KISTEFOS

ANNUAL REPORT 2011

THE SCULPTURE ON THE COVER PAGE

MARC QUINN
“All of Nature Flows Through U”

”All of Nature Flows Through Us” sits in the middle of the river at the mouth of the Kistefossen Waterfall. The bronze sculpture represents an enlarged iris. The iris pattern has been painstakingly copied and reproduced in relief. A hole replaces the black pupil and, through this, foaming water from the waterfall flows through the eye before once again becoming part of the natural water-course. Nature is literally flowing through the enormous bronze eye. This British conceptual artist is the fourth in a series of artists to have been invited to the Kistefos Museum to create a location-specific sculpture; a work of art that is directly inspired by the location’s environment and its unique history. Quinn’s response to the commission is part portrait, part a reflection of forms that refer to nature and the location’s industrial past, and part powerful symbol with a multitude of connota-tions.

Quinn is known for his interest in the DNA of man and the rest of nature. In a world where mankind is increasingly allowing itself to be changed, the eye, like the finger-print, is something unique to the individual, and the sculpture in the river is thus a contemporary variation of the classic portrait.

As well as the direct reference to the museum’s founder and benefactor, the sculpture’s circular shape reflects an affinity with the grindstones used in the production process at AS Kistefos Træsliberi. Grindstones played a key role in producing pulp and several examples can be found around the industrial museum, like forgotten monuments to the past. Last but not least, as a symbol the eye holds a key place in both religious and worldly history, while also forming part of contemporary iconography.

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CEO's Report

2011 was a year with high levels of activity in a number of areas for the Kistefos Group. Our main focus in 2011 was on our investment in Rederi AB TransAtlantic, in which developing two sound business areas within offshore and industrial shipping was a priority.

The Group's accounting results were not satisfactory in 2011. This was primarily because of weak earnings in RABT due to restructuring within industrial shipping and poor offshore markets. After several years of good results, we also experienced a loss in the financial portfolio.

Despite the 2011 results not achieving the levels we would have preferred, a lot of good work was done in the organisation during the year, and the underlying value creation was positive. The Kistefos Group's assets have never been as valuable. Restructuring RABT's industrial shipping will take time, but we expect the future results to more than justify the work we put into this. In offshore we expect our ventures within AHTS operations in the Arctic areas to bear fruit. Following the delivery of Brage Viking in 2012, our fleet of anchor handlers is well-positioned for attractive projects.

Western Bulk delivered positive results in 2011, despite a historically poor market for bulk shipping. This proves yet again that the company's business model is very sound and that it works in both strong and weak markets. At the same time, Western Bulk continued the work of building up its ship owning operation, and at year-end 2011 its owned fleet totalled 11 vessels.

We completed the acquisition of Opplysningen 1881 and its sister company Digitale Medier during 2011 and the first half of 2012. Both companies are delivering good results thanks to a good organisation with capable employees and a focus on cost effectiveness. Growth within traditional voice business was slightly negative, offset by new services. A competent and creative organisation contributed to a healthy profitability.

As far as the other investments are concerned, I would like to highlight Advanzia, yA Bank and Phonero. These companies are growing quickly and profitably. Kistefos is actively involved in the strategic processes. Hard work, good products and competent organisation are good ingredients for success.

The financial climate in Norway and the rest of the world continues to be strongly affected by uncertainty and to some extent fear. For a company like Kistefos, this means that we are prioritising developing our existing ventures, but at the same time keeping an eye out for good new investment opportunities.

I took up my post as CEO of Kistefos in October 2011 and am very much looking forward to working with Kistefos' diverse portfolio. We have many legs to stand on, and our various investments are subject to very different market conditions and are at different stages in the value creation process. The Kistefos Group offers a continuous stream of delights, surprises and challenges. As my predecessor Åge Korsvold concluded last year; it is educational, challenging, fun and demanding here – but never boring!

Henning Jensen
CEO, Kistefos

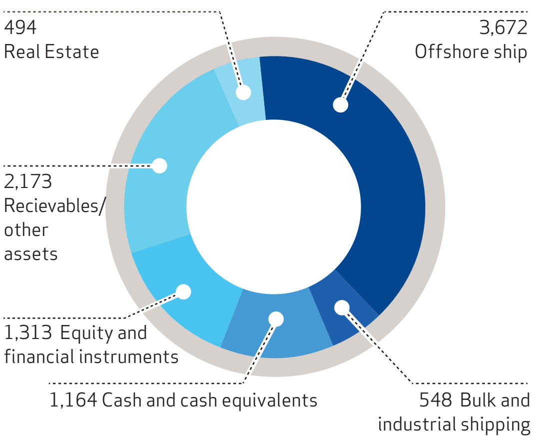
Key figures – Group

(NOK mill)

	2011	2010	2009	2008	2007
INCOME STATEMENT					
Revenues	9,077	7,906	4,997	6,707	5,947
Operating Profit	(113)	492	86	590	576
Net Income	**(444)**	**234**	**499**	**308**	**466**
BALANCE SHEET					
Fixed assets	5,542	4,984	2,047	1,849	1,969
Bank deposits	1,164	884	863	950	1,028
Other current assets	2,657	2,248	2,417	2,416	2,275
Equity	2,399	2,894	1,873	1,592	1,404
Non-current liabilities	5,118	4,023	2,882	2,755	2,898
Current liabilities	1,846	1,199	572	868	970
Total assets on balance sheet	**9,363**	**8,116**	**5,327**	**5,215**	**5,272**
SOLIDITY					
Equity ratio (book value)	25.6%	35.7%	35.2%	30.3%	26.6%

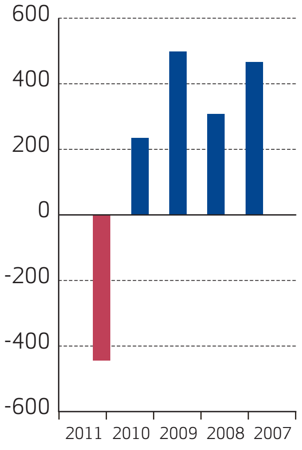
Book value of assets

(NOK mill)



Net income

(NOK mill)



Highlights 2011

- Kistefos' subsidiary Rederi AB TransAtlantic announced its acquisition of Rederi Österströms AB. Acquisition completed in Q2 2011.
- RABT divided into two operational units, Industrial Shipping and Offshore (Viking Supply Ships), and RABT's head office is moved to Gothenburg. VSS established in, and main activities transferred to, Copenhagen.
- AHTS ice class 1 A Njord Viking delivered from yard in February 2011. Njord will work on the North Sea spot market for a short while before starting a 4 year charter party for ENI Norge in the Barents Sea.
- Kistefos increased its stake in Opplysningen 1881 and Digitale Medier from 30.5% to 90.5%.
- Kistefos' subsidiary Bergmoen sold a 150,000 square metre plot to Coop Handel Norge AS.
- AHTS ice class Magne Viking, the third of four new builds, was delivered in July 2011.
- Henning Jensen took up his duties as the new CEO of Kistefos AS.
- RABT conducted a new offering worth SEK 555 million. Kistefos invested SEK 421 million and increased its stake from 50.01% to 62.9%. RABT acquired SBS Marine Ltd.
- Kistefos' subsidiary Western Bulk took delivery of three new supramax vessels financed via the Western Alterna collaboration.

Organisation Chart

Kistefos AS is a private investment company owned by Christen Sveaas. The company comprises wholly owned and part-owned industrial companies within offshore, shipping and property, as well as strategic investments in various listed and unlisted companies, principally within IT and telecommunications industry.

Annual Report

The Kistefos Group's Net result for 2011 was significantly weaker than expected. The financial figures for 2011 were affected by substantial restructuring costs and continued weak operating results in its subsidiary Rederi AB Trans-Atlantic (RABT), weak offshore markets, and a loss of NOK 160 million for the financial portfolio. In total the overall result for the year was a loss of NOK 444 million. Despite the loss, the Kistefos Group experienced positive value creation in 2011.

Performance and financial situation

The Group's accounts for 2011 were affected by this being the first year in which RABT has been consolidated into the accounts as a subsidiary for the entire fiscal year. The accounts for the investments in Opplysningen 1881 and Digitale Medier were similarly consolidated into the accounts from the moment the Group took over the majority of shares in May 2011.

The Group's operating income increased by NOK 1,171 million from NOK 7,906 million in 2010 to NOK 9,077 million in 2011. The change is primarily explained by the fact that RABT was consolidated into the accounts with effect for the entire year. This contributed with NOK 1,828 million. The consolidation of Opplysningen 1881 and Digitale Medier resulted in a NOK 434 million increase in the Group's turnover. At the same time, Western Bulk's operating income was reduced by NOK 763 million compared with 2010.

No research and development costs have been recorded in 2011.

In total the Group's operating result amounted to a loss of NOK 113 million in 2011. This was largely due to the weak results from shipping activities, including NOK 180 million in costs from restructuring RABT. In total, the accounts for 2010 and 2011 have been charged with a total of NOK 350 million in such costs from RABT.

The Group's financial result was reduced with NOK 160 million from NOK -230 million in 2010 to NOK -390 million in 2011, largely due to realised and unrealised losses in the financial portfolio amounting to NOK 159 million. NOK 231 million was realised gains in 2010. The Group's interest expenses increased by NOK 109 million from NOK 90 million in 2010 to NOK 199 million in 2011. The main reasons for this were RABT being consolidated into the accounts for the entire year and financial expenses from financing the almost completed AHTS new build programme resulting in increased interest expenses in RABT.

The Group's total book value of assets increased by NOK 1,247 million from NOK 8,116 million in 2010 to NOK 9,363 million in 2011. The increase was primarely due to the consolidation of Opplysningen 1881 and Digitale Medier, as well as the delivery of the anchor handlers to RABT.

At year-end 2011, the Group's long-term liabilities amounted to NOK 4,874 million, which represents an increase of NOK 961 million compared to 2010. The increase was primarily due to a new ship loan in RABT linked to the AHTS new builds.

Because of the year's loss the Group's book equity decreased from NOK 2,894 million in 2010 to NOK 2,399 million at year-end 2011. The Group's book equity amounted to 25.6% of the total balance sheet. The Group's cash holdings amounted to NOK 1,164 million at the end of the year, an increase of NOK 280 million compared to the previous year. At year-end 2011, the parent company's book equity was NOK 1,366 million, NOK 1,055 million of which was distributable equity.

The parent company's total assets decreased by NOK 541 million from NOK 5,237 million in 2010 to NOK 4,696 million in 2011. The parent company's result after tax was a loss of NOK 293 million. The change was due to a reduction in the net financial result, which primarily consisted of the negative return from financial investments.

The Group is exposed to various types of risk. In addition to the inherent market risk in each company or project, the Group's activities are exposed to other operating and financial risks. The Group is exposed to currency exchange risks through its operations and ownership positions, and hedges its operational activities against currency fluctuations where this is deemed appropriate. The Group is also exposed to changes in interest rates when the Group's liabilities are subject to a variable interest rate. The risk that counterparties will be unable to meet their financial obligations is deemed low in the offshore segment, but is relatively somewhat higher for shipping activities.

Group companies

REDERI AB TRANSATLANTIC, SWEDEN (62.9%)

In 2011, RABT focused on dividing the ship owning company into two independent and separate business areas: Industrial Shipping and Viking Supply Ships A/S (formerly 'Offshore/Ice breaking').

In Q4 2011, RABT carried out a SEK 555 million share issue in which Kistefos invested a total of SEK 421 million, thus increasing its ownership interest in RABT from 50.01% to 62.9%.

VIKING SUPPLY SHIPS A/S, DANMARK (62.9%)

In 2011, the head office for the offshore business was established in Copenhagen, Denmark. The change of name to Viking Supply Ships A/S (VSS) was carried out at around the turn of the year. At end of Q1 2012, VSS was operating eight anchor handlers and six platform supply vessels. VSS's revenues rose by SEK 270 million from SEK 298 million in 2010 to SEK 568 million in 2011. This was largely due to this being the first year the offshore fleet had been gathered in a separate group, the delivery of three new builds, and the acquisition of SBS Marine Ltd., which was completed in Q4 2011. VSS's operating result for 2011 was a loss of SEK 49 million. The pre-tax result for 2011 was a loss of SEK 126 million. The operating result was negatively affected by costs associated with establishing the business in Denmark, the delivery and running in of two newly built AHTS vessels, low contract coverage, and a poor spot market for offshore vessels in 2011. Viking Supply Ships has built four ice-reinforced AHTS ice class 1A vessels at the Spanish Astilleros Zamakona yard. The last vessel in the series was delivered in January 2012. The total investment has amounted to around NOK 1,800 million. The design of the vessels mean they are suited to operate in areas with ice or extreme weather conditions, such as those found in the Barents Sea. The year saw a significant crew recruitment and training process for the vessels. The crews for these vessels are made up of Swedish, Danish and Norwegian sailors.

RABT INDUSTRIAL SHIPPING, SWEDEN (62.9%)
The Industrial Shipping business area consists of five different divisions and operated 48 vessels at the end of the year. The ship-owning company Österströms was acquired in 2011. This has furnished the business area with size and economies of scale. A major restructuring and adaptation process was started in the company in 2011. The internal goal is to switch the focus to customers' needs and through this both achieve profitability in the short-term and lay the groundwork for long-term positive and profitable development.

The shipping company's five divisions are:

- The RoRo Baltic division consists of 10 RoRo, ice class vessels that can carry most types of rolling cargo like cars, lorries, heavy machinery and equipment for the mining industry.
- Containers, which consists of eight modern, ice class container vessels that ply line traffic between Sweden, Germany and the UK.
- The Bulk division operates medium-sized, ice class bulk vessels and RoRo vessels between Europe and North America, as well as along the east coast of North America.
- The Short Sea Bulk division transports smaller bulk tonnage around the Baltic Sea. These are also ice class vessels.
- Integrated Logistics develops integrated transport solutions in which TransAtlantic is responsible for a major part of the total transport chain.

Industrial Shipping's operating income increased by SEK 394 million from SEK 1,865 million in 2010 to SEK 2,259 million in 2011, primarily due to the acquisition of Österströms Rederi AB. The operating result amounted to a loss of SEK 219 million and the result before tax was a loss of SEK 248 million in 2011. The results within Industrial Shipping were negatively affected by substantial restructuring costs of SEK 200 million.

WESTERN BULK AS, OSLO (94.3%)
The company is one of the world's leading operators of dry bulk vessels and mainly focuses on the supramax segment (48,000–61,000 DWT), although the company also operates handysize tonnage (28,000–40,000 DWT). In 2011, the company had an average of 103 vessels at its disposal, which is eight more vessels than in 2010 (95 vessels).

The company's operating income fell by USD 53 million from USD 1,082 million in 2010 to USD 1,029 million in 2011. The dry cargo market's rate levels fell throughout the year and ended the year at their lowest level for 20 years. Despite this, the company delivered a profit after tax of USD 10 million for 2011 after charges for previously signed loss contracts of USD 16.1 million. The relatively good result shows that the company's business model works well even in very demanding markets. The Shipholding division has increased its fleet from three vessels by signing long-term charter parties with options to buy. All of Shipholding's vessels are on contracts and the first will become available in Q3 2013. Three new builds are expected to be delivered in 2012 (one vessel) and 2014 (two vessels).

KISTEFOS EIENDOM AS (100%)
Kistefos Eiendom ended its collaboration with Scandinavian Development AS/ Macama AS in 2011, and during the year sold its interests in Borggaten 7 AS (85%) and Sagveien Boligbygg KS (85%) in return for Macama AS's 50% ownership interest in Underhaugsveien 15 AS.
In July, Bergmoen, 57% owned by Kistefos, sold a 150,000 square metres plot to Coop, realising a profit of NOK 77 million.

VIKING BARGE AS, KRISTIANSAND (100%)
Viking Barge owns and operates seven large, modern North Sea barges of about 10,000 DWT. The company's operating income more than doubled from NOK 19 million in 2010 to NOK 42 million in 2011. 2010 reflected an historically poor market, while 2011 saw a significant increase in activities in the North Sea. The company's operating result increased by NOK 23 million from NOK -3 million in 2010 to NOK 20 million in 2011, and the result after tax increased correspondingly to a profit of NOK 22 million in 2011.

OPPLYSNINGEN 1881 AS, OSLO (90.5%)
The Kistefos Group increased its ownership interests in Opplysningen 1881 and Digitale Medier to more than 90% in 2011. In 2012, the remaining shares were also acquired by the Kistefos Group, meaning that Opplysningen 1881 and Digitale Medier are now wholly owned. Both companies have developed positively and report good profitability.

Opplysningen 1881 is Norway's leading provider of private and corporate information. In 2011, the information service experienced further falls in volumes for both Voice and SMS, but maintained a market share of around 70% for Voice and 60% for SMS in 2011.

Opplysningen 1881's operating income decreased by NOK 86 million from NOK 565 million in 2010 to NOK 479 million in 2011. The company's profit after tax improved from NOK 70 million in 2010 to NOK 90 million in 2011 due to substantial cost savings and cost efficiency processes.

DIGITALE MEDIER AS, OSLO (90.5%)
Digitale Medier AS operates the website www.1881.no, which has experienced solid growth since its was established in 2005 and at times been the fastest growing website in Norway. It has won recognition for its products, exemplified by the fact that it has twice been named the best catalogue service by the European Association of Directory Publishers, the industry's own European body. 1881.no attracts around 900,000 unique weekly users.

Digitale Medier's operating income increased by NOK 12 million from NOK 171 million in 2010 to NOK 183 million in 2011. Its result after tax improved significantly from a loss of NOK 14 million in 2010 to a loss of NOK 6 million in 2011.

Other, non-consolidated companies

ADVANZIA BANK S.A., LUXEMBOURG (55.8%)
Advanzia Bank S.A. (Advanzia) is a Luxembourg based bank that offers two products. No fee credit cards are offered to users in the eurozone, with a primary focus on Germany and Luxembourg. Deposit accounts are also offered to customers within the EU. Advanzia Bank has no branches. Communication with customers takes place via the internet, post, fax or customer service helpline.

The total number of credit cards in active use at the end of 2011 was 242,000, an increase of about 25% from 194,000 active cards at year-end 2010. The bank funds its operations through equity and customers deposits, and at the turn of the year had 16,000 deposit customers. The bank enjoyed another year with a solid increase in income, and total net income in 2011 amounted to EUR 47 million, up from EUR 40 million in 2010. Losses on lending fell in 2011, which also contributed to a strong increase in profitability. Profit after tax amounted to EUR 9 million for 2011, an increase of 50% from EUR 6 million in 2010.
The company's capital adequacy ratio of 15.5% at year-end 2011 was very satisfactory and represents an increase from 13.0% at year-end 2010.

ATEX GROUP LTD., UK, (75.1%)
Atex Group Ltd. is a leading, global provider of software to the media industry and the largest company in the world in this market. The company primarily provides solutions within the business areas of advertising systems, editorial systems and distribution systems. Atex provides software and total solutions for media companies' printed and electronic media activities, including advertisement management. Most of the companies in this industry (including Atex) have a background in paper-based media. Atex plays a leading role within integrated systems for paper-based and electronic media companies.

In 2011, Atex's operating income amounted to USD 108 million, compared to USD 95 million in 2010. At the same time, EBITDA increased by from NOK 28 million in 2010 to NOK 33 million in 2011.

PHONERO AS, KRISTIANSAND (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 that range from online switchboard solutions to IP telephony, although its main focus is on mobile telephony. A high level of service, focus on customer satisfaction and effective distribution are central to the company's business philosophy and strategy.

At year-end 2011, Phonero had more than 30,000 subscribers, which represents an increase of around 50% from around 20,000 subscribers at year-end 2010.

In 2011, Phonero was named best mobile operator in the corporate market for the second year in a row by the EPSI survey.

The company's operating income increased by 66% from NOK 119 million in 2010 to NOK 198 million in 2011. At the same time, the company's operating result improved significantly from a loss of NOK 16 million in 2010 to a loss of NOK 1 million in 2011.

INFRONT AS, OSLO (27.0%)
Infront AS is Scandinavia's leading company within the development and sale of real-time solutions for information about, and trading in, shares and other financial instruments. Its core product, 'The Online Trader', is the market leader in Scandinavia and is currently in the process of establishing a good foothold in selected markets outside Scandinavia.

In 2011, operating income increased by around 14% to NOK 188 million, and the company's operating profit significantly improved by more than 70% from NOK 22 million in 2010 to NOK 38 million in 2011.

SPRINGFONDET I (50%) AND SPRINGFONDET II (70%)
The Springfondet funds are linked to the Norway Innovation Centre in Oslo. The Springfondet funds invest in early-stage companies that are developing innovative products or services. Springfondet II was established with total assets of NOK 100 million in June 2011. Kistefos has committed NOK 70 million to this fund.

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.

Organisation and the environment

The Kistefos Group, including the portfolio companies, employed a total of 2,298 full time equivalents at year-end 2011. The parent company's head office is in Oslo. The Group runs a global business.

The number of full time equivalents in the parent company has risen from 19 to 20, of whom seven are women and 13 are men. The working environment in Kistefos is good. In 2011, sick leave in the parent company amounted to 205 days (5.5%) and the Group's sick leave rate in the underlying companies varied between 0.7% and 9%, a decrease from 10% in 2010. No serious accidents or injuries were reported in the Group in 2011.

The Group wants to ensure both genders have equal opportunities with respect to skills enhancement, pay and development opportunities. The Group practices a personnel and recruitment policy that does not discriminate. The parent company and the Group practice gender equality in recruitment and seek a balanced number of men and women. No injuries resulting in sick leave were reported in the parent company.

Kistefos does not pollute the environment to any significant extent. However, the Group is involved in a number of companies that are potential sources of pollution. The boards of directors of these companies are responsible for ensuring that their enterprises are being operated properly and in accordance with the applicable guidelines for preventing and limiting pollution of the environment.

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

Last year we wrote that "the financial crisis is not over" and this year we can repeat that and add that the financial crisis is spreading, and that the eurozone is now (June 2012) in a recession. It is mild at the moment and it remains to be seen whether or not the euro countries' problems with respect to financing national debt, funding vigorous banking systems, and higher unemployment can be resolved at all in the short-term.
Large parts of the European banking industry are experiencing significant losses, resitance when it comes to lending, and focused on capital adequacy and liquidity. In other words, lending activities are down and this also applies to most of the major banks active in Norway. Even in the richest country in the world, little Norway, where people go on strike if they do not get a 3–4% pay raise and where 23% of the country's GDP is spent on disability, sickness and unemployment benefits, which is also a world record, by a good margin, the banks are reticent.
In Norway, where growth is solid and the problems few, the banks are also tightening their belts. Their borrowing costs are increasing, as are losses within some industries, and today it is significantly harder and more expensive to get a long-term loan, even for good projects. We hope the respective authorities understand that the banking systems in both the euro countries and Norway are the lifeblood of businesses, that after all have to create jobs and ensure value creation in society. We actually think it is fine that getting a loan has become more expensive. We want our banks to earn well and be sound so that their owners can achieve good returns on their risk capital and continue to provide the banks with sufficient equity so that they continue to lend and are willing to take risks, so that the rest of the business community can continue to create profitable jobs.
Having said that, we have to avoid a situation in which banks shy away from any risk – that would just reinforce the negative trend. Risk taking and the willingness to take risks is the lifeblood of any bank.

There is still a great deal of fear in the markets and organisations. Even good, sound banks are today holding liquidity reserves that are many times their normal level because the uncertainty in the eurozone is so great. Nonetheless, we now believe that the esteemed ladies and gentlemen will find a satisfactory solution to the capital needs of Spanish and other banks, and various countries' financing needs, such that the fear of the euro collapsing will gradually abate, and perhaps we can hope for a more normal trend in 2013?

And we still believe that something good will come out of the financial crisis in the long-term. There will be less waste in the public sector, there will need to be strict rationalisation in most countries, various countries' large operating deficits will gradually be remedied, and all this will, hopefully, over time, provide a basis for expanded private business with better innovation and creativity that will, hopefully, create more jobs and ensure good value creation in society.

The Oslo Stock Exchange experienced a fall of 12.5% in 2011 after an rise of 18.3% in 2010, and so far in 2012 it has first climbed 15% and then fallen again. We do not believe there will be a significant upturn before the situation in the eurozone calms down, and the time horizon for this is uncertain. However, the uncertainty will probably not last for too long since this would mean everything grinding to a halt. We are also now seeing both the USA and China pressing the euro countries to find acceptable solutions to their main problems.

As far as our activities in 2012 are concerned, the offshore activities in VSS are experiencing a significant improvement in results based on previously signed, good contracts, and at the same time we are working hard at increasing contract cover for available tonnage. The industrial shipping activities in RABT will continue to show a significant loss, but with new management, a new customer-oriented organisation and a strong focus on reducing costs, we are optimistic that we will see a positive cash flow from this business in the final quarter of the year without any improvements in the market, for the first time in 4 years.

We expect stability in Western Bulk and a slightly improved profit. We will also seek opportunities to position ourselves further in an historically poor market.

We expect Advanzia Bank's results to continue to improve significantly, we also anticipate a stable result for Opplysningen 1881 and a substantial improvement in Digitale Medier AS's result. We expect a somewhat lower turnover and EBITDA figures for Atex, but new management and a new strategy will over time have an effect on the company's development, with continued growth probably first coming in 2013.

Even though we reduced our exposure in the equity markets in 2011, we are embarrassed that we nonetheless experienced a large loss due to an unsound investment in Sevan Marine, and this year we will maintain a very moderate exposure until we believe the time is right to adjust our position, and that time will come. The question is whether or not the market will fall 10-20% first. We are monitoring the situation carefully.

We would also like to take this opportunity to thank Kistefos' retiring CEO, Åge Korsvold, for good teamwork, good value creation and many good discussions over almost 10 years as CEO. At the same time we would like to wish our new CEO, Henning E. Jensen, welcome to his new demanding and complicated post, hopefully continued good value creation,and a lot of fun.

Allocation of the year's result

The annual accounts have been prepared on the basis of a going concern assumption. The Board confirms that the basis for a going concern assumption exists.

The Board proposes the following allocation of the year's net result.

NOK million	
Net result	-293.347
Transferred from revaluation reserve	235.410
Group contribution (net after tax)	-38.512
Transferred from other equity	96.449
Total allocation of the year's result	**293.347**

The Board proposes that a group contribution of NOK 22.5 million be paid to subsidiaries. It is proposed that no dividend be paid.

The Board of Kistefos AS
From the left: Erik Wahlstrøm, Tom Ruud, Christen Sveaas (Chairman), Martin Reimers (behind) and Christian H. Thommessen.

Oslo, 18 June 2012
The Board of Kistefos AS

Christen Sveaas *Executive Chairman*	Tom Ruud *Board Member*	Erik Wahlstrøm *Board Member*	Christian H. Thommessen *Board Member*	Martin Reimers *Board Member*	Henning E. Jensen *CEO*

Vidar Viking ice breaking in the Baltic Sea.

Source: TransAtlantic.

www.rabt.se

A container vessel in the Baltic Sea.

Rederi AB TransAtlantic

The RABT group's turnover increased by SEK 595 million from SEK 2,394 million in 2010 to SEK 2,989 million in 2011. This was primarily due to Viking Supply Ships becoming a 100% (previously 50%) owned group company in September 2010, Österströms being included in the accounts from and including June 2011, and the Viking Supply Ships' business area acquiring SBS Marine in November 2011 and taking delivery of two AHTS vessels during the year. The group's net result after tax was SEK -423 million, of which restructuring and acquisitions effects amounted to SEK -182 million.

Q1

Acquisition of Österströms Rederi and study of future division of the group.

Another winter with a lot of ice negatively affected transport activities in the Baltic Sea and the result. Delivery of AHTS ice class 1 A Njord Viking. A decision is made to divide the organisation as soon as possible, with parts of Viking Supply Ships' head office being moved to Denmark. Stefan Eliasson resigns as general manager and Rolf Skaarberg takes over his post.

Q2

New contract of affreightment with Stora Enso, which will employ six of RABT's vessels that are working in line traffic.

Slightly better activity in container and RoRo traffic in the Baltic Sea. New 3 year contract of affreightment signed with Stora Enso to transport paper from Northern Finland to Sweden, Germany and Belgium. The agreement involves six vessels. Acquisition of Österströms completed. Former general manager of Österströms, Percy Österström, employed as CEO of Industrial Shipping and Christian W. Berg appointed CEO of Viking Supply Ships.

Q3

Record high offshore rate.

Poor result affected by restructuring costs and low level of activity within the bulk segment. Delivery of AHTS vessel Magne Viking, the third in a series of four new builds. Activity in the North Sea improves slightly and higher rates result in record high rate for Magne Viking on the spot market of NOK 1.5 million/day for an 8 day charter. Njord Viking starts a 4 year contract for ENI Norge in the Barents Sea. AHTS icebreaker Vidar Viking starts a 2 month contract with Cairn Energy off the coast of Greenland.

Q4

Share issue and acquisition of SBS Marine.

New 3 year contracts of affreightment within bulk signed with FNsteel and Nordkalk. Multi-year agreement signed for AHTS Icebreaker Vidar Viking with Russian Sakhalin Energy for services including ice breaking.

SEK 555 million share issue is conducted to acquire SBS Marine and strengthen the company's financial position. Henning E. Jensen replaces Rolf Skaarberg as CEO of the Group. Head office moved from Skärhamn to Gothenburg and Viking Supply Ships' head office in Copenhagen is completed.

SEK million	2011	2010	2009
Operating income	2,989	2,394	2,284
EBITDA	67	883	-8
Operating result	-348	455	-243
Profit after tax	-435	585	221
Total assets	6,314	5,146	3,172
Book equity	2,493	2,396	1,175
No. of employees	888	911	1,050
Kistefos' ownership interest	62.9%	50.0%	0.0%
CEO	Henning E. Jensen	Stefan Eliasson	Stefan Eliasson

Industrial Shipping

Efficient logistics and transport solutions.

The Industrial Shipping business area's business concept is to add value for European industrial customers by delivering the best quality and most reliable environmentally efficient logistics solutions. With the acquisition of Österströms and in the development of new services and competence in 2012, large-scale efficiency processes are being implemented to achieve profitability, both in the short-term and in the long-term.

Industrial Shipping

The goals of the Industrial Shipping business area, which consists of five different divisions with a total of 48 bulk, container and RoRo vessels, are to achieve a collaboration in which the utilisation rate of the vessels is maximised and high levels of service for TransAtlantic's customers. These will be combined with a logistics structure consisting of our own, strategically placed terminals and a land transport network. With the Baltic Sea as its geographic base, the business is focused on contract-based cargo, mainly for Scandinavian primary industries.

Acquisition of Österströms Rederi broadens operations

As part of the focus on developing the business area, the ship owning and logistics company Österströms was acquired in the first half of 2011. Österströms complements the business area through its operations within smaller bulk vessels and integrated logistics services. The acquisition helped to broaden the services on offer to TransAtlantic's customers. The business area has been divided into five divisions because of increased volumes: Bulk, Container, RoRo Baltic, Short Sea Bulk and Integrated Logistics. The work on improving profitability in all divisions has been intense all year and involved rationalising operations, reviewing structures and business plans, and adjusting the fleet. Profitability is not expected before 2013, with gradual improvements in 2012.

Major customers within Scandinavian primary industries

TransAtlantic works with some of the largest players in the timber and steel industries in Finland and Sweden. These customers operate in a global market and set strict requirements concerning time and quality. They have a great need to reduce factors such as lead time and costs so they can be competitive in the international market. TransAtlantic's major customers include. Stora Enso, Svenska Cellulosa Aktiebolag, M-real, Rautaruukki, FNsteel, Sveaskog, SMA, SSAB and Nordkalk. A new 3 year contract was signed in 2011 with Stora Enso to transport paper from Northern Finland to Germany, Sweden and Belgium. The agreement means a new RoRo line will be started between Northern Finland and Antwerp/Zeebrügge, and that TransAtlantic took over both commercial and operational responsibility for Trans Lumi Line, which used to operate the line. New and important contracts were signed with FNsteel and Nordkalk to transport both the raw materials necessary for steel production and the finished steel products.

Flexible fleet

A large proportion of TransAtlantic's vessels are leased, which means that the fleet can quickly be adjusted to the customers' needs and renewed in line with technical developments and new requirements concerning environmentally friendliness. This is combined with a base of owned vessels in order to satisfy a long-term need for modern ice class vessels and the right tonnage for customers. This maintains a high level of competence within areas such as vessel operation, cargo economics and vessel development. With the acquisition of Österströms, bulk vessels have become a large proportion of the total tonnage, but by constantly focusing on optimising fleet utilisation, leased vessels have successively been returned. A substantial amount of work needs to be done to achieve maximum optimisation.

A long-term restructuring process is taking place in all divisions which will result in fewer, but larger and more efficient, vessels. In 2011, two older vessels were sold and five vessels returned after their contracts had ended. At the turn of the year,

FACTS ABOUT THE BUSINESS AREA

- One of Sweden's largest shipping companies
- Head office in Gothenburg and offices in Stockholm, Västerås, Södertälje, Hull, Helsinki, Riga, Tallin, Szczecin, Antwerp, Oxelösund, Västervik and Raahe
- Focus on the Baltic Sea with a leading position in Bottenviken
- Major customers within Scandinavian primary industries
- Five cooperating divisions
- Integrated logistics solutions
- 48 vessels, of which 11 owned
  - 10 RoRo vessels
  - 8 container vessels
  - 30 bulk vessels

ACTIVITIES IN 2011

- Acquisition of Österströms
- Head office moved to Gothenburg
- New contracts with Stora Enso, FNsteel and Nordkalk
- New terminal in Hull, UK
- Winding up of Atlantic traffic and TransSoumi line
- ISO certification of the fleet and company completed

FOCUS FOR 2012

A new management team was put in place early in 2012 that will focus more heavily on solutions our customers need, and the entire business will switch from being vessel-oriented to being customer-oriented. The synergy effects between the various divisions must be utilised to an even greater degree. While continuing to focus on Scandinavian primary industries, the customer base will be expanded to cover customers in other industries who can benefit from the business area's comprehensive solution involving a complete traffic system of line networks and vessels together with land based integrated logistics.

ENTIRE FLEET ENVIRONMENTALLY AND QUALITY CERTIFIED

TransAtlantic is certified pursuant to the ISO 9001 quality management system and the ISO 14001 environmental management system. Environmental certification covers 54 environmental management points for operations both at sea and on land. TransAtlantic focuses intensely on the environment and continuously measures the environmental impact of each voyage.

The photo shows the RoRo vessel "TransPulp" which works in the line traffic between Northern Finland and Sweden and the continent.

TransAtlantic owned 11 vessels out of a total of 48. There is still significant overcapacity in the market and result improvements must come from significantly more efficient operations, customer-oriented services, and a higher utilisation rate for the vessels.

SEK million	2011	2010
Operating income	2,258.9	1,865.2
EBITDA	-35.4	-60.6
Operating result	-219.3	-323.4
Profit before tax	-247.6	-351.6
Total assets	822.1	1,080.5
Book equity	116.3	307.6
No. of employees	442	609
CEO	Henning E. Jensen	Stefan Eliasson

Western Bulk

Western Bulk's flexible business model is based on the fundamental differences between owning a vessel and operating a vessel owned by someone else. These are by their very nature two different activities that require different competence, capital structures and risk profiles. One can combine the two activities and create a vertically integrated vessel owner/operator business, but in a model in which one limits the number of self-owned vessels, the vessels will only be a means of complementing operator activities.

Western Bulk – legal structure

Western Bulk AS
Parent company

Western Bulk Chartering AS
Chartering and trading operations

Western Bulk Shipholding AS
Ship owning operations

History of Kistefos' ownership

Kistefos has owned a stake in Western Bulk AS since we acquired Kværner's 23% shareholding in 1998. In January 2006, Kistefos AS bought out the remaining shareholders and took Western Bulk off the Oslo Stock Exchange. Today, Kistefos AS owns 94.3% of the company with the remaining shares being owned by the company's management.

Business areas

Western Bulk has two business areas: Western Bulk Chartering and Western Bulk Shipholding, and is one of the world's leading operator companies for dry cargoes in the handysize and supramax segments (30,000–60,000 DWT).

Western Bulk Chartering

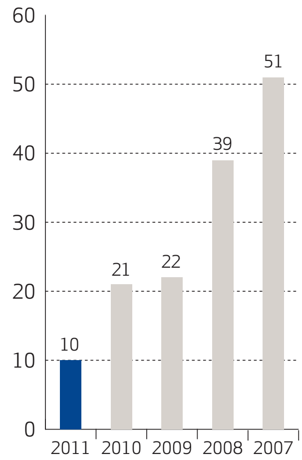
The chartering business consist of seven business units with offices in Oslo, Singapore, Seattle and Santiago de Chile, and controls a substantial fleet of vessels on short, medium and long-term contracts. The company transports a wide-range of products such as coal, minerals, fertilisers, timber products, cement and sugar around the world. Western Bulk has implemented a strategy of expansion in the last few years and operates a fleet that averaged 69 vessels in 2009 and has grown to 103 vessels in 2011. A new 10 year contract of affreightment was signed with Qatalum in 2011. This is an important milestone in the work of building up a long-term activities for both the operations and the ship owning businesses.

Western Bulk Shipholding – ship owning

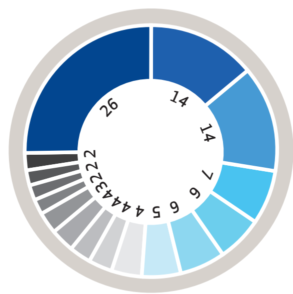
Western Bulk Shipholding was established in 2009 in order to invest in and commercially control vessels in the handysize and supramax segments to ensure access to long-term tonnage and take advantage of opportunities in relation to vessel value developments. The company increased its activities in 2011 by signing three long-term contracts to lease supramax (1) and handysize (2) vessels. The company took delivery of three new builds in 2011, in which Western Bulk owns a 20% stake. Altogether the company has ownership interest in 11 vessels, comprising one leased vessel on a bareboat contract, four part-owned vessels, and six new builds leased on long-term contracts with delivery between 2012 and 2014. The company has achieved almost full contract coverage for the vessels between 2012 and 2013. Two of the vessels will be employed on long-term contracts lasting 10 years and 8 years from the moment they are delivered in 2012 and 2014, respectively.

www.westernbulk.no

PROFIT AFTER TAX
USD million



CARGO TYPES IN 2011
Figures in %



- 26% Other
- 14% Iron ore
- 14% Coal
- 7% Clinker
- 6% Salt
- 6% Sulphide
- 5% Bauxite
- 4% Scrap iron
- 3% Steel plates
- 3% Aluminium
- 3% Sugar
- 3% Copper concentrate
- 2% Wheat
- 2% Timber
- 2% Petcoke
- 2% Steel pipe

CORN
In 2011, Western Bulk carried a total of 0.5 million tons of corn.
This represents 1.5% of the total carried tonnage of 32 million tons.

COAL
In 2011, Western Bulk carried a total of 4.4 million tons of coal.
This represents 14% of the total carried tonnage of 32 million tons

Market trends

The supramax spot market rate was USD 15,611 per day at the start of 2011 and USD 12,368 per day at the end of the year, which represents a 21% reduction over the year. The value of the vessels in the used vessel market started at around USD 30 million for a 5 year old 56,000 DWT supramax and fell by around 20% during the year.

The environment

Maritime transport is the most emissions friendly form of transport for raw materials, but the use of fossil fuels entails emissions of CO2 and NOX from the vessels. Western Bulk focuses on using environmentally friendly vessels that consume the lowest possible amount of fuel per ton of carried raw material, and all the owned and leased vessels comply with international standards and regulations relating to emissions and safety with re-spect to health and the environment.

Market outlook

Despite expected growth in demand, with Chinese imports of raw materials as the most important driver, the market outlook for the dry cargo market is very uncertain for 2012. The first half of the year is expected to be particularly demanding. The delivery of new vessels from a large, current order book for dry cargo new builds is expected to exceed what the anticipated growth in global trade can absorb in the short-term. If the market continues to weaken, a significant downwards adjustment is expected on the supply side through cancellations of new build contracts and the increased scrapping of tonnage built before 1990. This should help to improve the fundamental market outlook over time. We may also see market players struggling financially, and possibly not surviving a continued downturn, which again could present interesting opportunities.

Despite a challenging market, we expect earnings to grow slightly in 2012 compared to 2011 for operator and trading activities. Earnings from ship owning activities are expected to be on a par with 2011 because of the high contract coverage.

Financial performance

The current business model was fully implemented in 2007, and the company's financial results in the period 2007 to 2011 show that good, strong risk management and the rest of the business model provide 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 an operator company, Western Bulk has the ability to manage portfolios and risk well, and focus on result margins and avoiding downside risk through the extensive use of hedging and carefully screening all of its counterparties.

Net freight income fell by 20% in 2011 to USD 592 million. The reduction was mainly due to falling market rates and low volatility. EBITDA decreased by 53% in 2011 to USD 12.1 million, while the operating result fell by 51% to USD 13 million. The result is regarded as satisfactory for a demanding 2011. A loss of USD 16.1 million on two customer contracts from 2003 and 2008 was charged to the above result in 2011.

USD million	2011	2010	2009
Operating income (freight income on a T/C basis)	592.2	739.4	517.7
EBITDA	12.1	25.9	26.6
Operating result	13.0	26.8	25.8
Profit after tax	10.0	20.7	22.3
Total assets	245.3	242.5	207.5
Book equity	85.1	98.6	98.0
No. of employees	95	88	76
Kistefos' ownership interest	94.3%	94.0%	95.0%
CEO	Jens Ismar	Jens Ismar	Jens Ismar

Western Moscow passing under the Golden Gate Bridge in San Francisco, USA.

VIKING SUPPLY SHIPS AS
SHIPOWNERS
www.vikingsupply.com

Viking Supply Ships

Strong position in Arctic offshore.

Viking Supply Ships' substantial expertise in operating in ice and under extreme weather conditions will increase in importance as oil and gas exploration takes off in Arctic waters. 2011 was characterised by a high level of activity in the business area with important strategic acquisitions and new contracts within ice management.

FACTS ABOUT THE BUSINESS AREA

- Head office in Copenhagen with offices in Aberdeen, Gothenburg, Kristiansand and Moscow.
- Around 390 employees, 340 of whom are on the vessels
- One of the few operators with real experience in Arctic offshore
- Long contacts with the Swedish Maritime Administration
  - Ice breaking with new vessels
  - Vessel management for the five Swedish state-owned ice-breakers
- A fleet of 14 owned vessels:
  - Three combined AHTS ice-breakers
  - Four ice class 1 A AHTS vessels
  - One standard AHTS vessel
  - Six non-ice class PSV vessels
- Leading Arctic offshore training programme: Viking ICE Academy

ACTIVITIES IN 2011

- Acquisition of offshore shipping company SBS Marine from Kistefos
- Further two AHTS ice class 1 A vessels delivered by new build programme
- Establishment of new head office in Copenhagen
- Development of new training programmes in the Viking ICE Academy
- Started a 4 year project in the Barents Sea for ENI Norge
- Intensive work with supply and rig movements in the North Sea
- Ice breaking in the Baltic Sea for the Swedish Maritime Administration
- Signed long-term contract for the AHTS ice-breaker Vidar Viking with Sakhalin Energy

FOCUS FOR 2012

Arctic offshore marketing will be intensified and the company's strategy is to achieve long-term employment for the fleet. Available vessels will be put on the North Sea spot market.

Arctic waters becoming more important

A new challenge for oil companies. Besides mastering the difficult ice and weather conditions, it is important to master the logistics. Success will require new investments in not only rigs and vessels, but also in operating methods. Even though few Arctic areas have been explored with regard to hydrocarbons, the countries that control these have offered an increasing number of licences. The USA, Canada, Greenland and Russia have already sold a number of licences and will sell more in 2012. The oil companies that have bought licences have thus taken on significant obligations and investments for Arctic waters. Since in many cases the licences expire in 2016-2017, prospecting must begin no later than 2013-2014 to give the oil companies a chance to explore the licence areas thoroughly.

Good expertise and long experience

Viking Supply Ships' substantial expertise in operating in ice and under extreme weather conditions will increase in importance as oil and gas exploration takes off in Arctic waters. The increasing activity in these areas will create opportunities for multi-year contracts with oil companies and thus balance volatile earnings from the North Sea offshore spot market. Adaptation to customer needs and creativity are, together with a leading position within safety and the environment, vital factors in making progress. In addition to a modern fleet suited to operations in the ice, Viking Supply Ships possesses leading expertise in this area. The officers aboard our AHTS vessels have, on average, more than 10 years' experience in ice breaking and offshore operations. Furthermore, Viking Supply Ships has carried out operations in Arctic waters for customers like Statoil, Exxon, Shell, ENI Norge and Cairn Energy since 2007.

New build programme

Viking Supply Ships has built four ice-reinforced AHTS vessels at the Spanish Astilleros Zamakona yard. The last vessel in the series was delivered in January 2012. The design of the vessels mean they are particularly suited to operations in areas with ice or extreme weather conditions, such as those found in the Barents Sea. The year saw a significant crew recruitment process for the vessels. The new expertise is evenly distributed between Sweden, Denmark and Norway. One of the vessels, Njord Viking, has won a 4 year contract with ENI Norge in the Barents Sea. The contract started at the end of July. The other new builds have primarily been active on the spot market.

SBS Marine

In 2011, VSS acquired the Scottish shipping company SBS Marine. The vessels were well utilised in 2011 with the utilisation rate climbing from 83% in 2010 to 87% in 2011.

SBS Marine delivered a positive operating result of NOK 28.6 million for 2011, an improvement from NOK -19.6 million in 2010.

Freyja Viking moored in Aberdeen.

VIKING SUPPLY SHIPS

SEK million	2011	2010
Operating income	568.5	298.4
EBITDA	164.0	142.6
Operating result	-48.6	65.5
Profit before tax	-126.1	45.5
Total assets	4,664.5	3,158.6
Book equity	1,820.1	1,499.0
No. of employees	391	302
Managing Director	Christian Berg	Stefan Eliasson

SBS MARINE

USD	2011	2010	2009
Fixture rate per day	18,519	16,371	14,809
Utilisation rate (%)	87%	83%	100%
Average day rate	16,087	13,721	14,741

NOK million	2011	2010	2009
Operating income	189.7	175.3	193.6
EBITDA	55.8	3.3	57.4
Operating result	28.6	-19.8	34.8
Profit after tax	10.4	-38.1	18.2
Total assets	536.3	414.8	366.8
Book equity	71.9	48.8	85.2
No. of employees	151	142	136
Kistefos' ownership interest	62.90%	100%	100%
CEO	Nigel Taylor	Nigel Taylor	Mark Derry

Viking Barge

Higher rates and utilisation rate in 2011 than in 2010.

Kistefos AS owns 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.

Viking Barge 3.

FACTS ABOUT VIKING BARGE

- Cargo capacity: 9,700 MT
- Length: 91,440 m
- Beam: 27,432 m
- Draft: 6,096 m
- Deck area: 2,500 m²
- Largest point cargo: 450 MT
- Deck strength: 25 MT/m²

- Ca. Distance sailed in 2011 equal to a voyage around the equator (21,600 nautical miles)
- Total deck area of the barges would cover Ullevål Stadium 2.5 times
- Total ballast capacity would fill up 2,260 standard tank lorries.

2011 was a markedly better year than 2010, despite the after-effects of the financial crisis with fewer offshore related projects than normal. The market recovered earlier than expected and 70% of the year's income was earned in the period March to July. Furthermore, almost half of the year's income was earned outside the traditional offshore market (e.g. windmills, yards, and decommissioning).

In 2011, the geographic operating areas were, as they were in 2010, seasonal with exploration operations in Nigeria, Gabon, Angola and the Mediterranean in the winter, and in the North Sea in the summer season.

Performance in 2011

The barges have been through a comprehensive upgrading process and during the 2011 season a total of 1,250 m of welding seams were repaired, three pump rooms were renovated and four barges were docked. This is the most extensive upgrading process implemented for the barges ever. We expect this to furnish Viking Barge with a competitive advantage in the future.

The supply side in the North Sea grew by three barges (five new barges were delivered while two were sold out of the market).

An improvement is expected in all markets in 2012, with a marked improvement in offshore. We expect this to be reflected in greater utilisation and higher average earnings. With the upgrading of the fleet that was carried out in 2010–2011, Viking Barge is well positioned for 2012.

NOK million	2011	2010	2009
Barges (NOK)			
Fixture rate per day	32,007	37,828	53,664
Utilisation rate (%)	54%	19%	56%
Average day rate	17,225	7,299	29,888

NOK million	2011	2010	2009
Operating income	42.1	18.5	72.5
EBITDA	30.7	7.1	51.6
Operating result	19.5	(3.3)	41.1
Profit after tax	21.9	(1.9)	38.6
Total assets	236.8	220.5	232.5
Book equity	25.0	132.6	134.6
No. of employees	0	0	0
Kistefos' ownership interest	100.0%	100.0%	100.0%
CEO	Rune Klausen	Rolf Skaarberg	Rolf Skaarberg

Opplysningen 1881

vi snakkes!

www.1881.no

Opplysningen 1881's operating result grew by 25% in 2011 compared with 2010, and it achieved an operating result before depreciation of NOK 158 million. This was due to the growth in new services and substantial cost cutting that compensated for a falling markets within its core Voice and SMS services. In 2011, Kistefos became the majority shareholder in Opplysningen 1881 AS.

Kistefos became involved with Opplysningen 1881 through its ownership of Carrot Communications ASA. In the middle of 2007 Carrot was sold to Opplysningen 1881 against a settlement in shares, and Kistefos became the second largest shareholder in 1881 with about 30.4% of the shares.

Intelecom, which Opplysningen 1881 acquired and merged with Carrot Communications in 2009, was spun off from Opplysningen 1881 in the summer of 2010 so it could focus on its core areas. Intelecom was sold to Herkules Capital with the transaction making a substantial profit for the shareholders. As a further step in refining the various business areas, Opplysningen 1881 spun off its internet division at the end of 2010. This company is called Digitale Medier 1881 AS and has the same shareholder structure as Opplysningen 1881 AS.

Business areas

The new services business area comprises Eksperthjelp, Mobilsøk and B2B. Ekspert-hjelp offers expert services via telephone and email via the www.eksperthjelp.no portal. Everyone from doctors, lawyers, IT experts and tradesmen offer their services through this portal which serves as an extension of 1881 and will form part of information services of the future. Eksperthjelp has developed well in the last few years, and in 2011 it accounted for approximately 7% of Opplysningen 1881's turnover and contributed a positive operating profit. The service is expected to become a steadily larger contributor to the company's turnover and result in the future.

Anticipating further falls in volumes, Opplysningen 1881 has in the last couple of years made organisational changes and increased its focus on efficiency. The aim has been to preserve profitability in the company by adjusting the cost base ahead of decreases in volume. The measures 1881 has implemented have succeeded and the company has reduced its costs base significantly, which in 2011 had a positive affect on the operating result.

Performance in 2011

The information service experienced a further reduction in volumes for both Voice and SMS in 2011. Longer calls due to more complicated questions or questions other than about name, number and address have compensated for the fall in volume to some extent. Opplysningen 1881's market share remained unchanged in 2011 at about 70% for Voice and 60% for SMS.

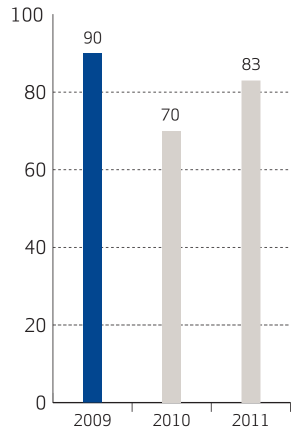
Moreover, the business areas Mobilsøk and B2B accounted for around 8% of Opplysningen 1881's turnover in 2011. The company offers Mobilsøk via an application that automatically displays the name of the person calling, even if the person is not stored in the phone's contact list. The Mobil-søk service experienced strong growth in paying customers in 2011.

Kistefos is represented on the board of directors by Gunnar Jacobsen.

NOK million	2011	2010*	2009*
Operating income	479.8	565.0	573.0
EBITDA	157.6	126.0	149.0
Operating result	129.0	104.0	123.0
Profit after tax	90.0	70.0	82.8
Total assets	325.0	372.0	-
Book equity	115.0	84.0	-
No. of employees	235	309	-
Kistefos' ownership interest	90.5%	30%	30%
CEO	Jan Erik Sørgaard	Jan Erik Sørgaard	Anne Karin Sogn

* proforma figures

PROFIT AFTER TAX
NOK million



« Opplysningen 1881 continues to consolidate its position as one of Norway strongest brands with a market share for directory services via Voice and SMS of between 60–70%.»

www.1881.no

Digitale Medier

2011 was Digitale Medier's first full year as an independent company and it achieved a positive result for the year. During the year, the company strengthened its sales organisation and experienced growth in turnover, despite the restructuring of multiple parts of the organisation. The company was spun off from Opplysningen 1881 at the end of 2010.

Digitale Medier is an extension of Opplysningen 1881's acquisition of the Infomedia house in 2005 and subsequent internet venture. The company sells directory listings and banner advertising on www.1881.no to advertisers and utilises sales companies, telemarketing and its own salespeople in its distribution. The spin off from Opplysningen 1881 was part of the refinement of the various business areas in the group.

The website www.1881.no has grown linearly since its start-up and at times has been the fastest growing website in Norway. It has also proved capable on the product side and has twice been named the best catalogue service by the European Association of Directory Publishers, by the European Association of Directory Publishers, the industry's own European body. The website www.1881.no attracts around 900,000 unique weekly users, which proves that it has produced a good service.

Performance in 2011

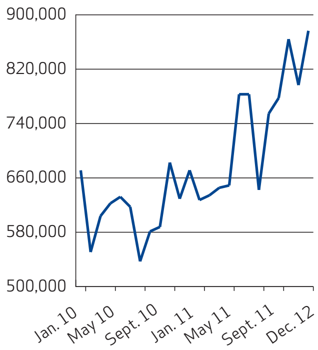
Digitale Medier achieved an operating profit for this first time in 2011. The 2011 EBITDA amounted to NOK 15 million, compared to a negative EBITDA of NOK 7 million in 2010. The increase was due to a higher turnover and costs savings through making the sales organisation more effi-cient, as well as reducing IT costs and staffing in back-office functions.

During 2011, Digitale Medier, experienced turnover growth despite major restructuring. The company has focused on optimising the customer and turnover distribution, which in practice means that the company has changed its sales focus from having a few large customers to a more optimum distribution with more SMB customers. Historically the catalogue industry has procured good cash flows from SMB and this is expected to be the situation in the future as well.

Throughout the year Digitale Medier has thoroughly strengthened the sales organisation, and implemented successful measures which enables the sales organisation to handle more and smaller customers more efficiently.

Kistefos is represented on the board of directors by Gunnar Jacobsen.

UNIQUE WEEKLY USERS OF 1881.no



« In 2011, Digitale Medier increased its number of weekly users from around 650,000 at the start of the year to almost 900,000 at the end of the year.»

NOK million	2011	2010*	2009*
Operating income	183.0	171.0	140.0
EBITDA	15.0	-7.0	-24.0
Operating result	4.0	-22.0	-34.0
Profit after tax	6.0	-14.0	-22.0
Total assets	161.0	158.0	-
Book equity	22.0	28.3	-
No. of employees	123	107	-
Kistefos' ownership interest	90.5%	30%	30%
CEO	Pål Arne Grøttem		

* proforma figures

Advanzia Bank

www.advanzia.com

Advanzia Bank S.A. (Advanzia) is a Luxembourg based bank that offers two products: no fee credit cards to a large number of users in the eurozone – initially in Germany and Luxembourg only – and deposit accounts to a more limited number of EU customers. Advanzia is a virtual bank without branches in which all the communication with customers takes place by mail, fax, via the internet or the bank's customer service telephone helpline.

The bank's primary product is a no fee credit card. Customer capture was good in 2011 and about 77,000 new customers started using the card during the year. The card is sold either directly via the internet or jointly through partners. At the end of 2011, 242,000 credit cards were in active use, an increase of 25% from 2010. Net lending to customers, after provisions for losses, amounted to EUR 306 million, up 37% compared to the end of 2010.

Advanzia also offers deposit accounts with competitive terms. At the end of 2011, Advanzia had 16,000 active deposit accounts with total deposits of EUR 475 million, an increase of 44% compared to 2010.

Performance in 2011

The bank experienced a continued steady increase in income during 2011. Total net income amounted to EUR 47.4 million, an increase of 18% compared to 2010 when net income amounted to EUR 40.3 million.

Advanzia continues to focus on optimising the bank's risk management systems and the loss trends for the credit card debt were positive in 2011. Even though the net lending balance grew by 37% in 2011, the cost of losses fell by 8%. The bank regards a credit loss of 5.5% on card activities as being at a market level after having been relatively high during the bank's start-up phase.

The result after losses and tax for 2011 amounted to EUR 9.1 million, which represents an increase of 44% since 2010. The return on equity in 2011 was 23%, up from 20% in 2010. At the end of 2011, Advanzia had a solid capital adequacy ratio of 15.3%, which is an increase compared with 2010 when it was 13.0%.

Outlook for 2012

The bank is planning to increase sales and marketing activities further in 2012, and at the same time has budgeted for continued good growth in both income and profits. Advanzia has decided to expand into France in 2012 to take better advantage of the bank's scalable systems.

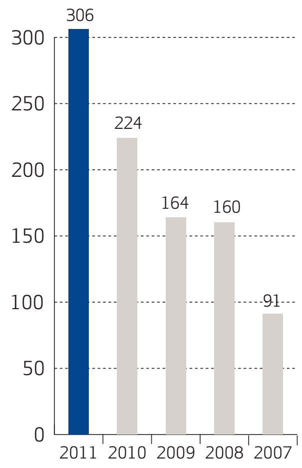
Kistefos is represented on the board of directors by Beatriz Malo de Molina (Chairman) and Christian Holme and Thomas Altenhain (board members).

Key figures	2011	2010	2009
Active credit cards	242,000	194,000	160,000
Net lending to customers	EUR 306 mill.	EUR 224 mill.	EUR 164 mill.
Deposits from customers	EUR 475 mill.	EUR 329 mill.	EUR 257 mill.

EUR million	2011	2010	2009
Net income	47.4	40.3	34.2
Result before losses and tax	28.7	25.6	23.2
Losses on lending and guarantees	-15.9	-17.1	-20.6
Profit after losses and tax	9.1	6.3	2.5
Total assets	523.9	371.8	288.8
Book equity	44.1	35.0	28.6
No. of employees	61	51	50
Kistefos' ownership interest	55.8%	50.6%	50.6%
CEO	Marc E. Hentgen	Marc E. Hentgen	Marc E. Hentgen

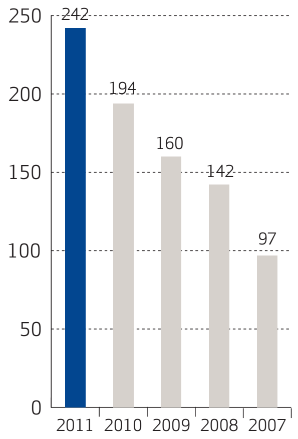
NET LENDING BALANCE

EUR million



ACTIVE CREDIT CARDS

Nos. in 1,000s



LUXEMBOURG

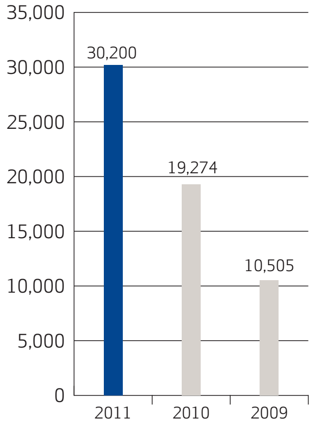
Advanzia's head office is in Luxembourg, one of Europe's financial centres. The quick implementation of EU regulations and a strong financial markets policy and regulatory focus makes Luxembourg an excellent place for Advanzia to be based.

www.phonero.no

Phonero

Phonero increased its turnover by 60% in 2011 compared with 2010 and achieved a positive operating result. Phonero, which was estab-lished in autumn 2008, had NOK 198 million in income in 2011 and 165 employees at the end of the year. In 2011, the company was named the best mobile operator for the corporate market for the second year in a row by the EPSI survey. The company increased its subscriber base by around 50% in 2011 and had more than 30,000 subscribers at the end of the year. Its EBITDA improved from NOK -15 million in 2010 to NOK 5 million in 2011.

NUMBER OF SUBSCRIBERS



«We beat everyone and won in all categories." The ESPI survey is the Norwegian championship for us. We make big promises and, according to the survey, we manage to deliver on them. We topped the poll in 2010 as well, and consolidated our position in 2011 by making significant progress and increasing the gap between competing mobile operators.»

Thore Berthelsen

Kistefos owns 50.5% of Phonero. 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 performs central functions such as product, invoicing and customer support internally. 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 concept is level of service, customer satisfaction and efficient distribution.

Norway's best mobile phone operator

Phonero was named Norway's best mobile network operator in the corporate market for the second year in a row in EPSI's annual survey of Norwegian businesses. Phonero does clearly better than its competitors in all the key areas such as customer satisfaction, customer loyalty, product quality, service quality and value for money. The fact that the company has achieved and sustained this position for two years in a row such a short time after it was started is impressive.

Performance in 2011

2011 was Phonero's third full year of operations, and its EBITDA for 2011 was NOK 5 million, an improvement from NOK -15 million in 2010. 2011 was the first full year with a positive operating result.

Its organic growth since inception in autumn 2008 has been very strong. The company started 2011 with around 20,000 subscri-bers and ended the year with around 30,000 subscribes with linear growth throughout the year. The company's growth means that it is now better positioned to transi-tion into segments where the businesses have more employees. This will challenge the organisation at all levels and especially motivate the sales organisation, in addition to it representing an opportunity for further development for the company.

At the end of the year, Phonero had 165 employees in offices in Kristiansand, Trondheim, Oslo, Bergen and Stavanger. During the first half of 2012, Phonero has opened two regional offices in Tromsø and Molde, respectively.

Kistefos is represented on the board of directors by Gunnar Jacobsen.

NOK million	2011	2010	2009
Operating income	197.6	119.1	41.9
EBITDA	5.1	-14.5	-20.7
Operating result	0.6	-16.0	-19.6
Profit after tax	-1.6	-13.1	-12.3
Total assets	83.4	71.9	32.7
Book equity	20.3	20.6	11.3
No. of employees	165	120	20
Kistefos' ownership interest	50.5%	50.5%	49.4%
CEO	Thore Berthelsen	Thore Berthelsen	Thore Berthelsen

Atex Group

www.atex.com

Atex is a leading software supplier to the media industry and the largest company in the world within this market. Its head office is in the UK. The company's most important products are systems for editorial content, advertising and distribution.

In recent years the market has undergone large upheavals stemming from the need to develop functionality that ensures the media industry's traditional systems can communicate across several media channels, from paper and websites to social media and mobile phones. Atex has now devel-oped these solutions, 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.

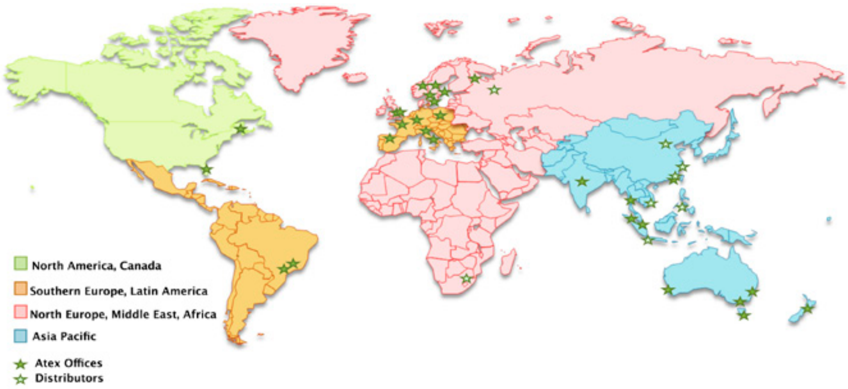
The major changes in product requirements from the market also resulted in a need for restructuring in Atex. The company, with its broad product platform and global distribution, is a result of four large mergers and acquisitions over the last eight years. 2011 was a year of restructuring for Atex and substantial improvements have been made to the company's product portfolio and sales capacity. This effort has produced an increase of 16% of orders compared to 2010.

The focus in 2012 will remain on the product portfolio, new client verticals, the marketing and sales organisation, and growth. Given the market-driven trend of software as a service, Atex will continue to streamline its products, services and organisation in the coming year.

In 2011, Kistefos was represented on Atex's board of directors by Åge Korsvold (Chairman) and Beatriz Malo de Molina.

Atex's stand at a trade fair.

ATEX GLOBAL OFFICES



Atex is represented by offices around the world.

USD million	2011	2010	2009
Operating income	107.7	94.9	97.2
EBITDA	31.5	28.2	23.7
Total assets	172.4	172.4	198.8
Book equity	39.7	16.5	40.5
No. of employees	502	494	532
Kistefos' ownership interest	75.1%	66.2%	66.4%
CEO	Jim Rose	Jim Rose	John Hawkins

Bergmoen

Bergmoen is a central player in the development of property projects linked to Gardermoen Business Park, located between the E6 and Oslo Airport, Gardermoen. Its immediate proximity to Oslo Airport and the capital make the business park and Gardermoen region one of Norway's most attractive growth regions.

Bergmoen controls a 1,000 decares building plot here and is going to develop around 800,000 square metres of business building.
The area development plan was passed in 2011. Bergmoen has already signed a contract with Coop Norge Handel AS on establishing a new main warehouse for Eastern Norway on a 150,000 square metre plot. Building is already well underway on the first phase of 50,000 square metres and the warehouse is expected to be in full operation during 2015.

Work has now started on the development of individual projects within the business park which will offer modern buildings with good communications and road systems integrated with green structures. The business park development work is aimed at a wide range of possible industries, especially industries in which good communication is vital for a company.

These include:
- Industry centres
- Office premises
- Combination premises (combination of warehouse/workshop and office)
- Warehouse and logistics

Bergmoen has been active in the market since January 2012. In 2011, a new management team was installed in Bergmoen AS headed by Rolf Hansteen. The operating organisation now consists of, in addition to Hansteen, people with long experience in the real estate industry with a main focus on project and market experience.

Possible future overview photo of the Bergmoen area.

Infront

In 2011, Infront focused on expansion in Europe while consolidating its leading position in Scandinavia. The company experienced a high level of activity throughout the year and saw the number of terminals grow by more than 10%. The profit after tax was NOK 31 million in 2011 compared to NOK 25 million in 2010.

Kistefos AS made its first investment in Infront in 2000 and increased its stake further in 2007. At present Kistefos owns about 27.7% of the shares in Infront. The other principal shareholders are the company's founders and management.

Infront is Scandinavia's leading company within the development and sale of real-time solutions for information about, and trading in, shares and other financial instruments. Its core product. 'The Online Trader', is the market leader in Scandinavia. The number of terminals in place grew by more than 10% in 2011.

'The Online Trader' is delivered as a pure information terminal and as an integrated information and trading system. Leading banks and financial institutions use Infront's solutions internally and as advanced internet-based information and trading system for their customers.

In 2008, Infront acquired the Swedish company Nyhetsbyrån Direkt AB, which is Scandinavia's leading player in consensus estimates, and the acquisition has resulted in increased sales of 'The Online Trader' in subsequent years. The result margin was affected by this in 2010 because of lower margins for Nyhetsbyrån Direkt's products and goodwill amortisation related to the acquisition. In 2011, Infront choose to sell the Danish part of Nyhetsbyrån Direkt at a profit.

Performance in 2011

As in prior years, Infront in 2011 has continued to strengthen its position in the domestic market in parallel with developing its international ambitions. However, a difficult market and challenging times for the banking and financial sector have lowered expectations for 2012 and the market is expected to remain challenging and growth limited. Despite this, a decision has been taken to focus more on international expansion, which will affect margins in the short-term and medium-term. Infront has seen that the company's product platform is in demand and is being considered in many more situations than before. The company is expected to benefit from this expansion when the markets recover.

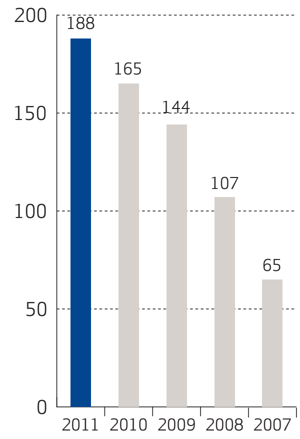
Kistefos is represented on the board of directors by Åge Korsvold (Chairman) and Gunnar Jacobsen (board member).

NOK million	2011	2010	2009
Operating income	187.9	164.6	144.3
EBITDA	43.9	27.6	29.2
Operating result	38.6	22.0	24.6
Profit after tax	31.0	25.0	25.2
Total assets	92.4	94.1	103.9
Book equity	13.8	10.9	9.6
No. of employees	87	87	75
Kistefos' ownership interest	27.0%	27.0%	27.0%
CEO	Kristian Nesbak	Kristian Nesbak	Kristian Nesbak

www.infront.no

OPERATING REVENUE

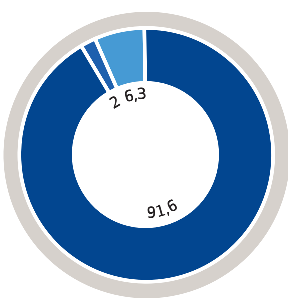
NOK million



QUESTIONNAIRE SURVEY

In a questionnaire survey of Infront's customers throughout Europe, more than 91% of customers responded that they would recommend the Infront terminal to others.

Figures in %



- 91.6% Yes
- 2.0% No
- 6.3% Do not know

www.ya.no

yA Bank

yA Holding ASA is the parent company of a group with two business areas: yA Bank and MetaTech. The group offers financial services to private individuals in Norway. The group wants to challenge the traditional way of buying and using financial services through the use of modern technology. At year-end 2011, Kistefos owned 24.4% of the shares in the company.

yA Holding – legal structure

yA Holding ASA

yA Bank AS	MetaTech AS
100%	100%

yA Bank is a Norwegian online bank with licences issued by the Norwegian authorities and is subject to Norwegian supervision. yA Bank is also a member of the Norwegian deposit guarantee scheme, which means that customers are covered by the deposit guarantees that apply to Norwegian banks. The bank has no branches and communicates with its customers via the bank's website, the telephone, agents and partners. yA Bank offers products such as consumer loans, credit cards, debit cards, deposit accounts and payment services.

MetaTech is a Norwegian technology company who supplies bank systems to banks and employee purchasing offices, including systems for managing yA Bank's credit cards and loans. yA Bank is responsible for around 50% of MetaTech's turnover.

Outlook for 2012

In 2012, yA Bank will continue to focus on growing the bank's lending portfolio, especially within the credit card and consumer loan segments. The bank is receiving a large number of new loan applications and expects a large number of new customers in 2012 as well. However, lending in 2012 will continue to be subject to the bank's strict credit rating, which will limit the scope for growth.

Performance in 2011

yA Holding reported a good increase in 2011. Its total net income was NOK 122.4 million, and the profit before losses and tax amounted to NOK 54.3 million in 2011.

At year-end 2011, yA Banks capital adequacy ratio was solid at 16.7%, which significantly exceeds Finanstilsynet's requirement of 10.0%. The bank is thus well capitalised and equipped to finance further growth.

yA Holding expects growth in both income and the result in 2012.

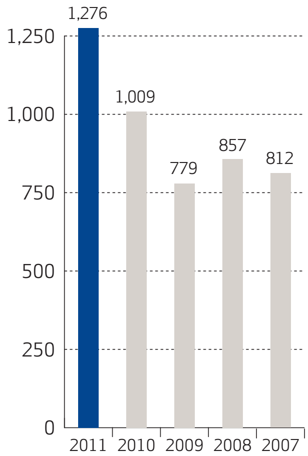
Kistefos is represented on the board of directors by Beatriz Malo de Molina (Chairman) and Christian Holme and Thomas Altenhain (board members).

Key figures (NOK million)	2011	2010	2009
Net lending to customers	1,276	1,009	779
Deposits from customers	1,654	1,162	1,110

NOK million	2011	2010	2009
Net income	122.4	92.2	80.2
Result before losses and tax	54.3	48.8	27.7
Losses on lending and write-downs	-21.3	-14.4	-30.0
Profit after losses and tax	22.4	24.8	-1.8
Total assets	1,930.6	1,420.3	1,335.7
Book equity	261.0	240.4	215.7
No. of full time equivalents	47.8	45.5	43.0
Kistefos' ownership interest	24.4%	0%	0%
CEO	Svein Lindbak	Svein Lindbak	Svein Lindbak

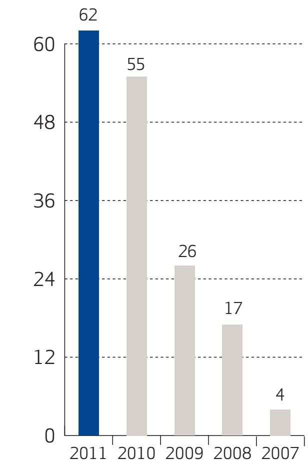
NET LENDING BALANCE

NOK million



ACTIVE CUSTOMERS

Nos. in 1,000s



yA HOLDING

yA Holding is listed on the Norwegian Securities Dealers Association's OTC list with the ticker YAHO. At year-end 2011, the company's market value was around NOK 250 million.

NORGESMESTER I BANK NM

yA Bank was named the Norwegian champion in the banking championship for the sixth year in a row in 2011 in the category 'Best Salary Account'.

Springfondet

Springfondet consists of two funds. Springfondet I was established in 2006 with total assets of NOK 60 million and is owned 50/50 by Oslo Innovation Center and Kistefos. Springfondet II was established in summer 2011 with total assets of NOK 100 million and is owned 70/30 by Kistefos and Oslo Innovation Center. Springfondet's focus throughout 2011 has been on assessing new projects and following up and developing existing portfolios.

Purpose

Springfondet is often the first professional investor in companies and invests start up and follow up capital early in the enterprise's life cycle, typically in companies or projects that have a good business model, new technology and large international potential.

Performance in 2011

As far as the portfolio companies are concerned, it should be mentioned that Kappa BioScience has successfully introduced its product into the market in the USA with climbing sales throughout the year. In Europe it continued to work on gaining regulatory approval. This was gained in March 2012. This approval will substantially expand Kappa's addressable market. Promon showed good progress throughout the year. The company now delivers more standardised products, which simplifies the sales processes. Promon started 2012 with a number of customers in public administration and private business in Norway and Germany. Springfondet's shares in OstomyCure AS were sold to Kistefos during the year. Protia's development was affected by the necessary testing having taken longer than expected, meaning the company is behind schedule.

Springfondet II

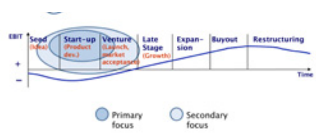
The establishment of Springfondet II in June 2011 has resulted in a greater focus on the flow of new projects. In November, the fund made its first new investment in the company Reactive Metal Particles AS. RMP has developed a new production process for metallic nano particles and will first focus on applications within the coating segment in the paint industry. Several follow-up investments were also made in the year, primarily in the companies Promon, Protia and Kappa.

Springfondet is headed by Man. Dir. Johan Gjesdahl and Bente Loe. Its board of directors consists of Karl-Christian Agerup (Chairman) and Alexander Woxen, Beatriz Malo de Molina and Henning Jensen, the latter two being representatives of Kistefos.

Company	Market	Ownership interest
BMI AS	Investment company/incubator for start ups within biomedicine	9.5%
enCap AS	Software for authentication and security solutions for mobile phones	7.3%
iDTEQ AS	Intrusion detectors based on ultrasound	14.4%
Kappa Bioscience AS	Vitamin K2, supplement for bone and cardiovascular health	31.0%
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%
Reactive Metal Particles AS	New production process for metallic nano particles	22.5%
SearchDaimon AS	Software for searching large amounts of data	9.8%
Setred AS	3D screens which do not require the user to wear glasses	10.0%
XT Software AS	Software/app for composing music	47.9%

Oslo Innovation Center and Kistefos own 50% of the Springfondet I each. The ownership of Springfondet II is split 30%/70%, respectively.

INVEST FOCUS



Springfondet invests in early stage companies, primarily in the Eastern Norway region, with a focus on IT, communication and industrial technology.

Alliance Venture Polaris' management team:
From the left: Erling Maartman-Moe, Jan-Erik Hareid, Arne Tonning and Bjørn Christensen.

Alliance Venture Polaris

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

Alliance Venture Polaris AS is an investment company focusing on early phase growth companies in Norway with the intent to create returns for the 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 about NOK 172 million in private capital. 70% of the capital was paid in at the end of the year. In addition, Innovation Norway is contributing a subordinated loan with a limit of about NOK 167 million, meaning the fund will have total assets of about NOK 339 million. The fund invests in early stage technology companies focusing on ICT and will actively contribute to developing the companies interna-tionally.

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

Kistefos owns 17.4% of Alliance Venture Polaris, and is thus its largest shareholder.

Company	Market	Ownership interest
3D Perception	Advanced projection systems for aircraft simulators and control rooms etc.	35.90%
bMenu	Software for automatically generating websites for mobile telephones	44.10%
Encap	Software for authentication and security solutions for mobile phones	55.50%
Integraso	Software for product monitoring and social media analysis	43.10%
MemfoACT	Carbon membrane for separating biogases	11.30%
Never.no	Software for interaction and integration of social media in TV and screen-based advertising	27.00%
Novelda	High precision, short range radar integrated on a microchip	35.10%
Optosense	Sensor for detection of gases in ventilation systems, etc.	28.70%
Pageplanner	Software for publishing magazines on paper, the internet, iPads and mobile phones	61.00%
Phonofile	Digital aggregator and distributor of music	26.00%
Ping Communications	Integrated receivers ('home system'») for the internet, telephones, TV, etc.	43.50%
poLight	Auto focus lenses and camera for mobile telephones	18.80%

Kistefos Public Service Fellowship Fund

Kistefos has awarded the Kistefos Public Service Fellowship Fund scholarship since 2007. The fund was established to support Norwegian students in their pursuit of masters' degrees in public administration at the Harvard Kennedy School, USA.

From the left: Jan Rottingen, Rasmus Myklebust and Paul Bekken have been awarded Kistefos scholarships and are currently following the programme at Harvard Kennedy School.

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

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

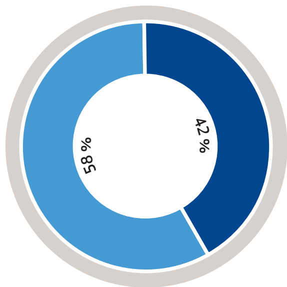
Norwegian candidates who are awarded university places at the Harvard Kennedy School are also eligible for the Kistefos scholarship. Previous and future graduates of Oslo Handelsgymnasium are particularly encouraged to apply and will be preferred if candidates are otherwise equally qualified.

The scholarship was awarded for the fifth time in spring 2011 and went to three Norwegian students: Rasmus Myklebust received a scholarship for the second year in a row so he could complete his Master's in Public Administration. Paul Bekken and John Rottingen also received scholarships; both will take a mid-career programme.

HARVARD UNIVERSITY
JOHN F. KENNEDY SCHOOL OF GOVERNMENT

STUDENTS AT HARVARD

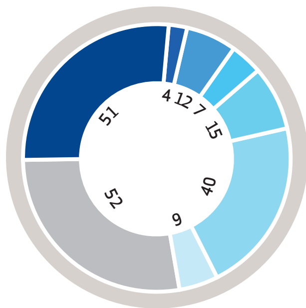
1,015 full time student from 93 different countries.



- 42% International
  Students from 92 countries
- 58% USA

THE FACULTY

Figures in %



- 51% Tenured professor
- 4% Emeritus professors
- 12% Public service professors
- 7% Associate professors
- 15% Assistant professors
- 40% Lecturers and senior lecturers
- 9% Visitors
- 52% Part-time adjunct faculty

www.kistefos.museum.no

The artists Marc Quinn, Minster of Culture Anniken Huitfeldt and Christen Sveaas.

Christen Sveaas, the British Ambassador Jane Owen and her family. In the background: Erik Wahlstrøm, auctioneer Poltimore and Christen Sveaas.

Marc Quinn: IRIS (We Share Our Chemistry with the Stars), 2010.

Marc Quinn: On the Separation of Body and Soul (Skeleton Coast Namibia), 2010.

Marc Quinn: Matter into light: Every Atom in us is as old as the Universe, 2011.

The Kistefos Museum

The Kistefos Museum Foundation is just an hour's drive northwest of Oslo in an idyllic setting framed by the Randselva River. The purpose of the foundation is to operate the museum and conduct research into the industrial activities of A/S Kistefos Træsliberi. The museum grounds are also home to one of Europe's largest contemporary sculpture parks and modern exhibition premises which arrange annual art exhibitions.

Kistefos AS is the principal sponsor of the Kistefos Museum and contributed NOK 6.2 million in 2011. All of its supporters are crucial to the museum's ability to develop and attract new visitors. Other contributors to the museum's operation were the foundation UNI, the municipality of Jevnaker, and Sparebank 1's Jevnaker Lunner and Ringerike branches. The Kistefos Museum is one of ten protected technical-industrial cultural heritage sites in Norway, and in 2011 the Directorate for Cultural Heritage contributed a grant of about NOK 3.6 million for the restoration and comprehensive renovation of the current buildings.
The museum also received grants for management, operation and maintenance worth NOK 992,000.

The 2011 season attracted a total of 21,059 (22,034) registered visitors, 5,514 (5,545) of whom were paying guests. The 2011 season was two weeks shorter than the 2010 season. The museum stayed closed for a week from and including Saturday 23 July due to the tragic events in Oslo and on the island of Utøya. It took many weeks before the museum's visitor numbers normalised.

The Minister of Culture, Anniken Huitfeldt, performed the official season opening, while Lady Georgia Byng unveiled the year's contribution to the sculpture park, 'All of Nature Flows Through Us' (2011) by Marc Quinn. Marit Gillespie of Galleri Brandstrup introduced the year's main exhibition of Marc Quinn's other sculptures and paintings in the Art Hall. An art auction,'Just Around the Corner' was also held on opening day by the Voss Foundation. This was very successful and the proceeds of the auction, which raised no less than NOK 4.2 million, went to the Voss Foundation and Milgis Trust and their work on improving access to clean water in Kenya.

The year's exhibition was entitled 'All of Nature Flows Through Us'. It was a one-man exhibition of the work of the British artist Marc Quinn. It presented some of Marc Quinn's newest works. The exhibition was a collaboration between the Kistefos Museum, Galleri Brandstrup and the London-based White Cube gallery. It was the first time that Quinn, one of Britain's most inter-nationally acclaimed artists, had held a one-man exhibition in Scandinavia.

The exhibition in the Art Hall explored the ever-relevant theme of our existence in a larger perspective and human mortality. Identity was also an important keyword in this exhibition, which featured both new sculptures and paintings. Quinn was also responsible for the 2011 season's new sculpture at the Kistefos Museum. The work is entitled, like the exhibition, 'All of Nature Flows Through Us' (2011), and was installed in the river out-side the Art Hall. The sculpture is in bronze and is about 10 metres in diameter.

The 2012 season will last until 5 October. This year the Kistefos Museum will have the pleasure of presenting a unique one-man exhibition by the acclaimed Chinese contemporary artist Ai Weiwei (1957). This year's exhibition at the Kistefos Museum will be the first time Ai Weiwei has presented his works in Norway.

PROFIT AND LOSS STATEMENT

For the period 1 January — 31 December

PARENT COMPANY				GROUP	
2010	2011	(Amounts in NOK 1,000)	Note	2011	2010
		OPERATING INCOME			
0	0	Freight revenue ships and barges	1	8,512,419	7,450,814
0	0	Gain on sale of fixed assets	1	14,177	354
0	0	Other operating income	1	550,549	454,482
0	**0**	**Total operating income**	**1, 12**	**9,077,145**	**7,905,650**
		OPERATING COSTS			
		Cost of goods		98,883	0
39,007	47,644	Wages and salaries	3	510,883	297,568
0	0	Operating expenses ships and barges		7,716,437	6,828,350
0	0	Operating expenses real estate		3,863	2,783
422	175	Depreciations on fixed and intangible assets	4	398,362	157,365
34,809	29,683	Other operating expenses		461,350	128,079
74,239	**77,502**	**Total operating expenses**		**9,189,778**	**7,414,145**
(74,239)	**(77,502)**	**OPERATING RESULT**		**(112,633)**	**491,505**
		FINANCIAL INCOME AND EXPENSES			
662,171	(14,469)	Income on investments in subsidiaries and associated companies	5	(13,419)	(1,910)
33,564	27,187	Interest received from companies within the group		0	0
9,564	11,089	Other interest received		18,651	16,076
183,272	(129,438)	Net gains (losses) shares and other financial instruments		(133,663)	231,099
736	14,852	Other financial income	2	44,481	89,880
(430,325)	0	Change in value of shares and other financial instruments (unrealized)		(25,307)	(434,604)
(89,128)	(83,839)	Interest expenses to group companies		0	0
(54,341)	(82,957)	Other interest expenses		(198,538)	(90,483)
(2,188)	(19,776)	Other financial expenses	2	(82,596)	(39,885)
313,330	**(277,352)**	**Net financial income/(expenses)**		**(390,391)**	**(229,827)**
239,091	**(354,854)**	**Result before tax**		**(503,024)**	**261,678**
(6,455)	61,507	Taxes	7	58,833	(27,844)
232,637	**(293,347)**	**NET INCOME**		**(444,190)**	**233,834**
		Minority share of net income for the period		(150,767)	1,197
		Majority share of net income for the period		(293,423)	232,637

BALANCE SHEET

Per 31 December

PARENT COMPANY				GROUP	
2010	2011	(Amounts in NOK 1,000)	Note	2011	2010
		ASSETS			
		FIXED ASSETS			
0	0	Deferred tax asset	7	82,873	10,409
0	0	Goodwill (badwill)	4	(188,917)	(44,839)
0	0	Other intangible assets	4	668,458	8,771
0	**0**	**Total intangible assets**		**562,414**	**(25,658)**
0	0	Real estate		493,613	483,104
0	0	Ships, PSV and AHTS		3,612,099	2,913,812
0	0	Ships, Industrial shipping		404,824	704,878
0	0	Ships, Bulk carriers		142,746	367,231
	0	Barges		59,914	58,703
2,551	2,868	Operating equipment, FF&E, machines etc.		59,319	46,642
2,551	**2,868**	**Total tangible fixed assets**	4	**4,772,515**	**4,574,370**
3,788,614	3,224,336	Investments in subsidiaries	5	0	0
655,609	405,828	Loans to group companies		0	0
0	0	Investments in associated companies		58,878	29,481
0	0	Restricted bank deposits		67,798	326,526
69,604	58,614	Other long term receivables		80,652	79,528
4,513,827	**3,688 778**	**Total financial fixed assets**		**207,328**	**435,535**
4,516,378	**3,691 646**	**Total fixed assets**		**5,542,257**	**4,984,247**
		CURRENT ASSETS			
0	0	Inventory		29,258	2,106
7,450	4,126	Accounts receivable		638,553	489,118
0	268,312	Receivables from group companies		0	0
53,410	50,329	Other receivables		675,686	652,648
60,860	**322,768**	**Total inventory and receivables**		**1,343,498**	**1,143,873**
550,133	558,407	Shares and other financial instruments	6	1,313,145	1,103,840
109,590	123,624	Bank deposits and cash	9	1,163,769	883,992
720,584	**1,004,799**	**Total current assets**		**3,820,412**	**3,131,704**
5,236,962	**4,696,445**	**TOTAL ASSETS**		**9,362,669**	**8,115,952**

BALANCE SHEET

Per 31 December

PARENT COMPANY				GROUP	
2010	**2011**	(Amounts in NOK 1,000)	**Note**	**2011**	**2010**
		EQUITY AND LIABILITIES			
		EQUITY			
		Restricted equity			
310,828	310,828	Share capital		310,828	310,828
		Retained earnings			
235,410	0	Fund for valuation differences		0	0
1,069,267	1,055,409	Other equity		1,055,332	1,304,673
		Minority Interest		**1,033,113**	**1,278,292**
1,615,505	**1,366 237**	**Total equity**	8	**2,399,273**	**2,893,793**
		LIABILITIES			
28,515	21,630	Deferred tax	7	210,928	109,838
1,268,512	1,526,635	Liabilities to financial institutions	9	4,750,096	3,767,443
1,824,393	1,674,286	Liabilities to group companies		32,755	0
63,102	12,504	Other long-term liabilities		123,870	146,140
3,184,522	**3,235,055**	**Total long-term liabilities**		**5,117,649**	**4,023,421**
		SHORT-TERM DEBT			
0	0	Liabilities to financial institutions		138,582	0
655	1,596	Trade creditors		408,108	226,663
0	0	Tax payable	7	51,939	16,154
1,615	6,744	Government taxes, holiday pay, tax deductions		32,720	38,173
410,588	76,014	Liabilities to group companies		53,492	165,787
24,076	10,799	Other short-term liabilities		1,160,906	751,961
436,935	**95,153**	**Total short-term liabilities**		**1,845,746**	**1,198,738**
3,621,457	**3,330,209**	**Total liabilities**		**6,963,396**	**5,222,159**
5,236,962	**4,696,445**	**TOTAL EQUITY AND LIABILITIES**		**9,362,669**	**8,115,952**

Oslo, 18 June 2012
The Board of Kistefos AS

Christen Sveaas
Chairman of the Board

Tom Ruud
Board member

Erik Wahlstrøm
Board member

Christian
H. Thommessen
Board member

Martin Reimers
Board member

Henning E. Jensen
CEO

CASH FLOW STATEMENT

Per 31 December

PARENT COMPANY			GROUP	
2010	2011	(Amounts in NOK 1,000)	2011	2010
		CASH FLOW FROM OPERATING ACTIVITIES		
239,091	(354,854)	Profit before taxes	(503,023)	261,678
0	0	Tax (paid)/repaid during the period	16,154	69,428
422	175	Depreciation and amortisation	398,362	157,365
0	0	Gain on disposal of fixed assets	(14,177)	(440,289)
(183,272)	129,438	Net gain/loss on sale of shares and other financial instruments	133,663	(231,099)
(7,450)	3,324	Changes in accounts receivable	(149,435)	(149,133)
388	941	Changes in trade creditors	181,445	40,374
(622,171)	14,468	Income using the equity method	13,419	0
430,325	(14,274)	Change in value of shares and other financial instruments	25,307	434,604
33,922	7,308	Change in other receivables and other liabilities	345,653	104,298
(148,745)	**(213,474)**	**A= Net cash flow from operating activities**	**447,368**	**247,226**
		CASH FLOW FROM INVESTMENT ACTIVITIES		
(236)	(493)	Reduction/(increase) in operating equipment, FF&E, machinery etc.	(38,982)	(14,700)
0	0	Reduction/(increase) in ships	(352,298)	(305,313)
0	0	Reduction/(increase) in intangible assets	(659,687)	0
0	0	Reduction/(increase) in buildings, land and other real estate	(12,362)	(21,303)
(139,724)	(126,826)	Reduction/(increase) in investments in/associated companies	(28,175)	(32,342)
114,645	(46,700)	Reduction/(increase) in shares and other financial instruments	(126,151)	262,079
0	0	Changes in restricted bank deposits	(234,612)	(155,671)
(68,473)	10,990	Changes in other long-term receivables	258,728	(17,872)
0	0	Cash in acquired and disposed subsidiaries/associated companies	(1,124)	214,621
360,925	276,967	Increase (reduction) in receivables from group companies	0	0
267,137	**113,938**	**B=Net cash flow from investment activities**	**(1,194,663)**	**(70,501)**
		CASH FLOW FROM FINANCIAL ACTIVITIES		
0	0	Deposits from minority	0	30,438
(193,624)	258,123	Increase/(reduction) in liabilities to financial institutions	1,141,258	(121,947)
(15,254)	(134,280)	Increase/(reduction) in liabilities to group companies	0	0
(3,488)	2,103	Increase/(reduction) of other long-term liabilities	(22,270)	80,752
0	0	Increase/(reduction) in liabilities to group companies	(79,540)	115,859
(242,990)	(12,376)	Distribution of dividends/group contribution	(12,376)	(254,541)
(6,520)	0	Changes in subordinated loans	0	(6,520)
(56,409)	**113,570**	**C = Net cash flow from financial activities**	**1,027,072**	**(155,959)**
		OTHER CHANGES		
100	0	Other changes, policy changes and currency effects	0	0
100	**0**	**D = Net other changes**	**0**	**0**
(343,384)	14,034	A+B+C+D = Net changes in bank deposits and cash	279,777	20,766
452,974	109,590	Bank deposits and cash as per 1 January	883,992	863,226
109,590	**123,624**	**Bank deposits and cash as per 31 December**	**1,163,769**	**883,992**

ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the Accounting Act and generally accepted accounting principles in Norway.

Principles of consolidation

The consolidated accounts include the parent company Kistefos AS and operations where the company has a controlling interest, directly or indirectly, regardless of company structure. The consolidated financial statements are prepared in accordance with uniform principles for the entire group. Internal transactions, profits, assets and liabilities are eliminated. The cost price for shares and interests in subsidiaries is eliminated in the consolidated financial statements against equity in the subsidiary at the time of establishment or acquisition (the acquisition method). Added value is distributed on the assets to which they refer and are amortized over the assets' expected lifespan. Added value which cannot be attributed to tangible or intangible assets are classified as goodwill and amortized.

When consolidating foreign subsidiaries, balance sheet items are translated at the balance sheet date. Income statement items are translated at average rate for the year. The translation difference is recognized directly in group equity.

Subsidiaries, associated companies and joint ventures

Subsidiaries are included in the parent company using the equity method. The equity method means that the value of the investment in the balance sheet corresponds to the company's share of the carrying equity, adjusted for the remaining added values. At the time of purchase, the investment is valued at acquisition cost. The share of profits minus dividends is added to the investment in the balance. When calculating the share of profits, added/less value at the time of purchase and internal profits are taken into consideration.

The equity method is used for associated companies. Associated companies are companies where Kistefos AS has a considerable, but not controlling interest.

Investments in companies in which the participants according to agreement exercise joint control, are incorporated using the proportionate method. According to the proportionate method, assets, liabilities, income and expenses are included in the company's percentage ownership interest. Added/less value at the time of purchase as well as internal profits are also taken into consideration.

Minority interests are recognised as separate items in the income statement and balance sheet. Minority share of profits is calculated by the subsidiary's income after taxes. In the balance sheet the minority interest is calculated as a share of the subsidiary's equity for intragroup eliminations.

Evaluation and classification of assets and liabilities

Assets meant for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables to be repaid within a year is classified as current assets. Classification of short-term and long-term debt is based on analogue criteria. Current assets are valued at the lower of estimated fair value and cost. The first year's instalment of long-term debt is included in long-term debt.

Financial instruments

The accounting treatment of financial instruments follows the intention behind the conclusion of the agreements. Upon conclusion the agreement is defined either as hedging or as trading.

Assets and liabilities in foreign currency

Balance sheet items in foreign currency not hedged against changes in exchange rate are valued at the balance sheet rate. Balance sheet items in foreign currency hedged against exchange rate fluctuations with financial instruments are valued at the hedged rate.

Intangible assets

Intangible assets are capitalized to the extent that the criteria for capitalization are met. Goodwill (badwill) are not attributable added values (less values) from acquisitions, and are depreciated (recorded) over 5 years.

Intangible assets consist among other things of capitalized sales costs depreciated over the financial lifespan of the sales contracts, administrative support systems depreciated over two to five years, as well as brand names and licenses.

Internally developed operational systems

Expenses for maintenance of internally developed operational systems are recorded as they are incurred. Development costs directly attributable to design and testing of an identifiable and unique operational system controlled by the group, is recorded as an intangible asset when the following criteria are met:

- it is technically possible to finalize the system so that it will be available for use;
- the management intends to finalize the system and use it;
- it is possible to use the system;
- it can be demonstrated how the system will generate likely future financial advantages;
- sufficient technical, financial or other resources are available to finalize and make use of the operational system; and the expenses can be measured in a reliable way.

Directly attributable expenses recorded as part of internally developed operational systems include compensations to employees who develop the system and a proportionate share of relevant overheads.

Other development costs not meeting these criteria are recorded as they are incurred. Development costs which are recorded as costs cannot be capitalized as assets on the balance sheet in later periods.

Capitalized in-house developed operating systems are depreciated linearly over the expected useable lifespan (five years maximum).

External sales costs

When a company in the group pays commission to external sales companies selling contracts related to profiling/«listing» on the group's portal; "1881.no" on behalf of the company. A customer will usually sign a 12 month contract. The commission cost can be expected to be earned within the original contract period, and the commission is specific to the contract. The company capitalizes the external sales cost as this cost meets the definition and the recognition criteria for an intangible asset. Through the contract the company has acquired an identifiable economic advantage — more specifically the contracted net cash flow from the customer — and has a legal contractual right to receive this cash flow. It is also highly probable that the economic advantages of the contract will accrue to the company, and the external sales cost is directly linked to the contract with the customer. The asset is capitalized at acquisition cost, which corresponds to the commission to which the sales company is entitled, and the cost is thus considered to meet the criterion of reliable measurement. The definition of an identifiable intangible asset is met. The asset (external sales cost) is amortized over the lifespan over the contract period.

Fixed assets

Fixed assets are recorded on the balance sheet at acquisition costs minus accumulated financial depreciations. The depreciations are linear and are set on the basis of an evaluation of each asset's remaining economic life. Furnishings of leased premises are depreciated over the lease period.

Depreciation of fixed assets

In cases where the recoverable amount (highest of use value and sales value) of fixed assets is lower than the recorded value, the item is depreciated to the recoverable amount. The depreciation is reversed if the basis for the depreciation is no longer present.

New-builds

Shipyard instalmets for new-builds are recorded as fixed assets as payments take place. New ships are recorded on the balance sheet when the ship is delivered from the shipyard. Recorded cost price is the sum of paid workshop terms based on exchange rate at the time of payment, with the addition of costs during the construction period.

Lease commitments
The group distinguishes between financial lease and operational lease based on an evaluation of the lease contract at the time of signing. A lease contract is classified as financial if the major part of risk and control associated with ownership is transferred to the lessee through the contract. All other lease contracts are classified as operational lease. When a lease contract where the group is the lessee is classified as financial lease, the rights and obligations are recorded and classified as assets and liabilities. The interest element of lease payment is included in interest costs and the capital element of lease payment is treated as repayment of debt. The leasing commitment is the remaining part of the principal amount. In case of operational lease the lease amount is treated as an ordinary operating cost.

Stocks, shares and other financial instruments
Financially motivated investments in shares and other financial instruments are classified as current assets and are assessed according to the portfolio principle. The portfolio is assessed collectively and the value is adjusted if the total holding has lower value than the acquisition cost. Shares with a lasting and permanent deposition are depreciated to fair value. Financial instruments are assessed at market value, or at the lowest value principle.

For short-term investments in listed instruments the market value principle is used. Realized and unrealized gains/losses are recorded as financial items

Short-term investments in companies where the group owns over 50% are not consolidated when the purpose of the investment is to realize the whole or parts of each investment after completed structuring and development. This is in accordance with the generally accepted accounting principles which assume that such investments are temporary in nature and should thus be included in current assets.

Received dividend and other profit distributions from the companies are recognized as financial income when received. Dividends exceeding the share of earned result in the owner period is recorded as a reduction of the cost of the shares.

The group has a hedging policy and uses various freight derivatives, bunker derivatives and currency derivatives in order to secure future results. In accordance with the Accounting Act § 4-1 no. 5, gain and loss on hedging instruments and hedging objects are recorded in the same period for hedgings done in accordance with the agreed hedging policy.

Depreciation is done if the total market value of the group's lease contracts, freight contracts and freight/bunker derivatives is negative. If the negative value exceeds recognized assets associated with the portfolio, the excess is deposited as a liability.

Receivables
Receivables are recorded at nominal value with deductions for expected losses.

Bunkers and other inventories
Bunkers and other inventories are recorded in the balance sheet under other current assets. Inventories are valued at the lowest of cost price and fair value.

Principles for recognition of income and expenses
Travel related income and expenses from offshore and shipping activities are accrued based on the duration of the travel before and after the year-end. Bareboat based freight income is treated as freight income. Interest income is recorded as it is acquired.

Sales are recognized when the revenue can be reliably measured, and it is likely that the economic advantages associated with the transaction will flow to the group and special criteria associated with the various forms of sale mentioned below are met. The group bases it estimates for recording income on history, evaluation of the type of customer and transaction as well as special conditions associated with each transaction.

Manual directory inquiries (Voice products – Directory assisted requests)
Income is generated through calls from customers. Income is recorded according to actual call traffic in the period reported. Voice services delivered within the report period are associated with actual traffic, this represents an independent, income generating transaction. The service is considered delivered at the time when the call is being made.

The customers are billed by the telecom operators (operators) through the ordinary telephone bill. The group bills the operators. Earned income, not billed, is presented as accounts receivable. The group believes that revenue should be presented gross. However, the operator's pricing of the service varies between operators, and each operator has several types of plans with varying pricing of the service, so that gross presentation cannot be done, income is therefore measured at fair value of fees received from operators, in other words net for operator share, and not at fair value of the fee paid by the end customer.

Mobile services (Short Messaging Services (SMS) and «Mobile Search».
SMS income is generated when customers send requests to the group per SMS. Income from SMS services are recorded based on actual traffic in the report period. The group receives statistics for the traffic from the operators, and this is matched to the group's own log on a monthly basis. This represents an independent, income generating transaction. The service is considered delivered at the time when the SMS traffic takes place.

The SMS income is measured at fair value of the fee received, which is a fixed price based on a price list.

The customers are billed by the operators through the ordinary telephone bill. The group bills the operators. Earned income, not billed, is presented as accounts receivable.

Income from Mobile Search is generated based on monthly subscriptions. Income is accrued linearly through the duration of the subscription (3 months). One subscription represents an independent, income generating transaction. Remaining delivery will at all times represent the remaining subscription period.

The Mobile Search income is measured at fair value of the fee received, which is a fixed price per month based on a price list.
The customers are billed by the operators through the ordinary telephone bill. The group bills the operators. Earned income, not billed, is presented as accounts receivable.

Maintenance and classification costs
Periodic maintenance and docking of ships are capitalized and expensed over the period leading up to the next periodic maintenance. When new constructions are delivered, a portion of the cost price is capitalized as periodic maintenance. Actual expenses for continuous maintenance are charged to the operating income when such maintenance takes place.

Pensions
Pension costs and pension liabilities are calculated according to linear earnings based on the assumption of the discount rate, future regulation of wages, pensions and national insurance benefits, future return on pension plan assets as well as actuarial assumptions of mortality, voluntary retirement, etc. Pension plan assets are valued at fair value and deducted from the net pension liabilities in the balance sheet. Changes in the liability due to changes in pension plans are distributed over the assumed remaining accrual period. The same applies to estimate changes if the deviation exceeds 10% of the largest of gross pension liabilities and pension plan assets.

Taxes
Tax expenses are linked to the net profit and consists of the sum of payable taxes and changes in deferred tax/deferred tax asset. Deferred tax in the balance sheet is calculated on the basis of temporary differences between accounting and tax values. Net deferred tax asset is capitalized to the extent it is probable that the asset can be utilized.

Assumption of continued operations
The accounts have been prepared under the assumption of continued operation.

Cash flow statement
The company uses the indirect method for cash flow statement

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

NOTES TO THE ACCOUNTS

(Amounts in NOK 1,000)

NOTE 1 – BUSINESS AREAS

	Kistefos Shipping			Kistefos Offshore	
	Bulk	Industrial shipping	AHTS	PSV	Barges
Operating income 2011	5,776,162	1,950,316	443,638	195,114	42,141
Operating income 2010	6,539,140	173,733	998,474	175,252	18,497

	Real estate	IT/Telecom	Other	Group
Operating income 2011	94,507	434,006	141,260	9,077,145
Operating income 2010	7,007	0	(6,453)	7,905,650

Operating income by geographic area	2011	2010
Nordic region	2,161,186	1,055,525
Rest of Europe	2,846,196	1,832,880
North America	1,005,756	1,217,244
Rest of the world	3,064,007	3,800,000
Total	**9,077,145**	**7,905,649**

NOTE 2 – COMBINED ITEMS

	Parent Company		Group	
	2011	2010	2011	2010
Share dividends	12,106	549	21,612	83,877
Gain on foreign exchange	2,746	186	22,852	3,857
Other financial income	0	0	18	2,145
Total other financial income	**14,852**	**736**	**44,481**	**89,880**

	2011	2010	2011	2010
Loss on foreign exchange	(19,773)	(1,743)	(36,748)	(29,614)
Other financial expenses	(3)	(445)	(45,847)	(10,270)
Total other financial expenses	**(19,776)**	**(2,188)**	**(82,596)**	**(39,885)**

NOTE 3 – PAYROLL EXPENSES, NUMBER OF FTES, COMPENSATIONS, ETC.

	Parent Company		Group	
	2011	2010	2011	2010
Wages and salaries, holiday pay, fees, etc.	38,617	32,116	387,233	245,477
Payroll tax	6,075	4,750	72,104	25,233
Pension costs	1,827	1,166	31,576	14,433
Other personnel costs	1,125	975	19,974	12,425
Total wages costs	**47,644**	**39,007**	**510,883**	**297,568**
Number of FTEs	17	19	1,320	1,025
Number of FTEs including crews	17	19	1,330	1,217

Payroll expenses for crews are included in operating costs for ships and barges.

Compensations for the company's board members and Managing Director
Chairman of the Board, NOK 0, other fees paid to the Board of Directors NOK 905.
Salary, bonus and other benefits to the previous Managing Director constituted a total of NOK 9,675 in 2011. Salary, bonus and other benefits to the Managing Director constituted a total of NOK 836 in 2011.

The Managing Director has a bonus agreement based on achievements, value development, etc., and an agreement of severance pay for 12 months after resignation. In addition to the mentioned payments to the Managing Director and the board members, there are no agreements regarding bonus, pension, severance pay, warrants or options.

Fee to the auditor (including VAT):

		Group	
	Parent Company	Parent Company 's Auditor	Other auditors
Statutory audit	432	2,086	6,833
Assistance with preparing annual accounts tax returns and other tax advice	238	1,016	6,530
Other services other than audit	201	613	1,626
TOTAL	**871**	**3,715**	**14,989**

The parent company and some of the subsidiaries have a pension scheme which include a total of 20 (20) employees in the parent company and 1,014 (105) employees in the group as at 31/12/2011, whereof 3 are retired from the parent company and 373 from the group. The schemes give rights to future benefits. These depend mainly on the number of qualifying ears, wage level at retirement and the size of the benefits from national insurance. The collective pension scheme is financed by fund accumulation organized in a life insurance company. Net pension cost is classified in its entirety as payroll expense in the accounts. Kistefos AS is obligated to have an occupational pension scheme in accordance with the Mandatory Occupational Pensions Act, and the scheme satisfies the current requirements.

Pension costs and liabilities in the accounts:

	Parent Company		Group	
	2011	2010	2011	2010
Current value of this year's pension contributions	1,869	1,301	10,447	5,327
Interest cost of accrued pension liability	211	294	8,209	1,818
Expected return on pension assets	(318)	(357)	(10,495)	(2,176)
Amortization		(32)	(1,207)	(144)
Payroll tax and administration costs	249	251	1,544	1,043
Adjustment IFRS to NGAAP	0	0	2,700	0
Net pension costs and defined contribution plans	0	0	2,771	0
This year's pension costs/(income)	**1,960**	**1,457**	**13,969**	**5,868**
Pension funds/(liabilities)	**2011**	**2010**	**2011**	**2010**
Estimated pension liabilities	(6,877)	(4,626)	(301,615)	(87,141)
Pension funds (at market value)	5,692	5,456	277,536	80,905
Unrecognized actuarial differences	(282)	(1,421)	(37,823)	(1,557)
Estimated payroll tax	0	0	(2,617)	(369)
Adjustment IFRS to NGAAP	0	0	(2,700)	0
Net pension funds/(liabilities)	**(1,467)**	**(591)**	**(67,219)**	**(8,162)**

	2011	2010	2011	2010
Calculation assumptions:				
Discount rate	3.90%	4.60%	3.3–3.9%	4.6–5.4%
Expected return	4.80%	5.40%	4.8%	5.4–5.6%
Salary adjustments	4.00%	4.00%	4.0%	4.0–4.25%
National insurance Scheme basic pension adjustment rate	3.75%	3.75%	3.75%	3.75–4.0%
Pension adjustment rate	0.70%	1.30%	0.7–1.3%	1.30%

NOTE 4 – FIXED ASSETS

	Parent Company	Group			
	Fixtures, machinery, etc.	**Fixtures, machinery, etc.**	**Buildings, etc.**	**Land**	**Ships, offshore and**
Acquisition cost as per 1 January	19,644	88,339	119,034	370,201	2,993,808
Reclassification	0	0	0	(22,567)	0
Foreign currency translation	0	(139)	(131)	0	54,831
Acquisitions during the year	521	51,650	104,292	10,059	1,859,135
Disposals during the year	(280)	(6,652)	(13,012)	(47,501)	(1,024,002)
Acquisition costs closing balance	**19,885**	**133,198**	**210,183**	**310,191**	**3,883,772**
Depreciations and amortizations as per 1 January	17,093	38,699	6,130	0	346,659
Foreign currency translation	0	519	0	0	0
This year's depreciations	175	26,305	17,668	0	183,618
Acquisitions during the year	0	10,627	4,163	0	0
Disposals during the year	(252)	(2,271)	(1,200)	0	(258,604)
Accumulated depreciations and amortizations	17,016	73,879	26,761	0	271,673
Book value closing balance	**2,868**	**59,319**	**183,422**	**310,191**	**3,612,099**
Economic life	5–10 years	5–10 years	50 years		20–25 years
Depreciation plan	Linear	Linear	Linear		Linear

	Other intangible	**Ships Industrial**	**Skip, Ships, Bulk carriers**	**Barges**	**Goodwill/ (Badwill)**	**Total Group**
Acquisition cost as per 1 January	9,005	727,557	381,596	179,398	46,832	4,915,770
Reclassification	0	0	0	0	0	(22,567)
Foreign currency translation	184	29,335	8,925	0	2,878	95,883
Acquisitions during the year	823,467	83,911	0	12,362	(150,347)	2,794,529
Disposals during the year	(2,731)	(315,555)	(238,887)	0	0	(1,648,340)
Acquisition costs closing balance	**829,925**	**525,248**	**151,635**	**191,760**	**(100,637)**	**6,135,275**
Depreciation and amortization as per 1 January	231	22,679	14,366	120,694	91,673	641,131
Foreign currency translation	0	0	0	0	0	519
This year's depreciations	57,598	97,744	7,680	11,151	(3,389)	398,362
Acquisitions during the year	103,636	0	0	0	0	118,426
Disposals during the year	0	0	(13,157)	0	0	(275,232)
Accumulated depreciations and amortizations	161,467	120,423	8,889	131,845	88,284	883,221
Book value closing balance	**668,458**	**404,824**	**142,746**	**59,914**	**(188,917)**	**5,252,056**
Economic life	4–99 years	25 years	25 years	20 years	5–10 years	
Amortization plan	Linear/3% balance	Linear	Linear	Linear	Linear	

Goodwill of NOK 118 million is included in the balance after the incremental acquisition of Western Bulk. Today, Kistefos AS owns 94.3% of the shares in the company. The remaining recorded value of the goodwill is 0.

Goodwill from other acquisitions in 2010 are included with NOK 8.8 million and are depreciated over 10 years. Depreciation time is based on the company's rent contract.

In connection with Viking Supply Ships' acquisition of Rederi AB TransAtlantic on 22 September 2010, a negative goodwill of NOK 82.2 million occurred. The remaining amount is NOK 0.

After increased ownership share in Rederi AB TransAtlantic in 2011, a negative goodwill of NOK 201 million occurred. The remaining amount as at 31 December 2011 is NOK 197 million.

Intangible assets

Intangible assets arise from the acquisition of Digitale Medier 1881 AS and Opplysningen 1881 AS in 2011. Brand names are depreciated by 3% balance depreciation

Lease agreements:

Western Bulk has concluded some long-term T/C agreements with a duration longer than 12 months from January 2012. This represents a lease liability of USD 505.5 million excluding options.

Viking Supply Ships' subsidiaries SBS and Rederi AB TransAtlantic have lease liabilities for a total of 15 leased vessels with a future liability of NOK 1,716 million distributed on lease periods from 1 to 11 years. Future time charter income from leased vessels are at least NOK 2,108 million.

In addition to the lease liabilities mentioned, the parent company and the group have ordinary, operational lease liabilities associated with premises, fixed assets, etc.

NOTE 5 – 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
Ownership share/voting share	100%	100%	100%	100%	100%	100%	100%
Acquisition cost	20,386	442,328	123,751	842,767	89,921	25,495	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
Opening balance as per 1 January	20,386	484,066	145,746	438,467	317,674	132,591	88,435
Share of profit for the year	(8,225)	16,405	(5,168)	1,886	31,927	21,902	3,026
Other changes and transfers to/(from) the company	7,800	(16,404)	37,428	(1,886)	(2,273)	(129,250)	(3,002)
Book value as per 31 December	**19,961**	**484,067**	**178,006**	**438,467**	**347,328**	**25,243**	**88,459**

	Viking Supply Ships AS	Waterfront Shipping AS	Western Bulk AS	VSSR II AS	Kistefos Rederi Holding AS	Total
Acquisition time	1998	2000	1996/2006/2008	2008	2007	
Business office	Kristiansand	Oslo	Oslo	Kristiansand	Oslo	
Ownership share/voting share	100%	100%	94.3%	100%	100%	
Acquisition cost	579,965	67,949	554,443	509,153	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	
Opening balance as per 1 January	946,258	420,442	537,678	108,667	148,204	3,788,613
Share of profit for the year	(122,072)	3,210	24,376	13,036	5,228	(14,469)
Other changes and transfers to/(from) the company	37,756	(355,702)	(125,043)	6,571	(5,802)	(549,808)
Book value as per 31 December	**861,942**	**67,950**	**437,011**	**128,274**	**147,630**	**3,224,336**

NOTE 6 – SHARES AND OTHER FINANCIAL INSTRUMENTS

PARENT COMPANY

	Number of shares	Ownership interest (%)	Book value
Bryggen 2005 AS*	1,000	100.0%	5,100
Advanzia Bank SA*	117,392	55.8%	304,613
Springfondene			17,390
Protia AS	1,386,914	31.60%	8,899
Progress ASA	804	14.3%	7,552
Kappa Bioscience AS	300	33.8%	17,300
China Investment AS	258	25.8%	18,060
OstomyCure AS*	2,815,984	58.5%	36,629
Kistefos Alliance AS	2,000	100.0%	1,100
Ringerike Sparebank AS	120,000	0.86%	14,655
Kistefos PE Holding KS	258	7.57%	13,837
yA Holding ASA	6,819,157	24.40%	76,597
Kistefos Partners AS	39,000	78.0%	18,825
Other shares and financial instruments			17,852
Total shares and financial instruments – Parent company			**558,407**

SHARES AND FINANCIAL INSTRUMENTS OWNED BY SUBSIDIARIES	Number of shares	Ownership interest (%)	Recorded value
EQT III, IV, V and Infrastructure			198,510
Atex Media Group Limited – ordinary shares*	2,735,973	75.1%	298,856
Atex Media Group Limited – preferential shares*	9,524,001	86.4%	117,876
Promon AS	65,154	20.2%	6,424
Infront AS	579,369	27.7%	22,096
Intellicom AS	709,709	32.6%	22,261
Toktumi Inc (number of shares includes 3 243 260 warrants)	37,666,499	31.9%	16,770
Phonero AS*	17,834	50.5%	31,209
Bambuser AB	2,728,334	12.0%	11,940
Other shares and financial instrument			28,797
Total shares and financial instruments – owned by subsidiaries			**754,738**
Total shares and financial instruments – Group			**1,313,145**

* Not consolidated due to temporary ownership.

NOTE 7 – TAXES

	Parent Company		Group	
Tax expenses for the year:	**2011**	**2010**	**2011**	**2010**
Changes deferred tax/deferred tax asset	(6,884)	4	28,596	(33,697)
Changes deferred tax due to made (received) group contribution	(54,611)	6,451	0	0
Other changes	(11)	0	(139,650)	46,926
Tax payable this year	0	0	51,939	16,097
Tax payable previous periods	0	0	0	(1,481)
Correction previous years' taxes	0	0	282	0
This year's tax cost/(income)	**(61,507)**	**6,455**	**(58,833)**	**27,844**

Tax payable in this year's tax expense:	**2011**	**2010**
Operating result before tax	(354,854)	239,091
Permanent differences	1,644	1,450
Profit participant taxed companies	(1,352)	0
Permanent differences shares	129,439	424,326
Dividens received	33,453	0
Changes in temporary differences	4,235	20,343
Share of results from investment in subsidiaries	14,469	(662,171)
Received/(made) group contribution	(8,555)	(23,038)
Received/(made) group contribution with tax effect	195,041	0
Basis for tax payable	**13,520**	**0**
Tax (28%)	3,786	0
Application of unused share dividends	(3,786)	0
Tax payable in this year's result	**0**	**0**

Specification of basis for deferred tax	Parent Company		Group	
Differences offset	**2011**	**2010**	**2011**	**2010**
Temporary differences, receivables	0	0	(1,821)	(46)
Temporary differences, fixed assets	(465)	(756)	168,166	242,951
Temporary differences, profit account	66,267	82,834	675,584	802,474
Temporary differences other	11,450	(591)	478,707	31,609
Total	**77,252**	**81,487**	**1,320,636**	**1,076,988**
Temporary differences, participant taxed companies	0	0	(33,042)	(41,277)
Temporary differences, shares	0	0	5,984	14,375
Tax loss carry forwards	0	0	(860,714)	(719,644)
Temporary differences other	0	20,355	2,772	20,355
Basis deferred tax/(deferred tax asset)	**77,252**	**101,842**	**435,636**	**350,796**
Deferred tax/(deferred tax asset)	**21,631**	**28,516**	**121,978**	**99,429**
Recognized deferred tax	**21,631**	**28,515**	**210,928**	**109,868**
Recognized deferred tax asset	**0**	**0**	**(82,873)**	**(10,409)**

NOTE 8 – EQUITY

Parent Company

	Share capital	Fund for valuation differences	Other equity	Total Equity
Opening balance	310,828	235,410	1,069,267	1,615,505
Profit/loss for the year	0	0	(293,347)	(293,347)
Transferred from revaluation reserve	0	(235,410)	235,410	0
Deposited group contribution as at 31 December (net after tax)	0	0	(38,514)	(38,514)
Group contribution	0	0	(12,376)	(12,376)
Other changes and conversion differences	0	0	94,969	94,969
Closing balance	**310,828**	**0**	**1,055,409**	**1,366,237**

The company's share capital is NOK 310,828 divided into 22,202,000 shares of NOK 14. All shares have equal rights.
The company's shares are owned by Kistefos Holding AS (63.2%), AS Holding (32.3%) and Portfolio Management AS (4.5%), all companies are indirectly owned by Christen Sveaas.

Group

	Share capital	Other equity	Minority interest	Total Equity
Opening balance	310,828	1,304,673	1,278,292	2,893,793
Profit/loss for the year	0	(293,423)	(150,767)	(444,190)
Dividends/group contribution	0	(50,890)	0	(50,890)
Other changes and conversion differences	0	94,973	(94,412)	561
Closing balance	**310,828**	**1,055,332**	**1,033,113**	**2,399,274**

NOTE 9 – DEBT, MORTGAGES, WARRANTIES AND RESTRICTED BANK DEPOSITS

The parent company has a debt of NOK 1,526,635 (2010: 1,268,512) pledged in assets with book values of NOK 2,266,261 (2010: 2,934,842). The group has a debt of NOK 4,750,096 (2010: 3,767,443) pledged in assets with book values of NOK 8,054,767 (2010: 8,230,287).
The group has a debt which matures later than 5 years of a total of NOK 908,769 (2010: 1,311,667). The parent company does not have debt which matures later than 5 years.

Bank deposits
Of the parent company's and the group's bank deposits, NOK 15,204 (2010: 30,767) in an escrow account as collateral for forward-funded shares. These can be freed upon realization of the investments. Also, NOK 4,693 (2010: 1,640) are in a tax deductions account.

Warranties, etc.
Kistefos AS has in favour of the lender guaranteed for Viking Barge DA's fulfilment of a loan contract with a first priority pledge in seven North Sea-barges. Outstanding loans are NOK 68 million at year-end. At the presentation of accounts, Kistefos' guarantee had not been exposed to losses when the accounts were prepared.

Kistefos AS has in favour of the lender guaranteed for a loan taken out by its wholly owned subsidiary Telecom Holding AS. The outstanding loan, which is secured by mortgages in the shares in Opplysningen 1881 AS and Digitale Medier 1881 AS, amounts to NOK 350 million at year-end. At the presentation of accounts, Kistefos' guarantee had not been exposed to losses when the accounts were prepared.

Viking Supply Ships AS in solidarity with Rederi AB TransAtlantic has given guarantees in connection with 1 vessel under construction at Astilleros Zamakona. The solidary liability totals EUR 8.8 million as at 31 December 2011. As a total the company is responsible for the agreed price for the vessel in addition to agreed additional equipment/improvements. The vessel was delivered in February 2012, and the guarantee then fell away.
Together with Rederi AB TransAtlantic, Viking Supply Ships is guarantor for loans towards banks for the vessels Magne Viking and Brage Viking. Outstanding loans as at 31 December 2011 were EUR 42.7 million and EUR 27.9, respectively. The vessels are being refinanced, and the guarantee is not exposed to losses when the accounts were prepared.

Western Bulk AS has provided guarantees for loans and obligations in subsidiaries of a total of USD 61.4 million.

Western Bulk AS has guaranteed wage payments related to vessels chartered (operational leases) by subsidiaries. The vessels are leased on charter agreements of varying durations. The nominal wage amount guaranteed constituted USD 386 million at year-end.
The parent company Rederi AB TransAtlantic has provided guarantee for the subsidiary's fulfilment of time-charter contracts, which also include the sold subsidiary Transbulk's obligations. Fot the latter a counter guarantee has been provided by a third party for a similar amount. Transbulk was sold in 2005. Beyond this, Rederi AB TransAtlantic has provided guarantees for loans and lease agreements, related to ship values. The guarantees total SEK 2,146.6 million.

Opplysningen 1881 AS (Subsidiary of Telecom Holding AS) has provided guarantees as collateral for various operational obligations. As collateral for the obligations, there are bank guarantees, surety and pledges at a total value of NOK 52.9 million.

NOTE 10 – DISPUTES

The subsidiary Kistefos Venture Capital AS received in November 2009 the Tax Assessment Office's decision where they say they disagree with the company's treatment of profits in connection with the realization of shares in 2004. The profit constituted approximately NOK 209 million, corresponding to NOK 59 million in taxes, for Kistefos Venture Capital AS. The case was heard in the District Court in November 2010, and the court upheld the government's claim. Legal fees were not awarded to the government. The verdict has been appealed to the Court of Appeal, and the case is scheduled for the autumn of 2012. Otherwise this will not entail payable tax, but reduce the tax loss carried forward with the corresponding amount. No provisions were made in the accounts.

On 24 May 2011, the Supreme Court ruled and rejected Kistefos Venture Capital AS' claim of deduction in Norway for loss incurred on realization of shares in US subsidiary CatalystOne Inc in 2003. The loss was then NOK 79 million and was deducted in KVC's tax return for 2003. The decision does not entail payable tax.

Subsidiary Western Bulk AS is involved in disputes both as defendant and plaintiff. The company makes accounting provisions based on each case. Provisions made in the accounts are considered to be sufficient. Due to on-going cases the group does not wish to describe the provisions in detail. As at 31 December 2011, total provisions are USD 5.5 million.

NOTE 11 – FINANCIAL RISKS

The Kistefos Group has currency risks both through operational exposure and through translation of investments in foreign operations.

Operational exposure

The group has considerable operations abroad, and needs continuous exposure in foreign currency in order to serve daily operations. The majority of the companies have both their income and their expenses in the same currency. All in all, currency risk on cash postings therefore constitutes a relatively modest item. Some minor items in subsidiaries are hedged through currency futures.

Currency risk associated with the balance sheet

The consolidated financial statement is presented in NOK. Balance risk occurs when the subsidiaries' balances are translated from their accounts in local currencies to NOK. The group's liabilities are enlarged based on the currency composition of assets in the balance.
The group's interest risk is mainly associated with long-term loans. Loans with floating interest rates involve an interest risk for the group's cash flow. Overall, the interest risk constitutes a relatively modest item. Some items in subsidiaries are hedged through interest rate futures.

NOTE 12 – MAJOR INDIVIDUAL TRANSACTIONS

Kistefos has, through the sub-group Kistefos Venture Capital, acquired an ownership share as at 31 December 2011 of 90.5% of Opplysningen 1881 AS and Digitale Medier 1881 AS.
During the first half of 2012, the ownership share has increased to 100%.

On 31 March 2011, Rederi AB TransAtlantic announced that they are acquiring the Swedish ship-owning company Österströms International AB in order to strengthen the industrial shipping business. At the same time it was announced that Rederi AB TransAtlantic was to be separated into two business areas; industrial shipping and Offshore/Icebreaking. The head office for Offshore/Icebreaking will be located in Copenhagen, and a listing at the Oslo Stock Exchange is planned. At the same time, the company changed its name to Viking Supply Ships A/S.

Pro forma:

The group's pro forma operational income if the consolidation of Opplysningen 1881, Digitale Medier and Österströms had happened in the beginning of the comparison period:

	2011	2010
Operating income	10,099,410	8,679,545

The underlying companies in Telecom Holding, Opplysningen 1881 AS and Digitale Medier AS were established on 3 September 2010 by a liquidation demerger of Opplysningen AS (transferor) and accompanying establishment of Digitale Medier 1881 AS and Opplysningen 1881 AS. As from 21 December 2010, the acquiring companies had the activities from the transferor company transferred to them. Pro forma figures for 2010 include the period 21 December to 31 December 2010.

Kistefos AS has had the following significant transactions with related parties in 2011:

Type of transaction	Related parts	Amount
Share purchase	Kistefos Investment AS	89,008 NOK
Share purchase	AS Holding	18,060 NOK
Share purchase	Western Bulk AS	29,400 USD

The parent company has internal liabilities and receivables from other group companies. Interest for these are calculated based on NIBOR + 1.5% margin. Kistefos also performs some administrative duties for other group companies. These are invoiced based on the arm lenght principle.

AUDITOR'S REPORT

Kjelstrup & Wiggen Råd og revisjon

To the shareholders' meeting of Kistefos AS

Auditors report for 2011

Report on the Financial Statements

We have audited the financial statements of Kistefos AS, which comprise the financial statements for the parent company, showing a loss of NOK 293,347,000, and the financial statements for the group, showing a loss of NOK 444,190,000. The financial statements of the parent company and of the group comprise the balance sheet as at December 31, 2011, 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, 2011, 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.

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 coverage of the loss 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, 19th of June 2012
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.

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The Auditor's Report refers to the annual report on pages 8-12 and the annual accounts and notes on pages 35-47.

Source: TransAtlantic.

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