).

MNOK	2010	2009	2008
Revenues	119.1	41.9	0.3
EBITDA	-14.5	-20.7	-7.2
Operating profit	-16.0	-19.6	-7.2
Net income	-13.0	-12.3	-7.2
Total assets	69.2	32.7	10.6
Book equity	20.6	11.3	3.8
Number of employees	120	20	12
Kistefos' ownership interest	50.5%	49.4%	34.0%
Managing Director	Thore Berthelsen	Thore Berthelsen	Thore Berthelsen

Managing Director in Phonero, Thore Bertelsen.

SPRINGFONDET

Springfondet is owned 50/50 by Oslo Innovation Center and Kistefos, and NOK 60 million has been invested in the fund. In 2010, the focus has been on following up and developing the current portfolio. In addition, the process of setting up Springfondet II in conjunction with Oslo Innovation Center has begun with Kistefos committing NOK 70 million to the NOK 100 million fund.

Today there are a number of public support schemes and local/regional capital sources for startup businesses. Nevertheless, there is often a lack of professional and commercially-focused private equity to contribute to projects being efficiently being developed from the seed to the commercialisation stage. A closer collaboration between technology and research centres, the entrepreneurial companies and professional investment communities are in our view prerequisites to long-term value creation.

Springfondet is often the first professional investor into these companies and invests start up and follow up capital early in the enterprise's life cycle. Springfondet's role is to be an active owner in innovative technology companies with international potential and also be a professional and skilled partner for the portfolio companies' management, Board and other shareholders.

The fund operates as a commercial investment company with the objective of substantial returns –on invested capital. The establishment of Springfondet builds on a number of elements including experiences from earlier collaborations where both Oslo Innovation Center and Kistefos have been owners and contributors, such as for example Kelkoo SA (formerly Zoomit AS) which was sold to Yahoo Inc. in 2004.

Protia, a Springfondet portfolio company, won DnBNOR's 2010 Innovation award from a field of 800 entrants nationwide. Protia is developing a new material and process for converting natural gas to liquid fuel (called Gas to Liquids, GTL) which could potentially be of great importance as an alternative current GTL technology. Kappa BioScience (formerly Syntavit), another portfolio company, reached its goal of making its first sale in 2010 and begins 2011 with good prospects. In portfolio company OstomyCure, clinical trials have shown that the titanium implant for stoma patients must be slightly adjusted. New clinical trials with the redesigned implant are expected to take place in 2011. Geir Christian Melen, formerly Managing Director of Clavis Pharma, took over as Managing Director in OstomyCure on 1 January 2011. Finally, portfolio company Promon has achieved several smaller sales contracts towards the end of 2010, and more larger sales are expected in 2011.

The focus on following up the current portfolio has meant that no new investments have been made in 2010. However, several follow up investments were made, both by Springfondet and directly by Kistefos into Springfondet's portfolio companies.

Springfondet is headed by Managing Director Johan Gjesdahl. The Board consists of Karl-Christian Agerup as Chairman, in addition to Kjell Thoresen, Beatriz Malo de Molina and Åge Korsvold, the latter two being representatives of Kistefos.

Company	Market	Ownership share
BMI AS	*Investment company/incubator for start ups within biomedicine*	9.5%
Encap AS	Software for authentication and providing security solutions for mobile telephones	7.3%
Eureka Gruppen AS	Technology for desalinating water	32.8%
iDTEQ AS	Intrusion detectors based on ultrasound	16.9%
Kappa Bioscience AS	Vitamin K2, supplement for bone and cardiovascular health	30.8%
Lauras AS	Pharmaceutical that revitalises the immune system	6.9%
OstomyCure AS	Titanium implant for use in stoma patients	12.3%
Promon AS	Software that protects applications and services against hacking and spying	21.8%
Protia AS	Membranes for converting natural gas to fuel	23.1%
SearchDaimon AS	Software for searching in large amounts of data	18.8%
Setred AS	3D screen where the user is not required to wear glasses	10.0%
siRNAsense AS	Medicine based on RNAi technology	7.9%
XT Software AS	Software/app for composing music	47.9%

OstomyCure won "The people's award" during DnBNOR's innovation prize ceremony: From the left: Johan Gjesdahl (Managing Director in Springfondet), Henning Mork (OstomyCure), Rune Bjerke (DnBNOR), Christer Jacobsson (OstomyCure)

Protia won DnBNOR's innovation award. From the left: Christian Kjølseth (Protia), Rune Bjerke (DnBNOR), Per Kristian Vestre (Protia), Skjalg Erdal (Protia)

ALLIANCE VENTURE POLARIS

Alliance Venture Polaris AS is an investment company focusing on early phase growth companies in Norway with the intent of creating returns for its owners through developing and selling these companies.

Polaris' head office is in Oslo. The company was established in December 2006 as one of four nationwide seed capital funds. The shareholders in Alliance Venture Polaris have committed approximately NOK 172 million in private capital. 55% of the capital was paid in by year-end. In addition, Innovation Norway is contributing with a subordinated loan of approximately NOK 167 million, enabling the fund to have capital under management of about NOK 339 million. The fund invests in early stage technology companies focusing on ICT and will actively contribute to developing the companies internationally.

The fund is managed by an experienced team of industry professionals who have extensive experience developing, selling and managing technology companies internationally. They focus on investing in companies with unique technology and global potential, where they have expertise, a network and experience to actively contribute to each portfolio company's development.

Kistefos owns 17.4% of Alliance Venture Polaris, and is therefore the largest shareholder.

Polaris has as of 31 December 2010 invested NOK 132 million in 12 companies as follows:

Company	Market	Ownership share
3D Perception	Advanced projection systems for aircraft simulators and control rooms etc.	37.9%
bMenu	Software for automatically generating websites for mobile telephones	42.6%
Encap	Software for authentication and providing security solutions for mobile telephones	55.5%
Integrasco	Software for product monitoring and analysis of social media	43.1%
MemfoAct	Carbon membrane for separating biogases	12.3%
Never.no	Software for interaction and integration of social media in TV and screen-based advertising	27.0%
Novelda	High precision, short range radar integrated on a microchip	35.7%
Optosense	Sensor for detection of gasses in ventilation systems etc.	28.9%
Pageplanner	Software for publishing magazines on paper, the internet, iPad and mobile telephones	65.1%
Phonofile	Digital aggregator and distributor of music	26.0%
Ping Communication	Integrated receivers ("home system") for the internet, telephones, TV etc.	39.9%
poLight	Auto focus lenses and camera for mobile telephones	25.4%

REAL ESTATE

Kistefos Eiendom AS

Bergmoen AS

KISTEFOS REAL ESTATE

Kistefos Eiendom AS' main investment, Bergmoen AS, has performed in line with expectations in 2010 as well.

Kistefos Eiendom acquired 51% of the shares in the company Bergmoen AS in autumn 2007. Bergmoen has purchase options on about 1800 decares of industrial land at Gardermoen Business Park, which is centrally located in relation to the main airport, associated businesses and several important traffic arteries in Norway.

The Municipality of Ullensaker's sector plan was finally adopted in March 2009 and Gardermoen Business Park II B+C were set aside for commercial space. In total the area comprises 2600 decares that will be zoned as a single area.

The planning programme draft was discussed in the municipal council in November 2009. The planning programme was then presented for public consultation in January 2010.

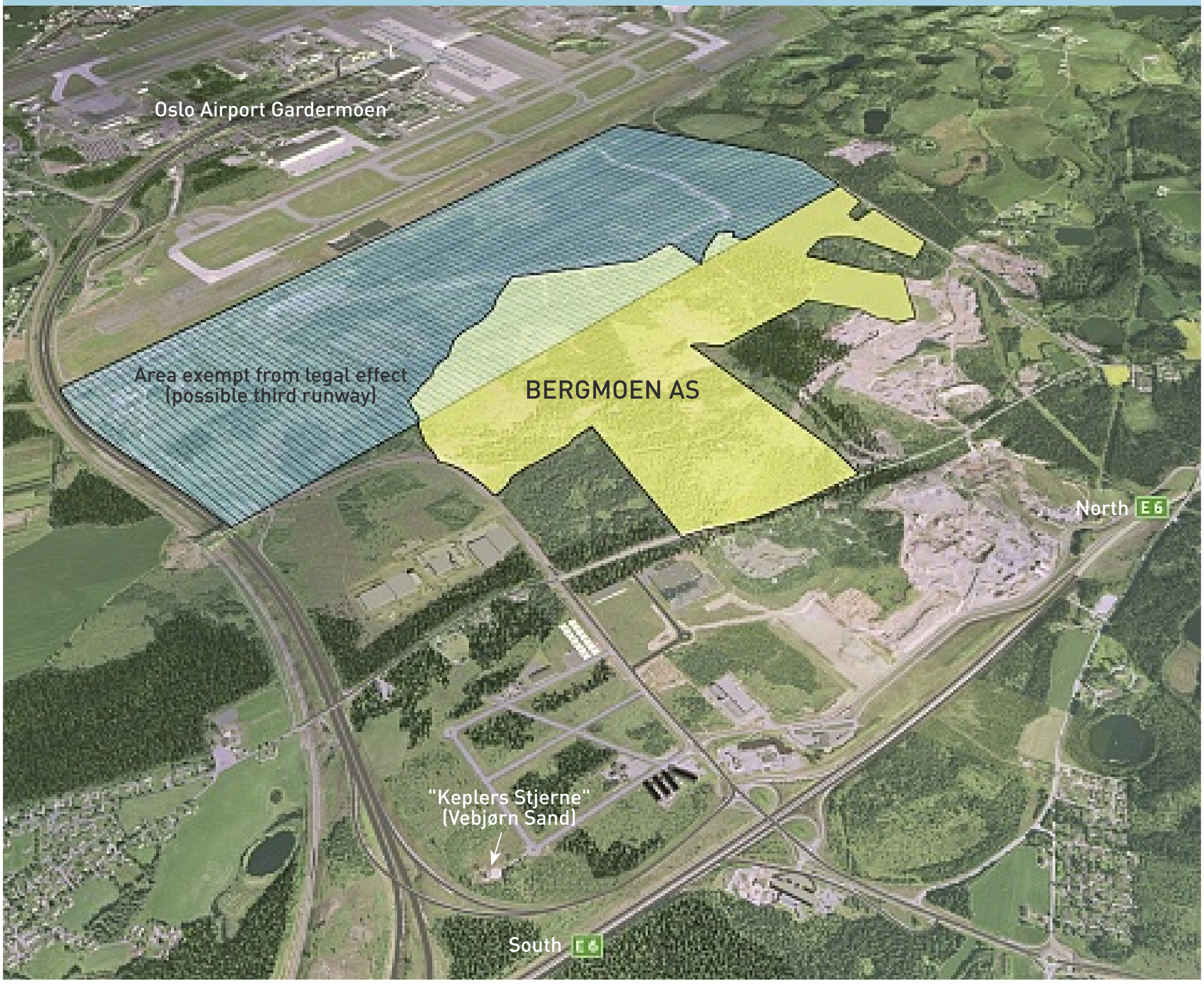
Work on the area development plan (previously referred to as the overall zoning plan) was considered from a political point of view in autumn 2010 prior to being released for public consultation. If everything goes according to the plan, it will be adopted in June 2011. Detailed regulation for parts of the area are proceeding in parallel, and planned commencement on the first plot of land ready for construction is in summer 2011.

Progress continues on the strategy work of developing the site which is Norway's largest privately owned area for commercial development.

Photograph: John Terje Pedersen

Coop is moving its central warehouse to Gardermoen. From the left: Managing Director Tore Espe, Bergmoen AS, Logistics Director Halvor Nassvik Coop Norge Handel, Property Director Hans-Christian Jahren, Bergmoen AS, Hege Galtung, Kistefos AS and Managing Director Svein Fanebust in Coop Norge Handel.

Overview picture of the Gardermoen area.



Coop Norge builds a new central warehouse at Gardermoen

Bergmoen AS has entered into an agreement with Coop Norge Handel AS for sale of the plot of land for establishing a new warehouse in eastern Norway. Coop Norge Handel AS will build its new giant warehouse at Romerike. The investment limit for Coop Norge Handel AS is for between NOK 1.2 and 1.5 billion. The site is 50 acres and the warehouse is scheduled to be in use from 2015. Almost 400 jobs will be connected to the new warehouse.

Coop Norge Handel AS has been working for a long time to find a suitable site on a large area around Oslo, and they finally chose Bergmoen / Gardermoen Business Park.

The eastern Norway warehouse will be optimally positioned with respect to traffic and environmental concerns. It is close to the main market in the Oslo area, combined with a short distance from Oslo Airport Gardermoen and the railway.

OTHER ACTIVITIES

The Kistefos Museum
Sponsorship projects

THE KISTEFOS MUSEUM

The Kistefos Museum Foundation is located just an hour's drive north west from Oslo, with the Rand River forming an idyllic setting. The purpose of the foundation is to run the museum and research connected to A/S Kistefos Træsliberi's industrial activities. In the grounds of the museum you can find one of Scandinavia's largest sculpture parks and a modern exhibition hall where annual art exhibitions are held.

Kistefos AS is the principal sponsor of the Kistefos Museum and contributed NOK 5.5 million in 2010. All contributors are important supporters and vital for the museum to be able to develop and attract new visitors. Other contributors to the museum's activities were the foundation UNI, its home municipality Jevnaker in Oppland county, Sparebank 1 in Jevnaker Lunner and in Ringerike. The Kistefos Museum is one of ten technical industrial cultural heritage sites worthy of preservation in Norway, and in 2010 the Directorate for Cultural Heritage contributed with a grant of about NOK 4.3 million for restoration and comprehensive renovation of the current buildings. The museum also received a grant from the Directorate for Cultural Heritage for management, operation and maintenance worth NOK 962,020.

The Kistefos Museum opened the 2010 season on 9 May. The Minister of the Environment and International Development Erik Solheim undertook the official opening of the season, while Germany's Ambassador to Norway, Detlev Rünger, introduced the year's main exhibition in the Art Hall. Jørn Holme from the Directorate of Cultural Heritage was the guest of honour. This year's exhibition was titled "Parallels: Young contemporary paintings from Norway/Leipzig". Ten artists that work within figurative forms of expression were presented. Five young painters from Norway: Sverre Bjertnæs, Christer Glein, Veslemøy Sparre Jansen, Christer Karlstad and Øystein Tømmerås and five artists from "The New Leipzig School": Tilo Baumgärtel, Tim Eitel, Christoph Ruckhäberle, David Schnell and Matthias Weischer. The exhibition at the Kistefos Museum was the first to showcase the Leipzig painters in Norway, and also the first national exhibition to focus on the similarities in contemporary realist paintings from two different countries, with artists from two different environments. Thematically the exhibition showed great breadth. We found pragmatic realism side by side with surrealistic works. In general the artists showed an open attitude to the painting's literary possibilities, and the images conveyed thematic links between reality, the subconscious, art history and the world of myths.

The 2010 season ran until 10 October. The Museum had 22,034 registered visitors in total.

The 2011 season will open on Sunday 22 May. This year the Kistefos Museum, in partnership with Galleri Brandstrup, has the pleasure of showing a unique sculpture and painting exhibition by the internationally acclaimed English artist Marc Quinn. This is the first comprehensive exhibition of the artist's work in Norway. Through his artistic expression, he will challenge our established notions of reality.

Minister of the Environment and International Development Erik Solheim, here with Christen Sveaas was present for the official opening ceremony of the Kistefos Museum on 9 May 2010.

SPONSORSHIP PROJECTS

Kistefos Public Service Fellowship Fund

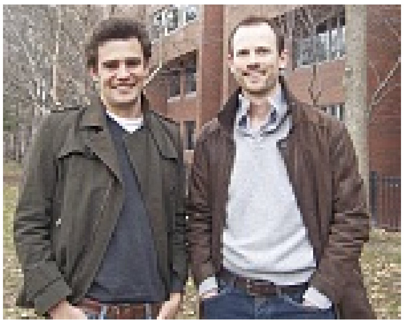
Since 2007 Kistefos AS has awarded scholarships to Norwegian students who want to pursuit a master's degree in public administration at the Harvard Kennedy School, USA.

The scholarship is awarded to at least two students each year in the period 2007–2013 and is funded through a donation of about NOK 8 million from Kistefos AS. Recipients of the scholarship must sign a contract that binds them to work in the public sector for a period of at least three years after graduation.

The fund was established because Christen Sveaas sits on the Dean's Council at the school. The objective of the fund is to train professional leaders who will contribute to better and more efficient operation and management of the public sector.

Norwegian candidates who are awarded university places at the Harvard Kennedy School are also eligible for the Kistefos scholarship. Past and upcoming graduate students from Oslo Handelsgymnasium are particularly encouraged to apply, and will be preferred given otherwise equal qualifications.

In spring 2010 the scholarship was awarded for the fourth time. Rasmus Myklebust, who will take a master's degree in public administration was awarded the scholarship, in addition to Andreas Hall and Espen Beer Prydz, who both began their second year of studies in public policy.



Espen Beer Prydz, Rasmus Myklebust and Andreas Hall (was not present when the picture was taken) have been awarded the Kistefos scholarship and now follow the program at the Harvard Kennedy School.

The Opera Sculpture"She Lies" by Monica Bonvicini

Kistefos AS is the sole sponsor of Monica Bonvicini's "She Lies" which is located in the sea near the Opera House. In total Kistefos has contributed NOK 8 million to the project.

"She Lies" is a monumental sculpture built in stainless steel and glass panels, measuring about 12x17x16 metres. It is permanently installed and floats on the water in the middle of the fjord on a concrete platform. By turning on its own axis in harmony with the tide and wind, the sculpture offers changing experiences in the reflections from the mirrors and partly transparent surfaces.

The artist Monica Bonvicini won the international competition in 2007 with the proposal "She Lies". The sculpture is a three dimensional interpretation of Caspar David Friedrich's painting "Das Eismeer" (1823–1824) with reference to the key motif in the work: the massive mound of ice that acts as a symbol of power and glory in the north. An important part of this assignment is the challenge relating to the changes that are expected in the Bjørvika area following completion of the Opera House. Bonvicini wants "She Lies" to be a monument to change, longing and hope, as a permanent state of change.

H.M. Queen Sonja attended the official celebration on 11 May 2010 after the sculpture was installed on the water outside the Opera House.

H.M. Queen Sonja and the artist Monica Bonvicinis were present at the unveiling of "She lies".

Norwegian Maritime Museum

Kistefos AS and the City of Oslo decided to enter into an agreement in December 2010 whereby the parties would contribute a total of NOK 1.5 million in operating support to the Norwegian Maritime Museum (formerly known as Sjøfartsmuseet), 50% from each party.

The agreement came about through the personal initiative of the owner of Kistefos, Christen Sveaas and positive commitment from city manager Stian Berger Røsland. The support is vital in ensuring that the Norwegian Maritime Museum can keep its doors open to the public in 2011 in spite of continued weak government support and reduced municipal operating support.

The Norwegian Maritime Museum is a national museum of maritime history, coastal culture and underwater archaeology. Highlights are the exhibition "The ship", the super-videograph showing an 18 minute film of the Norwegian coast ("With the sea as a livelihood"), the exhibition of maritime art and much more. The Museum is characterised in general by construction activities and renewal, as part of a modernisation program lasting until 2014 where the maritime businesses are heavily involved in the collaboration Norwegian Maritime Museum Partners.

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