KISTEFOS AS

Financial Statements

2016

Org. nr. 951 408 743

Annual report

The Group had a weak year, realizing a result after tax of NOK -857 million for 2016 (2015: NOK 557 million). Several of the Group's portfolio companies has had and still have positive development, which will contribute to positive value development for the Group in 2017.

The bankruptcy of Bulk Invest ASA affected the consolidated financial statements with NOK -280 million, and the weak results in Western Bulk Chartering AS with additional NOK -309 million. The engagement in the dry bulk activities have thus resulted in a combined loss of NOK 589 million for the year. Viking Supply Ships AB had a result after tax of NOK -333 million, including write-downs made on the PSV fleet during the period of NOK -242 million. Furthermore, we have written down the book value of shares in and receivables from the investment in Atex Group Ltd. with NOK -366 million.

The subsidiary Advanzia Bank S.A., 60.3% owned, had a result of NOK 374 million after tax, and is consolidated into the Group for the first time.

We realized a net gain of NOK 220 million from the sale of the shares of Bergmoen AS and Gardermoen Forum AS to Oslo Airport City AS.

The Group had NOK 863 million (NOK 980 million) as free cash balance at the end of the year, and the parent company had cash balances of NOK 261 million (NOK 287 million).

The Phonero-transaction is being considered by the Norwegian Competition Authority, and a clarification is expected during the first half of 2017.

The subsidiary Advanzia Bank has had another solid year, yielding positive development in its key figures. The result after taxes was NOK 374 million. The number of active credit card customers increased by 89,000 cards from 525,000 to 614,000 at year-end 2016, an increase of 17 %. The bank continues to experience solid growth of customers in the core market Germany, and at the same time, the expansion into Austria has developed positively, and is in line with Advanzia's experience during the first years of operation in Germany.

The bankruptcy of Bulk Invest ASA in the first half of 2016 resulted in a loss of NOK 280 million for the Group. At the same time, Western Bulk Chartering AS has experienced a year with poor market conditions and weak results. The market conditions and results have improved towards the end of 2016, but the result for the year ended up with a loss of NOK -309 million after taxes. The supply ships-company Viking Supply Ships A/S, subsidiary and only remaining active operations in the listed company Viking Supply Ships AB, has also experienced challenging market conditions within the oil related industry in 2016. This has resulted in low activity and an overcapacity of vessels. The rates in the spot market reflects upon this, and for VSS A/S this has resulted in two AHTS vessels and all five PSV vessels were laid up at the end of the year. The net profit after taxes for the VSS AB Group was NOK – 333 million in 2016, including write-downs of the PSV vessels of NOK -242 million. In July, following lengthy negotiations, VSS A/S and its banks finally agreed upon a restructuring plan. Towards the end of 2016, the share capital increases that were agreed upon was carried through, and the parent company VSS AB received USD 36 million in new equity. Kistefos contributed with USD 23 million in cash and USD 7 million in offset of receivables towards VSS AB. Kistefos AS' investment in Atex Group Ltd. (UK) has not developed as we would have liked, and in 2016 we have written down receivables on and shares in the company of a total of NOK 366 million. The sale of the real estate development companies Bergmoen and Gardermoen Forum accounted for a gain of NOK 220 million for the Group in 2016.

The announced sale of Phonero is being considered by the Norwegian Competition Authority, and a clarification is expected during the first half of 2017.

The financial results for the Group is largely impacted by the developments mentioned above, and the operating profit is reduced by NOK 921 million from NOK 560 million in 2015 to NOK – 361 million in 2016. The operating profit in 2015 was positively impacted by the gain

from the sale of Phonero with NOK 680 million. The consolidation of Advanzia for the first time has contributed with NOK 455 million on the operating profit for 2016. As a consequence of the challenging markets within the offshore-activities, the consolidated operating profit of VSS AB is reduced by NOK -264 million from NOK 44 million in 2015 to NOK -220 million. Write-down of the PSV vessels of NOK 242 million is included in the operating profit.
The operating profit of Western Bulk Chartering AS was NOK – 308 million, largely because of the weak dry bulk market.

The Groups net financial result for 2016 was NOK -436 million (NOK 61 million). Write-downs of shares in Atex Group has affected the net financial result by NOK -248 million. Net external interest expenses for the year was NOK -186 million (NOK -253 million).
The reduced interest expenses for the Group is mainly due to reduced debt in the parent company and in Viking Supply Ships.

Total assets in the Group have increased by NOK 8,660 million from NOK 8 396 million to NOK 17,056 million. The initial consolidation of Advanzia accounts for an increase of NOK 11,214 million on the balance sheet.

Total fixed assets for the Group were reduced by NOK 1,014 million from NOK 4,222 million to NOK 3 208 million. The sale of the real estate companies Bergmoen and Gardermoen Forum, discontinuation of the shipping-activities in TransAtlantic AB, write-downs of the PSV vessels and the bankruptcy of Bulk Invest ASA is the main reason for the reduction.
Book value of long-term financial assets are reduced by NOK 553 million from NOK 719 million to NOK 165 million, mainly due to the write-down of receivables from Atex Group and reduction of other long-term receivables in Viking Supply Ships.

Short-term financial assets have increased by NOK 8,596 million from NOK 1,150 million to NOK 9,746 million. Loans to customers and financial institutions from Advanzia Bank accounts for NOK 8,976 million of the increase. The reduction in other short-term receivables is in all material aspects related to the bankruptcy of Bulk Invest ASA.

The Groups investments in shares and other financial instruments are reduced by NOK 384 million from NOK 993 million to NOK 609 million. This is for the main part due to the reclassification of Advanzia Bank from short-term asset to a consolidated subsidiary.

Long term debt in the Group is reduced by NOK 302 million from NOK 4,070 million to NOK 3,768 million. The main reason for the change is the reduction of debt to financial institutions following the financial restructuring that has taken place in VSS. Outstanding, unsecured bond loans in the Group is increased by NOK 136 million from NOK 1,137 million to NOK 1,273 million. Outstanding bond loan in the parent company has increased from NOK 668 million at year-end 2015 to NOK 800 million at year-end 2016.

The consolidation of Advanzia has increased short term debt by NOK 10,014 million due to placements by customers and financial institutions.

The book equity for the Group is, based on the financial results, other changes and valuation differences, and accrual for dividends reduced by NOK 838 million from NOK 2,908 million to NOK 2,070 million. The Groups is considered to have significant values beyond the book values.

The parent company's net financial result for 2016 was NOK -222 million compared to NOK 942 million the previous year. The change in the net financial result is mainly due to fewer realizations in 2016 than in 2015. Income from subsidiaries and associated companies in 2015 was NOK 955 million, and consisted largely of realization of Phonero, as well as dividends and group contributions from Opplysningen 1881 and Advanzia bank. In 2016, the income from subsidiaries and associated companies are reduced by NOK 532 million to NOK 423 million, and consists mainly of gain related to the sale of Bergmoen and Gardermoen Forum in subsidiaries, as well as group contribution and dividends from Opplysningen 1881 and Advanzia Bank. Realized net gain on shares and other financial instruments was NOK 22 million in 2016, a reduction from NOK 310 million in 2015. This reduction is due to the sale of our 29,99% ownership in yA Bank ASA that was recognized in 2015.

Net result after taxes was NOK -342 million for the parent company in 2016.

Total assets for the parent company is reduced by NOK 470 million from NOK 4,187 million to NOK 3,717 million. The book value of subsidiaries is mostly unchanged, but includes the reclassification of Advanzia Bank to subsidiary of NOK 460 million. At the same time, the book value of other subsidiaries has been written down, mostly related to the holding company of Atex Group and in Viking Invest.

Investments in shares and other financial instruments are reduced by NOK 450 million from NOK 580 million to NOK 130 million, mostly due to the reclassification of Advanzia Bank.

The parent company's long-term debt has increased by NOK 196 million from 1,303 million to NOK 1,499 million. In December 2016, the unsecured bond loan KIST02

(NOK 750 million) was paid in full, and a new unsecured bond loan of NOK 800 million (KIST04) was issued.

The book equity for the parent company is reduced by NOK 545 million from NOK 2,472 million to NOK 1,927 million based on the financial results and accrual for dividend. The book equity ratio at year-end 2016 is 52 %, a reduction from 59 % at year-end 2015.

The parent company's cash position at year-end was good, and consist of bank deposits of NOK 261 million. There were no research and development activity in the parent company in 2016. Those subsidiaries that engage in this type of activity have described it in their respective annual reports.

The Group is exposed to various types of risk. In addition to the inherent market risk associated with each company and project, there are also other operational and financial risks associated with the Group's activities. The Group is exposed to currency risk in connection with its operations and ownership positions, and it hedges its operational activities against exchange rate fluctuations where this is deemed appropriate. The Group seeks to maintain a long term, currency neutral position in that the Group’s liabilities are in various foreign currencies that reflect the income in the various currencies over time. There is an inherent risk linked to the Group's short-term and long-term liquidity, and the Group's Board of Directors focuses on ensuring that liquidity is satisfactory at all times. The focus on liquidity by the Group's board is important in today's dynamic financial market and is intended to ensure that the company and the Group are able to meet their financial obligations, as well as to ensure that the Group is able to have an opportunistic approach if and when interesting opportunities materialise.

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

Consolidated activities

Advanzia Bank S.A. (60,3 % ownership)

Advanzia’s net income increased by EUR 22.3 million from EUR 115.2 million to of EUR 137.5 million in 2016. The 19 % increase is primarily related to the continued solid growth of customers in the core market Germany and the accompanying lending growth. Net loan balance increased by EUR 158 million from EUR 732 million to EUR 890 million at year-end, an increase of 22 % compared to previous year. The number of active credit card customers increased by 89,000 cards from 525,000 to 614,000 at year-end 2016, an increase of 17 %.

The growth in profitability was 13 % (28 %), and profit after tax for the year was EUR 40.2 million (EUR 35.6 million). The somewhat lower growth in profitability is due to the company’s growth strategy, where marketing costs have increased significantly from EUR 15.0 million to EUR 20.2 million; a growth of 35 %. This will affect the profitability in the short term. The ambition with this increase is to further grow the client base and loan balance and through this grow the profit after tax in 2018 in line with what the bank has had historically.

The company’s expansion into Austria continues to develop positively and in line with Advanzia’s experience during the first years in Germany, but it is still too early to draw any final conclusions. During 2016 the company acquired 14,000 new active credit card customers in Austria. France continues to be challenging, and the company is now trying alternative marketing and customer acquisition strategies. In 2016, it was decided to temporarily keep the activity level in France at a moderate level until systems and processes are further calibrated and optimised. The company is working on a potential acquisition of a loan portfolio in France, which will provide a foundation for future growth.

During 2016, dividends of EUR 29 million have been paid to the shareholders.

Western Bulk Chartering AS (73.9 % ownership)

Western Bulk Chartering (WBC) had a weak 2016 with a net TC result of USD 4.4 million (USD 44.5 million). Profit after tax for the same period was USD -36.9 million (USD -16.1 million).

The bulk market in 2016 was the weakest for the past 30 years, with a historical low-point in February. Market rates increased from February and in the fourth quarter WBC experienced relatively favorable market rates as a result of a strong market in the Atlantic basin. After the recovery in the fourth quarter the market rates have since decreased and the market is expected to continue to be challenging also in 2017, but at a higher level than in 2016.

The poor market conditions and the turmoil that followed the bankruptcy of Bulk Invest ASA in early 2016 had a negative impact on WBCs results in 2016. This especially affected the performance in the first half of the year. The gradually improved market conditions and recapitalization of the company yielded positive developments in the second half of 2016, with an increase in both the operating fleet and improved Net TC-margins. The goal for 2017 is to deliver positive results after tax.
WBC has in 2016 focused on re-establishing its position in the market following the bankruptcy of Bulk Invest ASA. In June and September, the company

offered the former shareholders of Bulk Invest ASA the opportunity to subscribe for shares in WBC. This provided the company with USD 22 million in new equity. In connection with the recapitalization of the company, Kistefos has provided a guarantee of USD 8 million linked to a bank overdraft and guarantee line in Western Bulk Chartering.
To further strengthen the company's balance sheet, the Board of WBC decided in late February 2017 to conduct a private placement of approximately USD 18 million directed towards the largest existing owners. The issue is guaranteed by the company's largest shareholders; Kistefos and Ojada. The issue is expected to be completed by the end of March 2017.

Viking Supply Ships AB (75.3% ownership)

Viking Supply Ships AB Group posted net revenue of USD 127.6 million in 2016, compared to USD 238.9 million in 2015. The decline in revenue is mainly due to reduced activity in the majority of the company's business areas. Operations in the subsidiary Transatlantic AB has in 2016 been discontinued. Following this discontinuation, the parent company Viking Supply Ships AB only activities is shareholding in Viking Supply Ships A/S, which owns all of the ATHSs and PSVs. Revenues from the continuing operations in Viking Supply Ships A/S was in 2016 USD 89 million, compared to USD 133 million in 2015.

Group EBITDA was in 2016 USD 19.7 million, compared to USD 31 million in 2015. The decline in profit was mainly due to challenging market conditions and lay-up of vessels.
Profit after tax for the Group amounted in 2016 to USD -47.5 million, compared to USD -52 million in 2015. The result for 2016 includes an write-down of the book values of the PSV fleet of USD 29 million.

In July, the supply ships company VSS A/S agreed with its banks on a restructuring plan that resulted in postponed maturity, reduced installments and amended loan terms up to the first quarter of 2020. In September, VSS reached an agreement with its bondholders of VSS01 PRO (NOK 199 million). The agreement resulted in a full termination of the bond loan, whereas the bond holders received NOK 35 million in cash and 37.7 million shares in the parent company VSS AB as compensation. The share compensation accounted for 9.2% of the outstanding shares of VSS AB. The agreement generated an accounting gain of USD 12.7 million, which will be recognized in the first quarter of 2017.

Throughout the fourth quarter, all of the share issues that formed part of the company's financial restructuring have been finalized and the restructuring is with that completed. A total of USD 36 million was injected in VSS AB as equity. Kistefos has contributed USD 23 million in cash and USD 7 million through offsetting of claims against VSS AB. Kistefos' shareholding has through the equity issues increased from 70.4% to 75.3%.
The average daily fixture rate for our AHTS vessels for the year was USD 50,500 (USD 55,300) and the utilization rate was 54% (70%). This excludes laid up vessels.
The spot market rates continue to be characterized by low activity and overcapacity of vessels. There are occasionally higher rates for short periods driven by higher activity and utilization. At year-end 2016, VSS operated six of its AHTS vessels in the spot market in the North Sea and two AHTS vessels were laid up. All five PSVs at the end of the year were in lay-up.

The downturn in the offshore industry has forced all of the offshore industry players to scrutinize their operations. VSS has during the fourth quarter 2016 decided to re-flag its DIS-flagged vessels to Norway under NOR-flag. The decision is a reflection of the ambition to continue the efforts both in the Norwegian market, as well as the Northern regions. This is assumed to reduce operational expenses and improve VSS A/S' commercial and operational platform going forward, by giving the company increased access to the important Norwegian market.

Russia is one of Viking Supply Ships' most important markets, and to explore future commercial opportunities in Russia and strengthen its footprint in the region, VSS A/S has entered into a strategic cooperation with Sevnor Ltd, a shipping and offshore company with extensive presence in the Russian offshore market. As a consequence, VSS A/S has decided to close down its own offices in Moscow and Sakhalin.

Opplysningen 1881 AS (100 % ownership)

Opplysningen 1881's turnover in 2016 was NOK 270 million (NOK 291 million). The decline in volume of directory services is lower than previous year, and growth in turnover from new services has made up for some of the decline in the volume of the core services. The company's market share has been stable throughout the year.

The company had an EBITDA of NOK 87 million (NOK 94 million) in 2016.

In December, 1881 Group AS, the parent company of Opplysningen, announced the acquisition of 100 % of «Digitale Medier 1881 AS». Digitale Medier had turnover of NOK 183 million in 2016, and we expect some synergies with Opplysningen 1881 and further strengthening of the common brand name as a consequence of the acquisition. The transaction was completed February 1, 2017.

The parent company Kistefos AS

The operations of the parent company have been as expected. The operating results for the year was NOK -118 million (NOK -87 million). The higher operating expenses is mainly due to accounting accruals at year-end. Net financial result for the period is NOK -222 million (NOK 942 million), and consists mainly of dividends and group contribution from subsidiaries of NOK 423 million, recognized losses of Bulk Invest ASA of NOK -136 million, and write-downs related to Atex of NOK -366 million. Net external interest expenses were NOK -60 million (NOK -108 million). The net financial result of 2015 was positively affected of a gain of NOK 680 million related to the sale of Phonero through a subsidiary.

Result after tax for the parent company was NOK -343 million in 2016 (NOK 873 million).

The parent company's free liquidity at year-end was NOK 261 million. In December, Kistefos AS made a full downpayment of the senior unsecured bond loan of NOK 750 million, and a new, senior unsecured bond of NOK 800 million was issued. The book equity ratio of the parent company was 52 % at the end of 2016, a reduction from 59 % at the end of 2015

Development of non-consolidated portfolio investments

Infront (31.3 % ownership)

Infront has had a positive development throughout 2016, and as a result of both organic growth and acquisitions, operating revenues increased to NOK 212 million (NOK 193 million). Growth has also been profitable, with EBITDA increasing by NOK 3.9 million to NOK 30.0 million. The company has acquired TDN Finans AS from NHST («Dagens Næringsliv») as well as SIX News and has also entered into an extensive partnership agreement with SIX Financial Information (Switzerland). We expect that the acquisitions will contribute to substantial growth in revenues and net result. The company is working on making further acquisitions to strengthen its position.

Kappa Bioscience (56.3 % ownership)

Kappa develops and delivers synthetic vitamin K2. During the year, the company has acquired the analytic company Synthetica (Norway) and the distribution company PPM Ingredients (Germany). The company has experienced strong organic growth throughout 2016, and expects further growth in 2017. and The operating revenues were NOK 90 million (NOK 34 million), with an EBITDA of NOK 11 million (NOK 4 million).

Ostomycure (66.8 % ownership)

Ostomycure develops a titanium implant for ileostomy-patients and achieved, after 10 years, a major breakthrough in June 2016 when the solution was awarded the CE-classification in Europe, which allows for commercialisation of the solution. The organization is now being strengthened to meet the commercialisation phase, and we do not expect positive financial results for the coming few years.

Promon (35.5 % ownership)

Promon operates within the cyber security space and achieved a strategic breakthrough in July 2016, when the company got a US based industrial investor, which also distributes Promon's products came in as a minority investor. Promon had operating revenues of NOK 19.3 million (NOK 14.6 million) during the year. The company will now focus on new markets, increase the number of partners as well as scale up the organisation both for sales and product development. The company does not expect positive financial results, but continued substantial growth in 2017.

Oslo Airport City (30.0 % ownership)

The subsidiaries Bergmoen and Gardermoen Forum (owned by Kistefos with 57.4%) were sold to Oslo Airport City AS in October, with compensation through cash and shares in Oslo Airport City. The transaction generated NOK 210 million in liquidity and NOK 220 million as a profit in the financial statements.

Kistefos is the largest shareholder in Oslo Airport City, with an ownership of 30.0%.

Phonero AS (20.1 % ownership)

Following the sale of Kistefos' controlling ownership in Phonero to Norvestor in December 2015, the company is no longer consolidated into the Kistefos Group accounts.

Phonero increased the turnover by NOK 4 million from NOK 1,105 million to NOK 1,109 million in 2016. EBITDA was NOK 206 million for the year.

Atex Group Ltd. (85.3 % ownership)

The company continues to deliver positive EBITDA following previous years' extensive restructuring of the business. For 2016, Atex had operating revenues of USD 20.9 million (USD 24.1 million) and an EBITDA of USD 1.7 million (USD 3.1 million).
The market is still considered demanding following the customers' migration from traditional print to digital channels. The focus of the company is new sales and product development adapted to this market.

Organization and environment

A total of 1,312 full-time equivalents were employed by the Kistefos Group and the portfolio companies at year-end 2016.
The parent company's head office is in Oslo. The Group runs a global business.

The parent company employed 13 full-time equivalents at the end of the year, 3 women and 10 men. Kistefos has a good working environment. There were 21 days of absence due to illness (0.6%) in the parent company in 2016. No injuries or accidents have been reported by the Group or the parent company in 2016.

The Group seeks to provide men and women with equal opportunities related to competence-development, compensation and career opportunities. The Group practises non-discriminating personnel and recruitment policy. The parent company and Group practise equal treatment in connection with recruitment and seek to achieve gender balance. The Kistefos Group has prepared a code of conduct that, among other things, describes applicable guidelines for preventing discrimination and for ensuring that the work is adapted to accommodate needs.

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

Material events after the balance sheet date and going concern assumption

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

At the date of preparation of these financial statements, the transaction of Phonero is at consideration with the Competition Authority. A final decision is expected during the first half of 2017.

Outlook for 2017

For 2017, the Board expects continued positive development for Advanzia Bank. We also expect that Western Bulk Chartering will deliver a positive net result for the year. The supply ship company Viking Supply Ships A/S will also in 2017 experience challenges in a very difficult market. Following the acquisition of Digitale Medier, we expect considerable positive development for 1881 Group. For the other companies in the portfolio, we expect positive development and for some, considerable value creation.

Allocation of the profit of the year

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

Net result	(342.850)
From other equity	342.850
Total allocations	(342.850)

The board proposes a group contribution of NOK 38.9 million to subsidiaries.

Oslo, 21. March, 2017

Christen Sveaas
Chairman of the Board

Erik Wahlstrøm
Board member

Martin Reimers
Board member

Tom Ruud
Board member

Ragnhild M. Wiborg
Board member

Bengt A. Rem
CEO

KISTEFOS GROUP

Parent company		PROFIT AND LOSS STATEMENT *January 1 - December 31*		Group	
2015	**2016**	*Amounts in NOK 000s*	**Note**	**2016**	**2015**
		OPERATING INCOME			
0	0	Freight revenues ships		6 370 063	10 198 606
0	0	Sales revenue		275 152	1 308 642
0	0	Interest income, bank activities		1 451 691	0
0	0	Gain (loss) on disposal of fixed assets	**11**	9 911	682 419
2 225	12 834	Other operating income		73 579	51 627
2 225	**12 834**	**Total operating income**	**1**	**8 180 396**	**12 241 294**
		OPERATING EXPENSES			
0	0	Cost of goods sold		60 354	667 114
0	0	Operating expenses ships		6 165 194	9 633 242
0	0	Interest expenses, bank activities		526 113	0
55 720	72 498	Wages and salaries	**3**	455 989	575 538
574	603	Depreciation and write-downs of fixed and intangible assets	**4**	445 537	412 727
32 940	58 057	Other operating expenses	**5**	888 479	392 565
89 235	**131 158**	**Total operating expenses**		**8 541 665**	**11 681 185**
(87 010)	**(118 324)**	**OPERATING RESULT**		**(361 268)**	**560 109**
		FINANCIAL INCOME AND EXPENSES			
954 648	423 227	Income / (expense) from group companies and associated companies		(8 449)	(51 308)
2 950	7 574	Interest received from group companies		(0)	191
3 027	4 589	Other interest received		23 971	23 728
310 213	22 180	Gain / (losses) on shares and other financial instruments		(226 774)	347 101
99 245	13 728	Other financial income	**2**	171 875	203 406
(296 826)	(588 574)	Change in value of shares and other financial instruments		0	(2 352)
(12 318)	(24 085)	Interest paid to group companies		0	0
(110 717)	(64 370)	Other interest expenses		(210 405)	(276 295)
(8 406)	(15 880)	Other financial expenses	**2**	(186 007)	(183 261)
941 816	**(221 613)**	**Net financial income / (expenses)**		**(435 788)**	**61 209**
854 807	**(339 937)**	**Operating result before taxes**		**(797 056)**	**621 318**
18 085	(2 914)	Taxes	**7**	(60 007)	(64 001)
872 891	**(342 850)**	**NET INCOME**		**(857 063)**	**557 317**
		Minority’s share of net income		(115 629)	(183 770)
		Majority’s share of net income		(741 434)	741 087

KISTEFOS GROUP

Parent company		BALANCE SHEET *As per December 31*		Group	
2015	**2016**	*Amounts in NOK 000s*	**Note**	**2016**	**2015**
		ASSETS			
		FIXED ASSETS			
6 607	0	Deferred tax assets	**7**	12 430	25 447
0	0	Goodwill		(50 886)	(36 112)
0	0	Other intangible assets		339 375	343 322
6 607	**0**	**Total intangible assets**	**4**	**300 918**	**332 658**
0					
0	0	Property and real estate		26 459	458 838
0	0	Ships, PSV and AHTS		3 155 953	3 494 338
0	0	Ship, Shipping		0	140 767
0	0	Ships, Bulk carriers		0	119 600
4 215	3 385	Operating equipment, FF&E, machines etc.		25 825	8 606
4 215	**3 385**	**Total tangible fixed assets**	**4**	**3 208 238**	**4 222 149**
2 309 155	2 330 434	Investments in subsidiaries	**5**	0	0
47 295	578 594	Loans to group companies		0	60 192
0	0	Investments in associated companies	**5**	0	65 569
0	0	Restricted bank deposits		58 610	176 209
0	0	Subordinated loan		0	0
8 631	6 201	Other long-term receivables	**3**	106 782	416 680
2 365 081	**2 915 230**	**Total financial fixed assets**		**165 392**	**718 649**
2 375 903	**2 918 615**	**Total fixed assets**		**3 674 549**	**5 273 456**
		CURRENT ASSETS			
0	0	Goods for sale and consumption		287 969	72 881
6 805	7 098	Accounts receivable		204 745	392 764
0	0	Loans and advances, bank activities		8 976 148	0
773 655	300 217	Loans to group companies		14 513	11 670
163 534	100 586	Other receivables		262 454	672 901
943 994	**407 900**	**Total receivables**		**9 745 830**	**1 150 217**
580 022	129 645	Shares and other financial instruments	**6**	608 691	992 981
0	0	Cash balances, bank activites		2 163 642	0
287 353	261 144	Cash and cash equivalents	**9**	862 875	979 657
1 811 369	**798 690**	**Total current assets**		**13 381 037**	**3 122 856**
4 187 272	**3 717 305**	**TOTAL ASSETS**		**17 055 586**	**8 396 312**

KISTEFOS GROUP

BALANCE SHEET
As per December 31

Parent company 2015	Parent company 2016	*Amounts in NOK 000s*	Note	Group 2016	Group 2015
		EQUITY AND LIABILITIES			
		EQUITY			
		Restricted Equity			
310 828	310 828	Share capital		310 828	310 828
77 508	77 508	Other Restricted Equity		77 508	77 508
		Retained earnings			
2 083 438	1 538 828	Other Equity		948 077	1 814 143
		Minority interests		733 348	705 537
2 471 774	**1 927 164**	**Total Equity**	**8**	**2 069 761**	**2 908 016**
		LONG TERM LIABILITIES			
0	5 400	Deferred taxes	**7**	116 329	133 341
1 578	1 615	Pension liabilities	**3**	36 150	35 936
0	0	Liabilities to financial institutions	**9**	2 244 338	2 564 856
633 471	691 911	Liabilities to group companies		0	0
667 500	800 000	Unsecured bond-loans	**9**	1 273 063	1 136 605
0	0	Subordinated loan, bank		85 000	0
0	0	Other long-term liabilities		13 155	199 200
1 302 548	**1 498 927**	**Total other long-term liabilities**		**3 768 034**	**4 069 938**
		SHORT TERM LIABILITIES			
0	0	Credit balances, bank activities		10 014 045	0
0	1 486	Trade creditors		79 626	190 484
0	0	Taxes payable	**7**	159 138	16 549
3 397	2 292	Government taxes, holiday pay, tax deductions		13 055	28 138
33 458	38 861	Liabilities to group companies		0	0
278 000	200 000	Provision for dividend		200 000	278 000
97 138	48 574	Other short-term liabilities		751 924	905 189
412 950	**291 213**	**Total short-term liabilities**		**11 217 788**	**1 418 359**
1 715 498	**1 790 140**	**Total liabilities**		**14 985 823**	**5 488 298**
4 187 272	**3 717 305**	**TOTAL EQUITY AND LIABILITIES**		**17 055 586**	**8 396 312**

Oslo, March 21, 2017

Christen Sveaas
Chairman of the Board

Erik Wahlstrøm
Board Member

Martin Reimers
Board Member

Tom Ruud
Board Member

Ragnhild M. Wiborg
Board Member

Bengt A. Rem
CEO

KISTEFOS GROUP

Parent Company 2015	Parent Company 2016	CASHFLOW STATEMENT Amounts in NOK 000s	Group 2016	Group 2015
		CASH FLOW FROM OPERATIONAL ACTIVITIES		
854 807	(339 937)	Pre-tax profit	(797 056)	621 318
0	0	Taxes (paid) / repaid during the year	(14 576)	0
574	603	Depreciations	445 537	412 727
0	0	(Gain) / loss from sale of fixed assets	(9 911)	(682 419)
(310 213)	(22 180)	Net (gain) / loss on sale of shares and other financial instruments	226 774	(347 101)
(156)	(293)	Change in accounts receivables *	(8 788 128)	447 578
(791)	530	Change in accounts payables *	9 903 187	(344 949)
(954 648)	(260 858)	Income from subsidiaries and associated companies	8 449	51 308
296 826	588 574	Change in value of shares and other financial instruments	(0)	2 352
7 761	(1 680)	Change in other receivables and other liabilities *	523 587	(50 162)
(105 840)	**(35 240)**	**A = Net cash flow from operating activities**	**1 497 863**	**110 652**
		CASH FLOW FROM INVESTMENT ACTIVITIES		
0	0	Reduction/ (increase) in operating equipment, FF&E, machinery etc	143 453	(42 474)
0	0	Reduction/(increase) ships	(86 679)	(218 890)
0	0	Reduction/(increase) other immaterial assets	(86 054)	573 206
(50)	(139 204)	Reduction/(increase) investments in subsidiaries/associated companies	65 569	29 901
353 311	(10 209)	Reduction/(increase) shares and other financial instruments	(40 642)	223 824
0	0	Change in restricted bank deposits	117 600	(42 172)
18 139	2 430	Change in other long-term receivables	135 247	(136 250)
0	0	Cash in acquired/sold subsidiaries	0	500 377
59 329	(109 755)	Change in receivables to group companies	57 348	(37 735)
430 729	**(256 737)**	**B = Net cash flow from investment activities**	**305 842**	**849 787**
		CASH FLOW FROM FINANCING ACTIVITIES		
(292 204)	0	Increase/(reduction) liabilities to financial institutions	(123 108)	(703 231)
(592 000)	132 500	Increase/(reduction) unsecured bond loan	136 458	(619 472)
104 728	(48 564)	Increase/(reduction) other long-term liabilities	(354 392)	(129 700)
(125 000)	(278 000)	Capital increase/(dividend)	(241 634)	(152 374)
600 299	459 834	Reduction / (Increase) in loan to group companies	0	(7 942)
(304 177)	**265 769**	**C = Net cash flow from financing activities**	**(582 676)**	**(1 612 719)**
		Other Changes		
0	0	Cash in new subsidiaries in the Group	853 141	50 994
0	0	Other changes, accounting principles, and currency fluctuations	(27 309)	59 601
0	**0**	**D = Net other changes**	**825 832**	**110 595**
20 713	(26 208)	A+B+C+D = Net change in bank deposits and cash	2 046 860	(541 685)
266 641	287 353	Bank deposits and cash as per 1 January	979 659	1 521 344
287 353	**261 145**	**Bank deposits and cash as per 31 December**	**3 026 517**	**979 659**
		Balance of bank deposits and cash consists of:		
		Deposits bank activities	2 163 642	
		Other bank deposits and cash	862 875	

*: The elements are affected by first time consolidation of Advanzia Bank in 2016

ACCOUNTING PRINCIPLES

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

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

Consolidation principles

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

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

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

Valuation and classification of assets and liabilities

The first annual instalment on long-term liabilities is included under long-term liabilities.

Assets and liabilities in foreign currency

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

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

Financial instruments

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

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

Intangible assets

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

Fixed assets

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

Subsidiaries, associated companies and joint ventures

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

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

Write-down of fixed assets

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

ACCOUNTING PRINCIPLES

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

Shares, stocks and other financial instruments

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

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

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

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

For Bank activities, at each balance sheet date the bank assesses wether there is objective evidence that financial assets are impaired, and the loss event has an impact on the future cash flows that can be estimated reliably. All individually significant loans and advances are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

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

Lease commitments

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

Revenue recognition principles

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

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

Offshore og shipping

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

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

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

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

Maintenance and classification expenses

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

NOTES TO THE ACCOUNTS

Amounts in NOK 000s

NOTE 1 - BUSINESS AREAS

	Bank	Buld	Offshore	Industrial shipping
Operating Income 2015	0	8 321 568	1 069 419	856 595
Operating Income 2016	1 451 691	5 157 481	713 762	328 349

	IT / Telecom	Real Estate	Other	Group
Operating Income 2015	1 980 022	6 298	7 391	12 241 294
Operating Income 2016	269 898	220 937	38 279	8 180 396

Operating Income by geographical areas	2016	2015
Nordic region	1 010 539	3 099 368
Rest of Europe	3 262 512	2 484 686
North America	485 444	1 169 367
Rest of the world	3 421 903	5 487 874
Total	**8 180 397**	12 241 294

NOTE 2 - OTHER FINANCIAL INCOME AND EXPENSES

	Parent Company		Group	
	2016	2015	**2016**	**2015**
Share dividends	5	98 105	5	98 105
Gains on foreign exchange	1 157	1 140	171 101	101 389
Other financial income	12 566	0	769	3 912
Total other financial income	**13 728**	**99 245**	**171 875**	**203 406**

	2016	2015	**2016**	**2015**
Loss on foreign exchange	(1 595)	(1 611)	(105 664)	(140 780)
Other financial expense	(14 285)	(6 795)	(80 343)	(42 481)
Total other financial expenses	**(15 880)**	**(8 406)**	**(186 007)**	**(183 261)**

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

	Parent Company		Group	
	2016	2015	**2016**	2015
Wages and salaries, holiday pay, fees etc	64 867	45 296	367 575	464 719
National insurance contribution	5 984	6 862	32 801	53 224
Pension expenses benefit-based pensions	770	2 463	16 069	16 925
Pension expenses contribution-based pensions	0	0	12 666	17 445
Other personnell expenses	877	1 099	26 878	23 224
Total wages and salaries	**72 498**	**55 720**	**455 989**	**575 538**
Full time equivalents	13	13	833	995

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

NOTES TO THE ACCOUNTS

Renumeration of the company's officers and managing director
The Executive Chairman NOK 0, other fees to the Board of Directors NOK 750.

The Managing Director's salary, bonus and other remuneration amounted to NOK 6 391 in 2016.

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

Auditor's fee (ex. VAT)	**Parent Company**	**Group**	
		Parent company's auditor	Other auditors
Statutory audit	460	3 253	2 678
Assistance with preparing annual financial statements, tax returns and other tax services	433	645	6 106
Services other than audit	184	483	455
Total	1 078	4 381	9 239

The parent company and some of the subsidiaries have a pension scheme that covers a total of 14 (14) employees in the parent company and 467 (437) employees in the Group at 31 December 2016, 3 of which are retired in the parent company and 356 (347) in the entitles beneficiaries to certain defined future benefits. These benefits mainly depend on the number of earnings years, salary at the age of retirement, future returns on pension assets and size of the benefits received from the National Insurance Scheme. The collective pension agreement is financed by generating reserves structured in a life insurance company. Net pension expenses are categorised in their entirety as wage and salary expenses in the financial statements. Under the Norwegian Mandatory Occupational Pension Act, Kistefos AS is obliged to have an occupational pension scheme. The scheme satisfies the relevant requirements.

	Parent Company		**Group**	
Pension expenses and liabilities in the financial statements:	**2016**	2015	**2016**	2015
Current value of this year's pension contributions	1 471	2 005	8 337	10 766
Interest cost of accrued pension liability	227	269	1 307	1 217
Expected return on pension assets	(295)	(275)	(819)	(653)
Amortisation	(1 004)	0	(2 107)	0
National insurance contribution and administration expenses	370	464	1 483	2 007
Net pension expenses, contribution plans	0	0	11 683	21 033
Year's pension expenses/(income)	**770**	**2 463**	**19 884**	**34 370**
		0		
Pension assets/(liabilities):	**2016**	2015	**2016**	2015
Estimated pension liabilities	(10 157)	(10 113)	(215 195)	(219 137)
Pension assets (at market value)	8 740	8 729	196 414	196 824
Unrecognised actuarial differences	0	0	853	0
Estimated national insurance contribution	(200)	(195)	(4 568)	(4 326)
Adjustment IFRS to NGAAP	0	0	(34)	(42)
Net book value, pension liabilities	**(1 615)**	**(1 579)**	**(22 530)**	**(26 681)**
Pension assets included in other receivables	**0**	**0**	**13 620**	**9 235**
Estimate assumptions:				
Discount rate	2,10 %	2,70 %	2,1-2,8%	2,7-3,3%
Expected returns	3,00 %	3,30 %	2,6-3,0%	2,7-3,3%
Wage and salary adjustment rate	2,25 %	2,50 %	2,25-3,0%	2,5-3,0%
National Insurance Scheme's basic pension adjusmtent rate	2,00 %	2,25 %	2,0-2,25%	2,25 %

NOTE 4 – TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

	Parent Company	Group		
	FF&E machinery, etc.	FF&E machinery, etc.	Buildings real estate	Ships, Offshore
Acquisition cost as per 1 January	10 603	81 843	459 277	4 702 327
Reclassification	0	0	0	0
Foreign currency translation differences	0	(3 137)	0	(13 981)
Additions during the year	0	43 217	244	86 679
Disposals during the year	(436)	(42 955)	(432 603)	6 476
Acquisition cost as per 31 December	**10 167**	**78 968**	**26 918**	**4 781 501**
Depreciations and amortisations as per 1 January	6 387	73 235	439	1 207 990
Reclassification	0	0	0	7 485
Foreign currency translation	0	(2 767)	0	7 311
This year's depreciations	592	7 856	20	160 597
This year's writedowns	0	0	0	242 166
Additions during the year	0	16 497	0	0
Disposals during the year	(198)	(41 677)	0	0
Accumulated depreciations and amortisations	6 781	53 144	459	1 625 549
Book value as per 31 December	**3 385**	**25 825**	**26 459**	**3 155 953**
Economic life	5-10 years	3-10 years	50 years	20-25 years
Depreciation plan	Straight line	Straight line	Straight line Real estate is not depreciated	Straight line

	Other Intangible assets	Ships, Industrial Shipping	Ships, Bulk carriers	Goodwill / (Negative Goodwill)	**Total Group**
Acquisition cost as per 1 January	590 119	613 929	241 318	(162 960)	6 525 853
Reclassification	0	0	0	0	0
Foreign currency translation differences	(3 309)	(21 475)	0	0	(41 902)
Additions during the year	80 791	0	0	(57 891)	153 040
Disposals during the year	(7 842)	(592 455)	(241 318)	(8 754)	(1 319 451)
Acquisition cost as per 31 December	**659 759**	**0**	**0**	**(229 605)**	**5 317 541**
Depreciations and amortisations as per 1 January	246 795	473 164	121 717	(126 847)	1 996 493
Reclassification	0	0	0	0	7 485
Foreign currency translation	(1 595)	(16 994)	0	0	(14 045)
This year's depreciations	46 627	7 541	1 756	(40 105)	184 292
This year's writedowns	0	19 079	0	0	261 245
Additions during the year	36 399	0	0	0	52 896
Disposals during the year	(7 842)	(482 790)	(123 473)	(11 766)	(667 548)
Accumulated depreciations and amortisations	320 384	0	0	(178 718)	1 820 818
Book value as per 31 December	**339 375**	**0**	**0**	**(50 886)**	**3 496 727**
Economic life	2 - 99 years	25 years	25 years	5 - 20 years	
Depreciation plan	Straight line / 10 % balance	Straight line	Straight line	Straight line	

Net negative goodwill consists of negative goodwill following acquistion of share sin Viking Supply Ships AB in 2016 of NOK -87 292, as well as goodwill following the acquisition of Western Bulk Chartering (NOK 29 401). The balance is amortized based on the Accounting Act.

Intangible assets
Intangible assets derive from the acquisition of Opplysningen 1881 AS in 2011, and internally developed IT-systems

Lease agreements

Western Bulk Chartering has signed some long-term T/C agreements with a duration for longer than 12 months. These represent a lease liability of USD 96.1 million, excluding options. In addition, Bulk Invest has entered into some long-term T/C agreements as charterer. These represent a lease asset of USD 11.5 million.

Viking Supply Ships AB's subsidiaries have lease agreements for leased vessels with a future obligation of SEK 280 million.
Future time charter income, including owned vessels, amounts to a minimum of SEK 185 million.

NOTE 5 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

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

Total book value of the subsidiaries is 2 330 434

Material subsidiaries	Parent company	Ownership share / voting rights	Business office
Viking Supply Ships AB	Viking Invest AS	75,3 % / 71,2 %	Gothenburg, Sweden
Opplysningen 1881 AS	Kistefos Venture Capital AS	100,0 %	Oslo
Western Bulk Chartering AS	Kistefos Equity Operations AS/ Kistefos Equity Holdings AS	73,9 %	Oslo

NOTE 6 – SHARES AND OTHER FINANCIAL INSTRUMENTS

PARENT COMPANY

	Number of shares owned	Ownership interest (%)	**Book value**
Kappa Bioscience AS *	797 377	56,3 %	51 632
OstomyCure AS*	13 614 387	66,8 %	50 993
Alliance Venture			25 933
Other shares and financial instruments			1 088
Total shares and other financial instruments – parent company			**129 645**

OWNED BY SUBSIDIARIES

	Number of shares owned	Ownership interest	**Book value**
Atex Media Group Limited - ordinære aksjer *	4 765 322	85,3 %	0
Atex Media Group Limited - preferanseaksjer *	451 050 347	83,3 %	0
Oslo Airport City AS	20 539 565	30,0 %	205 396
Promon AS	201 399	31,5 %	22 566
Infront AS	677 689	31,3 %	37 569
Line2 Inc	86 674 936	47,1 %	31 808
Phonero Holding AS	151 640 032	20,1 %	151 640
Other shares and financial instruments			30 069
Total shares and other financial instruments – Subsidiaries			479 048
Total shares and other financial instruments – Group			**608 691**

* Not consolidated due to temporary ownership.

NOTES TO THE ACCOUNTS

NOTE 7 – TAXES

	Parent Company		Group	
Tax expenses for the year:	**2016**	2015	**2016**	2015
Change in deferred tax/deferred tax assets*	1 196	(16 812)	(26 194)	(9 630)
Tax payable	0	0	81 015	73 826
Tax on group contribution in P&L	(9 094)	0	0	0
Other changes	0	(1 112)	5 186	(194)
Adjusted tax expense 2015 (changed estimate for deferred tax asset)	10 811	(161)	0	0
Year's tax expense/(income)	**2 914**	**(18 085)**	**60 007**	**64 001**

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

Tax payable in this year's tax expense:	**2016**	2015
Operating result before tax	(339 937)	854 807
Permanent differences	214 072	(1 054 250)
Change in temporary differences	(4 761)	4 938
Basis for tax payable	**(130 626)**	**(194 506)**
Tax (25 % /25%)	0	0

Specification of the basis for deferred tax:	**Parent Company**		**Group**	
Offsetting differences	**2016**	2015	**2016**	2015
Temporary differences, current receivables/debt	(2 140)	(2 140)	(4 646)	(2 232)
Temporary differences, fixed assets/long term debt	21 793	27 319	530 386	606 600
Temporary differences, others	11 230	943	(12 876)	(134 750)
carried forward	(8 383)	(52 551)	(104 566)	(251 176)
Change in deferred tax/(deferred tax assets)	**22 501**	**(26 429)**	**408 298**	**218 442**
	24 %	*25 %*	*22% - 24%*	*22% - 25%*
Estimated deferred tax/(deferred tax assets)	**5 400**	**(6 607)**	**97 992**	**54 611**
Deferred tax - not recognized on balance sheet	**0**	**0**	**(5 907)**	**(53 284)**
Net deferred tax / (deferred tax asset)	**5 400**	**(6 607)**	**103 899**	**(107 894)**
Deferred tax on balance sheet	**5 400**	**0**	**116 329**	**133 341**
Deferred tax asset on balance sheet	**0**	**(6 607)**	**(12 430)**	**(25 447)**

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

NOTE 8 – SHAREHOLDERS' EQUITY

PARENT COMPANY	Share capital	Other paid equity	Other equity	Total equity
Equity as per 1 January	310 828	77 508	2 083 438	2 471 774
Profit/(loss) for the year	0	0	(342 850)	(342 850)
Provision for dividend *	0	0	(200 000)	(200 000)
Other changes and conversion differences	0	0	(1 760)	(1 760)
Equity as per 31 December	**310 828**	**77 508**	**1 538 828**	**1 927 164**

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

GROUP	Share capital	Other paid equity	Other equity	Minority interests	Total equity
Equity as per 1 January	310 828	77 508	1 814 143	705 537	2 908 016
Profit/(loss) for the year	0	0	-741 434	-115 629	-857 063
Provision for dividend *	0	0	-200 000	0	-200 000
Other changes and conversion differences	0	0	75 368	143 440	218 808
Equity as per 31 December	**310 828**	**77 508**	**948 077**	**733 348**	**2 069 761**

*: The dividend was declared on shareholders meeting in December 2016.

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

The parent company has at year-end 2016 and 2015 no secured debt.
The Group has debt of NOK 2 244 388 (2015: NOK 2 564 856) that is pledged in assets with a book value of NOK 4 601 776 (2015: NOK 5 099 638).

Bond loan in Advanzia Bank (NOK 85 000) is issued without maturity date. There are no other debt that matures later than five years in the Group.
The parent company has no liabilities that matures later than five years.

Bank deposits

NOK 7 610 (2015: NOK 41 898) of the parent company's and the Group's bank deposits are in deposit accounts as collateral for forward funded shares. This can be freed when the instalments are realised. In addition to this, NOK 1 100 (2015: NOK 1 917) is deposited in tax withholding account for the parent company. The parent company and Group are subject to covenant requirements concerning a minimum level of available liquidity. The parent company and Group were in compliance with these requirements as per 31 December 2016.

Guarantees, etc.

Kistefos AS has, for the benefit of the lender, made a conditioned guarantee for a loan taken out by the wholly-owned subsidiary Opplysningen 1881 AS. The outstanding loan was NOK 140 million at the end of the year. Kistefos's guarantee was not exposed to losses at the time the financial statements were presented.
Kistefos AS has made a guarantee for bank overdraft and credit facilities in Western Bulk Chartering AS, limited to USD 8 000.
Kistefos AS has guaranteed a total of NOK 119 100 for a capital increase in Western Bulk Chatrtering AS to be completed during the first quarter of 2017.

Opplysningen 1881 AS has pledged guarantees as collateral for various operations-related liabilities. Bank guarantees and collateral totalling NOK 6 600 in value have been pledged as security for the liabilities.

Disputes:

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

NOTE 10 – FINANCIAL RISK FACTORS

Operational exposure

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

Currency risk related to the balance sheet

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

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

Interest rate risk

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

Liquidity risk

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

Credit Risk

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

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

Western Bulk Chartering AS was sold by Western Bulk ASA to Kistefos Equity Operations AS in February 2016. Western Bulk ASA changed the name to Bulk Invest AS following the sale, and filed for bankruptcy in April. As a consequence, the Group has deconsolidated Bulk Invest and recognized a loss in the profit and loss statement of approximately NOK 280 000.

In October, Kistefos Eiendom AS sold its shares in Bergmoen AS and Gardermoen Forum AS to Oslo Airport City AS. The Group has recognized a gain of approximately NOK 220 000 following the transaction. At the same time, Kistefos Eiendom AS re-invested for 30 % ownership in Oslo Airport City AS.

In December, the parent company has made full downpayment of the unsecured bond loan KIST02 of NOK 750 000. At the same time, a new, unsecured bond loan (KIST04) of NOK 800 000 was issued. The bond was increased to NOK 1 000 000 in February 2017.

In November, Phonero Holding AS entered into an agreement with Telia Company AB for the sale of its shares in Phonero AS. Kistefos owns 20.1% of Phonero Holding AS through a fully owned subsidiary. The transaction is currently being review by the Norwegian Competition Authority, who have announced that they consider stopping the transaction. A final decision is expected during the first half of 2017.

In December, Kistefos entered into an agreement with Amedia for the purchase of the company "Digitale Medier 1881 AS" through a fully owned subsidiary. The transaction was approved by the Competition Authority in January 2017, and the company was acquired in February 2017.

The parent company had liabilities to, and receivables from, other group companies. These are subject to interest of NIBOR + a 1.75% margin. Kistefos also performs some administrative tasks for other group companies. These are invoiced based on an arm's length principle.

The parent company Kistefos AS has entered into an agreement with Stiftelsen Kistefos-museet for a gift to fund the building of a new museum hall.

Advanzia Bank was consolidated for the first time in 2016. If the company had been consolidated for the full year or 2015, the Group would have increased its revenue for the year of NOK 1 191 000

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To the General Meeting of Kistefos AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kistefos AS showing a loss of NOK 342 850 000 in the financial statements of the parent company and loss of NOK 857 063 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the 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 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, 21 March 2017
RSM Norge AS

Translation, not to be signed

Per-Henning Lie
State Authorised Public Accountant

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