KISTEFOS AS

Financial Statements 2019

Org. nr. 951 408 743

Annual report

The Kistefos Group achieved good value creation in 2019, posting a profit after tax for the year of NOK 491 million, despite a charge of NOK -344 million for Western Bulk. The profit after tax was down NOK 1,298 million from NOK 1,788 million in 2018, mainly due to the recognition of a gain of NOK 2,326 million on the sale of three icebreakers in Viking Supply Ships in the previous year.

In 2019, Advanzia Bank increased its after-tax profit by 32 per cent to EUR 78.3 million, compared with EUR 59.1 million in 2018. The increase was driven by continued high lending growth and was achieved despite significant costs for establishments in new areas, as well as significantly higher ongoing lending loss provisions following the introduction of IFRS 9 in 2018. The net lending balance rose by 17 per cent during the year to EUR 1,638 million.

Viking Supply Ships posted a profit after tax of SEK 52 million in 2019, compared with SEK 1,751 million in 2018. Adjusting for the sale of the icebreakers in 2018, the profit in 2019 was higher than in 2018. The underlying results improvement was attributable to higher rates for and utilisation of the company's four ice-class anchor handling vessels.

Western Bulk posted a loss after tax of USD 38.0 million in 2019, compared with a profit after tax of USD 4.2 million in 2018. The reduction in profit was primarily attributable to losses in Chile and a larger-than-expected market slump in the first quarter of 2019.

The sale of Kappa Bioscience AS (53.5 per cent shareholding) generated an accounting gain of NOK 342 million in Kistefos AS in December 2019.

At the end of the year, the Group's free liquidity totalled NOK 1,215 million (NOK 2,685 million), while the parent company's free liquidity was NOK 646 million (NOK 363 million).

At NOK 14,441 million, consolidated sales for the Kistefos Group in 2019 were up NOK 62 million compared to 2018. The figures for 2018 include a gain on the sale of icebreakers in Viking Supply Ships. Adjusting for this gain, most of the Group's business areas posted increased sales in 2019. In addition, NextGenTel has been included in the Group since April 2019.

The Group posted an operating profit for the year of NOK 881 million, compared with NOK 2,276 million in 2018. The change in the operating profit, adjusted for the gain of NOK 2,326 million on the sale in Viking Supply Ships in 2018, is primarily attributable to improved results from both Advanzia and Viking Supply Ships, slightly offset by a weaker result from Western Bulk Chartering.

Net consolidated financial expenses fell from NOK 341 million in 2018 to NOK 174 million in 2019. The improvement is primarily attributable to a gain on the rolling over of share options in 2019, while in 2018 the result was impacted by losses on both share options and foreign exchange transactions, as well as impairments of shares.

The profit after tax for the year closed on NOK 491 million, compared with NOK 1,788 million in 2018. The reduction is mainly attributable to the recognition of a gain of NOK 2,326 million on the sale of icebreakers in Viking Supply Ships in 2018.

At the reporting date, the Group had total assets of NOK 31,225 million, up NOK 4,314 million from NOK 26,910 million at the previous year-end. The increase was primarily driven by higher business volumes at Advanzia

Bank, and the consolidation of NextGenTel in 2019.

As of 31 December 2019, consolidated long-term liabilities totalled NOK 4,045 million, compared with NOK 3,912 million twelve months previously.

Current liabilities totalled NOK 24,279 million (2018: NOK 19,912 million), which included deposits from customers at Advanzia Bank of NOK 22,074 million.

The Group's book equity amounted to NOK 2,900 million, compared with NOK 3,086 million at the end of 2018. The Group has significant excess values in excess of book values.

Consolidated activities

Advanzia Bank S.A. (60.3 % ownership)

Advanzia generated strong top- and bottom-line growth in 2019, despite significant investments in new markets and further development of the bank's IT platform. In 2019, the bank's net income increased by 24 per cent, from EUR 213.8 million in 2018 to NOK 265.6 million. The continued growth was primarily driven by a strong increase in the customer base in Germany and Austria. At the reporting date, the bank had 1,119,000 active credit card customers, up 20 per cent on 2018. Net lending to customers rose by 17 per cent and closed the year on EUR 1,638 million.

Advanzia increased its profit after tax by 32 per cent, from EUR 59.1 million in 2018 to EUR 78.3 million in 2019. The company's operating costs and lending loss provisions also rose during the year, by 24 per cent and 20 per cent, respectively. Adjusting for investments in the bank's newest market, Spain, the year-on-year growth in profit after tax would have been 42 per cent.

The bank has improved its performance in all markets. Advanzia continued to gain market shares in Germany/Luxembourg and Austria, and also achieved strong customer growth in its new market of Spain. In France, the bank has started to expand its customer base after an extended phase of improvement projects and associated low customer growth, while in Spain work to further develop the credit scoring models will continue into the first half of 2020.

Advanzia completed the acquisition of Catella's PCS business (operation of cards on behalf of other banks) in March 2020. Advanzia gained 65 new partner banks and around 15,000 new cards as a result of the acquisition. The integration of this portfolio is due to be completed at the end of the first quarter of 2020.

Advanzia issued hybrid capital of NOK 225 million in AT1 bonds and EUR 25 million in T2 bonds during the year. Dividends of EUR 40 million were paid in 2019.

Viking Supply Ships AB (78.3 % ownership)

The Viking Supply Ships AB (VSS) Group posted a profit after tax of SEK 52 million in 2019 (2018: SEK 1,751 million). The profit in 2018 is primarily attributable to a total gain of SEK 2,462 million on vessel disposals during the year, while the operating loss came in at SEK 376 million. The Group has successfully trimmed its cost base in recent years, and together with good contractual coverage through the summer and autumn, this led to improved results in 2019.

Net sales in 2019 totalled SEK 504 million (2018: SEK 300 million), of which SEK 351 million (2018: SEK 154 million) relate to the AHTS business and SEK 153 million to Services and Ship Management (2018: SEK 146 million).

Consolidated EBITDA closed on SEK 114 million, compared with SEK 2,382 million in 2018.

Excluding laid-up vessels, the average daily rate for the company's AHTS vessels for the year was USD 39,000 (USD 28,400) and the utilisation rate was 68 per cent (2018: 53 per cent). VSS had an average of two vessels on the spot market and two vessels on term contract in 2019.

During the first quarter of 2019, the company's last conventional PSV, Idun Viking, was sold and delivered to the purchaser. VSS also sold the conventional AHTS vessel Odin Viking during the year. The sales had a positive liquidity effect of SEK 65 million and a negative results effect of SEK 2 million.

In 2019, together with Borealis Maritime, VSS signed an agreement to purchase two ice-class PSVs under construction at the Remontowa shipyard in Poland. In addition to partly owning the vessels, VSS will be responsible for full operational and commercial management of the ships. The ships have an environmentally friendly profile with dual fuel capabilities, which means that the ships can use both liquid natural gas (LNG) and marine gas oil (MGO). The ships will also be equipped with battery packs to reduce consumption and emissions. The vessels complement the existing fleet and will strengthen the company's service offering. The ships are due to be delivered in the fourth quarter of 2020 and first quarter of 2021, respectively.

Following these transactions, the VSS Group's operations consist of the four proprietary ice-class AHTS vessels (two of which have ice class 1A Super and two ice class 1A) and a modern PSV under management for Vard. Operations will be expanded to include two modern ice-class PSVs as these are delivered to the company from the Remontowa shipyard in Poland. VSS has retained its core competence of operating in areas with ice and extreme weather conditions, along with its icebreaker expertise through the contract to perform ship management for the Swedish Maritime Administration's five icebreakers in the Baltic Sea.

Western Bulk Chartering AS (82.2 % ownership)

Western Bulk posted particularly weak results in 2019. The company recorded a loss after tax for the year of USD 38.0 million, compared with a profit after tax of USD 4.2 million in 2018. The weak performance was driven by losses from historical contractual obligations in Chile of USD 16.3 million and provisions of USD 10.1 million, primarily for ongoing obligations in the same country. The results were also adversely affected by a poor performance in the first quarter of 2019 as a result of Western Bulk's long position in tonnage at the start of the year, as well as an unusually high rate fall. Adjusted for the extraordinary results in Chile and the above-mentioned provisions, the company would have posted a loss after tax of USD 12 million in 2019.

Western Bulk operated an average of 150 ships per day in 2019, compared with 151 in 2018.

In April, Western Bulk made an issue of USD 15 million, directed to the company's two largest shareholders, Ojada AS and Kistefos AS. The purpose of the issue was to part-finance repayment of Western Bulk's bond loan (outstanding amount NOK 300 million, of which NOK 29 million was owned by Western Bulk). In addition to the issue, Kistefos extended a shareholder loan to secure the refinancing. In December, Kistefos' outstanding amount of USD 13.2 million was converted to equity, and a private placement of USD 1.5 million was made in favour of Ojada AS. During the first quarter of 2020, the next 148 largest shareholders in Western Bulk will receive an offer to subscribe to a repair issue for their pro-rata shares on the same terms as Ojada AS and Kistefos AS.

1881 Group AS (100 % ownership)
1881 Group AS posted sales of NOK 428 million in 2019 (2018: NOK 402 million). The increase in sales is primarily attributable to the effect of the acquisition of Idium at the end of 2018. The Group posted EBITDA of NOK 89 million in 2019 (2018: NOK 101 million).

The decrease in volume from core services in 2019 was lower than in previous years, and growth in new services, much of which was driven by the company's "mobilsøk" (mobile search) app and Prisguiden, partly compensated for a declining market for traditional services. The market share was stable during the year.

1881 Group has set itself a goal of being a full-value provider of digital solutions to the SME segment. To this end, in December 2018, 1881 Group AS acquired the media house Idium, an end-to-end supplier of digital marketing services to small and medium-sized enterprises. In 2019, Idium was merged with 1881 Group's existing website developer Develo 1881 and jointly marketed under the name Idium. The acquisition of Idium, which is the clear market leader in its segment, has provided the Group with a customer base of 4,000 small and medium-sized enterprises.

The acquisition of Digitale Medier 1881 has resulted in a reinforced focus on a shared brand, and the leveraging of cost synergies. Digitale Medier 1881 is also a strong platform for further acquisitions, as illustrated by the purchases of Develo, Prisguiden and most recently, Idium.

NextGenTel Holding AS (100 % ownership)
In 2019, NextGenTel Holding posted total sales of NOK 764 million, compared with NOK 854 million in 2018 (proforma). Total underlying EBITDA for the period closed on NOK 80 million, compared with NOK 84 million the previous year. The NextGenTel Group employs around 200 staff.

In the first half of 2019, Kistefos acquired all the remaining shares in NextGenTel following a voluntary offer that was accepted by more than 90 per cent of the company's shareholders. The offer valued the company's equity at NOK 326 million. NextGenTel was de-listed in the second quarter.

Since the takeover of NextGenTel in spring 2019, a number of measures, including a new TV solution, have been rolled out, and the company has decided to continue to divide its operations into the retail and corporate segments in order to achieve a stronger focus moving forward.

To further strengthen the Group's initiatives in the corporate market, at the end of the year management completed the merger of the IT service supplier BitPro AS in Kristiansand with the subsidiary Proximo AS. The merged company will trade under the name BitPro AS.

Since start-up in 1999, NextGenTel AS has established a solid position as a supplier of telephony, broadband and TV solutions for Norwegian households with almost 90,000 broadband, 16,000 TV and more than 25,000 telephony customers.

The sister company Bitpro AS is an independent supplier of broadband, data communication and telephony services to the corporate market with around 30,000 customers. Bitpro AS posted sales of around NOK 50 million in 2019 before the merger with Proximo AS. The merger of the companies will provide opportunities for cross-sales of products across the respective customer bases. The merged company is now an end-to-end supplier of IT and digital communication services to the corporate market. Kistefos has a 85 per cent shareholding in Bitpro AS.

The NextGenTel Group's top- and bottom-line results for the year were better than expected at the time of the transaction in the first half of 2019. Overall customer volumes are expected to continue to fall due to a reduction in the use of copper-based broadband. However, both NextGenTel and Bitpro have increased the value of their customer portfolios by focusing on growth in fibre/high-speed broadband.

Lumarine AS (93.9 % ownership)
Lumarine AS was established in 2015 under the name Rognkallen AS and was originally a lumpfish producer.

In line with company's growth and diversification strategy, in 2019 Lumarine completed the acquisition of two companies with separate production sites: Atlantic Lumpus AS (in Sleneset) and Njord Salmon AS (in Tjeldbergodden). The acquisitions will help Lumarine to achieve the objective of being the leading supplier of cleaner fish (lump fish and ballan wrasse). The company has also acquired capacity and expertise in the production of post-smolt salmon.

Lumarine performs research and development activities with selected partners to increase knowledge of cleaner fish and is developing new and improved technology and methods to boost animal welfare and produce more robust, high-quality cleaner fish. The company is now stepping up its efforts in this area, which will make the industry as a whole more sustainable. Lumarine is also looking to enter into direct partnerships with its customers (salmon farmers) and over the long term aims to significantly increase the reuse of cleaner fish, including as edible fish.

The financial results were negatively impacted by a biological incident that resulted in the destruction of fish that were almost ready for delivery, as well as by the acquisitions in the middle of the year, as the companies had low activity when acquired. In 2019, the company posted sales of NOK 71 million, more than double the prior-year figure of NOK 33 million. EBITDA for the year totalled around NOK 7 million, down from NOK 11 million in 2018.

Parent company Kistefos AS
The parent company posted an operating loss of NOK 163 million in 2019 (2018: NOK 431 million). The change is primarily attributable to provisions for gifts, sponsorships and a new building at the Kistefos Museum in 2018.

Net financial income for the period amounted to NOK 623 million, compared with NOK 1,554 million in 2018. The positive financial result was primarily attributable to the sale of Kappa Bioscience AS (53.5 per cent shareholding) and dividends from subsidiaries. Group contributions and dividends received from subsidiaries totalled NOK 606 million, compared with NOK 1,308 million in 2018. In 2018, dividends from subsidiaries were significantly affected by the sale of the icebreakers in Viking Supply Ships. Net external interest costs in 2019 totalled NOK 176 million (2018: NOK 114 million).

In May 2019, Kistefos AS issued a new bond loan for NOK 1,000 million. During the second half of the year, the outstanding amount was increased to NOK 1,350 million in accordance with the loan framework. In connection with the new issue of the bond loan, KIST04 was repurchased by the company. At the end of the year, Kistefos AS had two outstanding bond loans of NOK 1,000 million and NOK 1,350 million, maturing in 2021 and 2023, respectively.

The parent company's profit after tax amounted to NOK 457 million, compared with NOK 1,130 million in 2018.

At the end of the year, the parent company's free liquidity was NOK 646 million, compared with NOK 363 million in 2018.

At the reporting date, the parent company's equity amounted to NOK 1,741 million, compared with NOK 1,494 million at the previous year-end. The equity ratio was 34 per cent at the end of 2019 (2018: 29 per cent).

Development in non-consolidated portfolio investments

Promon AS (30.4 % ownership)
Promon is a Norwegian technology company specialising in cybersecurity for software applications. The company focuses on security solutions used in applications that can identify and prevent attacks without human intervention – so-called Application Hardening

or Runtime Application Self Protection (RASP) technology.

The majority of the company’s customers are in the banking and finance sector. Promon has also identified major opportunities to increase the number of partners and customers in new verticals, and regards fintech, e-health, the automotive industry, access control and the public sector as particularly promising potential growth areas, since protecting customer data is critical for digitalising these verticals.

In 2019, Promon gained a number of new customers and distribution partners, which together with a continued focus on the Asiatic market, enabled the company to post continued strong growth during the year.

Sales increased from NOK 37 million in 2018 to NOK 52 million in 2019, a rise of 39 per cent. EBITDA in 2019 totalled NOK 4 million, up from NOK -2.5 million in 2018. The company expects further solid sales growth in 2020.

Aspit AS (40.0 % ownership)
Aspit is a growth company that delivers technological solutions to the health sector. Aspit has been a leading supplier of electronic patient journal (EPJ) systems and IT operations for more than 20 years. The company aims to help create the IT solutions of the future for the Norwegian Health Service.

Today the main focus is on software for the chiropractor/physiotherapy and psychiatry markets. The company is at a technological crossroads and will launch a new, state-of-the-art Software-as-a-Service (SaaS) system that can be used in several specialist areas within the health sector in 2020.

In addition to the new web-based solution, Aspit will launch two new growth products in 2020: Aspit Medica, a journal system for general practitioners, and Aspit Envision, a medical image management solution for use in the health sector.

Aspit posted further strong growth in 2019. Sales increased by 17 per cent, from NOK 45 million in 2018 to NOK 53 million in 2019. The company expects further solid sales growth in 2020.

Semine AS (41.8 % ownership)
Semine (formerly Bilagos) is developing an artificial-intelligence-based robot designed to automate voucher and invoice management for businesses, accounting offices and public sector enterprises. The SEMINE robot has been developed using unique, self-learning algorithms designed to execute voucher and invoice management processes. SEMINE is integrated into the customer’s existing accounting system, meaning that no extra migration costs are incurred.

Use of robotics, in combination with artificial intelligence, increases user productivity, eliminates repetitive tasks and facilitates significant cost reductions. This in turn allows finance departments to shift their focus from transactions to activities with a higher strategic value, thereby securing the company competitive advantages and ongoing growth.

A team of leading interaction designers, technologists and AI research resource pools is collaborating to ensure a good user experience and help SEMINE become quicker and more structured.

The SEMINE accounting robot was launched on the market in 2019 and more than 50 major Norwegian businesses have already signed up to start using SEMINE during 2020.

Semine currently employs 75 staff and is headquartered in Kristiansand. The company also has sales and distribution offices in Oslo, and a subsidiary in India.

Oslo Airport City AS (26.6 % ownership)
Oslo Airport City (“OAC”) is Norway’s largest commercial development project covering a 1 100 000 square meters site situated between Oslo Gardermoen Airport (OSL) and Jessheim.

OAC is intended to strengthen the existing establishments in the area and drive the development of a new urban area with a direct link to OSL – Norway's largest and the Nordic region's second-largest airport. OAC will be a sustainable business park offering skilled workplaces, offices, retail outlets, recreation facilities, hotels and conference venues.

The company currently has agreements with Porsche to develop a new car centre, as well as Haute Nordic to develop a hotel with 1,000 beds and a congress centre that can accommodate 500 people. The Porsche Center is expected to be completed in 2021 and Haute Nordic is due to open in 2022.

Kistefos is the largest individual shareholder in Oslo Airport City.

TradeIX Ltd (25.7 % ownership)
TradeIX has developed a new, open digital platform for Trade Finance transactions based on blockchain technology. Unlike their predecessors, these processes are highly automated and also have fewer intermediary stages. Both banks and relevant business customers will be able to achieve major savings by trading more efficiently and directly with each other than previously.

In 2019, TradeIX carried out test transactions on the company's platform together with its bank partners. The product modules are expected to be launched during 2020. In 2019, the company made a new round of issues (Series A follow-on) of USD 20 million in which Kistefos (and other existing owners) reinvested, while Landesbank Baden-Württemberg, Accenture and SBI Investment Co., Ltd came on board as co-owners.

Ostomycure AS (67.0 % ownership)
Ostomycure is developing a titanium implant to improve the quality of life for patients with ileostomies. The solution is intended to function as an alternative to traditional "ostomy bags" worn outside the body. A clinical study is currently being carried out to demonstrate the product's functionality. At the end of 2018, the company was awarded a grant of EUR 2.5 million under the EU Commission's 2020/FTI (Fast Track to Innovation) programme.

Organisation and environment

At the reporting date, the Kistefos Group employed a total of 1,041.5 full-time equivalents. The parent company is headquartered in Oslo. The Group operates across the world.

The parent company employed 14.5 full-time equivalents at the end of year. The working environment is considered to be good. In 2019, 216 sickness absence days were recorded in the parent company, which equates to a sickness absence rate of 5.8 per cent. This is higher than normal, mainly due to long-term sickness absence for one employee. No injuries or accidents were reported in the Group or parent company in 2019.

The Group strives to facilitate equal opportunities for both women and men with regard to training, pay and development opportunities. The Group does not discriminate in its HR and recruitment policies. The parent company and Group endeavour to achieve an equal gender balance in recruitment. The Kistefos Group has prepared a dedicated Code of Conduct with guidelines to prevent discrimination and facilitate workplace adaptation for employees with special needs.

The parent company does not carry out any activities that pollute the environment to a significant extent. However, the Group does engage in activities that could be potential sources of pollution. The respective boards of these companies are responsible for ensuring that the business is operated properly and in line with the guidelines to prevent and limit environmental pollution.

The Group’s risks

The Group is exposed to various types of risk. In addition to inherent market risk in individual companies or projects, the Group is exposed to other operational and financial risks in connection with its activities. The Group is exposed to foreign exchange risk through its operations and owner positions, and hedges its operating activities, assets and liabilities against foreign exchange fluctuations where deemed expedient.

An inherent risk attaches to the Group’s current and long-term liquidity, and the Board focuses on ensuring that both the company and Group have sufficient liquidity to cover their obligations at all times. This is particularly important given the current volatility of the finance markets. The Group also positions itself to leverage promising opportunities as and when they arise.

The Group is additionally exposed to fluctuations in interest rates due to a combination of fixed and floating rates. The Board and management actively monitor various areas of the business that are exposed to risk. Credit risk is the largest risk for the Group’s banking activities. The bank has a dedicated credit function that monitors and evaluates risk.

Material events after the balance sheet date and going concern assumption

The annual financial statements have been prepared under the going concern assumption. The Board confirms that the conditions for going concern are in place and that there have been no significant events since the reporting period that are not reflected in the Report from the Board of Directors.

Outlook for 2020

Advanzia expects to generate continued customer growth in Germany, Austria and France in 2020. Customer growth is also expected in Spain, along with improved credit scoring models. The bank generally expects strong financial development, though slightly weaker profit growth due to major investments in IT and banking systems. Any consequences of the corona virus are uncertain. Advanzia's board and management are actively working to understand the short-term and long-term consequences of the spread of the coronavirus. So far, there is no effect to detect, but it is too early to estimate the consequences for any longer term of the corona virus.

VSS experienced a weak market at the start of 2020 and used the opportunity to carry out maintenance on three out of four boats in the first quarter. The spot market for the company’s ice class AHTS vessels is expected to pick up during the year on the back of higher rig activities. This is despite the fact that the oil price has been sharply reduced as a result of the corona virus, but the long-term consequence of this for the activity level is not quantifiable at the present time.

Western Bulk’s market was characterised by low rates at the start of 2020, and the forward rates for the rest of the year are also low. The company has reduced its tonnage position at the start of the year and has a flexible position going forward. In light of this, the company expects a clear improvement in results and to post a net profit in 2020. However, the corona virus has led to a risk of global recession, as well as possible port delays that will have a negative impact on Western Bulk if they materialize.

1881 Group is generating growth through acquisitions such as Idium and Prisguiden. The company will continue to be an active consolidator it is niches, while maintaining the profitability of its core services. The purchasing power in Norway may fall as a result of the co-rona virus, and this could have consequences for the 1881 Group, as demand for the company's products may fall.

At the start of 2020, following the Bitpro transaction, NextGenTel AS was split into two companies – NextGenTel AS, which will serve the retail market, and Bitpro AS, which will serve the corporate market. The latter company has a much wider service offering as a result of the transaction. Together the companies are exceeding expectations and are expected to steadily improve sales and results moving forward. We cannot ignore the fact that new sales in NextGenTel may be adversely affected by the spread of corona virus.

There has been a sharp fall in oil prices so far in 2020. This is because Saudi Arabia has increased oil production as a result of disagreement over production levels between OPEC and Russia.

The outbreak of the corona virus has so far in 2020 caused great fear of widespread spread of the virus. This has led investors to be scared of subsequent significant falling stock and bond prices. Governments all over the world are now implementing powerful measures to address the negative consequences of this. The long-term effects this will have for the Kistefos Group are difficult to predict.

Allocation of the profit of the year

The Board proposes that net profit for the year be allocated as follows (figures in NOK ’000):

Net profit for the year	457,585
Transferred to other equity	-247,585
Group contribution	-205,626
Dividend	- 4,374
Total allocations	-457,585

The Board proposes that NOK 78,292 million in Group contributions be distributed to subsidiaries.

Oslo, 17 March 2020, Board of Directors of Kistefos AS

Translation, not to be signed

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

KISTEFOS GROUP

Parent company		PROFIT AND LOSS STATEMENT		Group	
2018	**2019**	*Amounts in NOK 000s*	**Note**	**2019**	**2018**
		OPERATING INCOME			
0	0	Freight revenues ships		9 817 583	9 004 628
0	0	Sales revenue		1 267 955	597 353
0	0	Interest income, bank activities		3 001 701	2 328 268
0	0	Gain (loss) on disposal of fixed assets / operations		348 134	2 460 674
156 340	8 210	Other operating income		5 602	(11 766)
156 340	**8 210**	**Total operating income**	**1**	**14 440 975**	**14 379 158**
		OPERATING EXPENSES			
2	79	Cost of goods sold		493 216	143 310
0	0	Operating expenses ships		9 678 823	8 746 576
0	0	Interest expenses, bank activities		888 902	877 544
84 731	68 949	Wages and salaries	**3**	754 190	615 365
683	781	Depreciation and write-downs of fixed and intangible assets	**4**	271 630	442 450
501 647	100 940	Other operating expenses	**3**	1 472 851	1 277 044
587 062	**170 749**	**Total operating expenses**		**13 559 612**	**12 102 289**
(430 722)	**(162 539)**	**OPERATING RESULT**		**881 363**	**2 276 869**
		FINANCIAL INCOME AND EXPENSES			
1 307 665	606 435	Income / (expense) from group companies and associated companies		1 850	3 001
8 497	8 331	Interest received from group companies		(0)	0
8 261	12 122	Other interest received		27 670	35 929
(72 148)	412 592	Gain / (losses) on shares and other financial instruments		67 418	(72 244)
61 459	3	Other financial income	**2**	45 484	109 640
393 612	(192 608)	Change in value of shares and other financial instruments		(13 337)	(54 145)
(23 351)	(29 119)	Interest paid to group companies		(0)	(0)
(113 852)	(176 040)	Other interest expenses		(256 208)	(253 181)
(15 647)	(18 374)	Other financial expenses	**2**	(46 665)	(109 710)
1 554 495	**623 342**	**Net financial income / (expenses)**		**(173 788)**	**(340 711)**
1 123 773	**460 803**	**Profit before tax**		**707 575**	**1 936 158**
5 891	(3 218)	Taxes	**7**	(217 071)	(148 045)
1 129 665	**457 585**	**Profit after tax**		**490 504**	**1 788 113**
		Minority's share of net income		258 715	589 815
		Majority's share of net income		231 789	1 198 299

KISTEFOS GROUP

Parent company		BALANCE SHEET		Group	
31.12. 2018	**31.12. 2019**	*Amounts in NOK 000s*	**Note**	**31.12. 2019**	**31.12. 2018**
		ASSETS			
		FIXED ASSETS			
4 908	1 690	Deferred tax assets	**7**	8 360	17 486
0	0	Goodwill		77 940	16 798
0	0	Other intangible assets		872 909	489 951
4 908	**1 690**	**Total intangible assets**	**4**	**959 209**	**524 236**
0	0	Property and real estate		63 645	35 229
0	0	Ships, PSV and AHTS		1 631 496	1 702 528
2 135	58 478	Operating equipment, FF&E, machines etc.		241 792	92 852
2 135	**58 478**	**Total tangible fixed assets**	**4**	**1 936 934**	**1 830 610**
2 848 551	3 488 858	Investments in subsidiaries	**5**	0	0
0	0	Investments in associated companies	**5**	26 870	0
172 693	80 730	Loans to group companies		0	0
4 316	4 392	Other long-term receivables		7 238	110 283
3 025 561	**3 573 980**	**Total financial fixed assets**		**34 108**	**110 283**
3 032 603	**3 634 147**	**Total fixed assets**		**2 930 251**	**2 465 129**
		CURRENT ASSETS			
0	0	Goods for sale and consumption		383 114	428 421
112	2 153	Accounts receivable		505 996	414 532
0	0	Loans and advances, bank activities		17 614 705	14 553 521
1 307 665	240 787	Receivables from group companies		7 515	253 748
0	0	Restricted bank deposits		122 396	70 807
137 568	174 299	Other receivables		453 004	475 052
1 445 345	**417 238**	**Total goods for sale and receivables**		**19 086 731**	**16 196 080**
297 300	499 647	Shares and other financial instruments	**6**	886 138	654 313
0	0	Cash balances, bank activites		7 106 513	4 909 999
362 768	646 128	Cash and cash equivalents	**9**	1 215 073	2 684 875
2 105 414	**1 563 014**	**Total current assets**		**28 294 455**	**24 445 267**
5 138 017	**5 197 162**	**TOTAL ASSETS**		**31 224 705**	**26 910 396**

KISTEFOS GROUP

Parent company 31.12. 2018	Parent company 31.12. 2019	BALANCE SHEET *Amounts in NOK 000s*	Note	Group 31.12. 2019	Group 31.12. 2018
		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			
1 105 356	1 352 940	Other Equity		1 348 509	1 292 768
		Minority interests		1 163 454	1 405 326
1 493 692	**1 741 276**	**Total Equity**	**8**	**2 900 298**	**3 086 430**
		LONG TERM LIABILITIES			
0	0	Deferred taxes	**7**	60 000	62 728
0	0	Pension liabilities	**3**	28 910	29 557
0	0	Liabilities to financial institutions	**9**	1 030 772	1 702 078
602 338	517 506	Liabilities to group companies		(0)	(0)
1 710 000	2 350 000	Unsecured bond-loans	**9**	2 350 000	1 981 001
0	0	Subordinated loan, bank activities		553 777	85 205
7 118	5 668	Other long-term liabilities		21 656	51 835
2 319 455	**2 873 174**	**Total other long-term liabilities**		**4 045 116**	**3 912 404**
		SHORT TERM LIABILITIES			
0	0	Credit balances, bank activities		22 073 523	17 385 525
1 834	17 233	Trade creditors		184 332	206 546
0	0	Taxes payable	**7**	116 493	10 757
2 371	12 164	Government taxes, holiday pay, tax deductions		69 235	25 762
954 000	288 292	Dividend/group contribution		311 814	894 000
366 664	265 022	Other short-term liabilities		1 523 894	1 388 974
1 324 869	**582 710**	**Total short-term liabilities**		**24 279 291**	**19 911 562**
3 644 325	**3 455 885**	**Total liabilities**		**28 324 407**	**23 823 966**
5 138 016	**5 197 162**	**TOTAL EQUITY AND LIABILITIES**		**31 224 705**	**26 910 396**

Oslo, March 17 2020

Translation, not to be signed

Christen Sveaas
Chairman of the Board

Erik Wahlstrøm
Board Member

Martin Reimers
Board Member

Tom Ruud
Board Member

Ragnhild M. Wiborg
Board Member

Bengt A. Rem
CEO

KISTEFOS GROUP

Parent Company 31.12. 2018	Parent Company 31.12. 2019	CASHFLOW STATEMENT Amounts in NOK 000s	Group 31.12. 2019	Group 31.12. 2018
		CASH FLOW FROM OPERATIONAL ACTIVITIES		
1 123 773	460 803	Profit before tax	707 575	1 936 158
0	0	Taxes (paid) / repaid during the year	(10 757)	(108 374)
683	781	Depreciations	271 630	442 450
0	0	(Gain) / loss from sale of fixed assets	(348 134)	(2 460 674)
72 148	(412 592)	Net (gain) / loss on sale of shares and other financial instruments	(67 418)	72 244
(57)	(2 041)	Change in accounts receivables and loans/advances in bank activities	(3 152 648)	(2 627 704)
(1 277)	15 398	Change in accounts payables and credit balances in bank activities	4 665 785	2 181 914
		Change in goods for sale and consumption	45 307	(253 713)
(1 307 665)	(360 673)	Income from subsidiaries and associated companies	(1 850)	0
(393 612)	192 608	Change in value of shares and other financial instruments	13 337	54 145
383 661	(209 702)	Change in other receivables and other liabilities	42 001	337 956
(122 346)	**(315 418)**	**A = Net cash flow from operating activities**	**2 164 828**	**(425 599)**
		CASH FLOW FROM INVESTMENT ACTIVITIES		
0	(56 343)	Reduction/ (increase) in operating equipment, FF&E, buildings/real estate etc.	(107 492)	(53 804)
0	0	Reduction/(increase) ships	30 645	3 206 923
0	0	Reduction/(increase) other immaterial assets	(356 407)	(74 084)
0	382 600	Reduction/(increase) investments in subsidiaries/associated companies	(259 741)	0
(172 518)	(215 647)	Reduction/(increase) shares and other financial instruments	(65 058)	(178 417)
0	0	Change in restricted bank deposits	0	(10 830)
(825)	0	Change in other receivables	0	(108 372)
(36 936)	457 679	Change in receivables to group companies	229 219	0
(210 280)	**568 289**	**B = Net cash flow from investment activities**	**(528 835)**	**2 781 416**
		CASH FLOW FROM FINANCING ACTIVITIES		
0	0	Increase/(reduction) liabilities to financial institutions	(552 279)	(395 000)
430 000	640 000	Increase/(reduction) unsecured bond loan	640 000	158 999
0	0	Increase/(reduction) other long-term liabilities	0	2 537
(170 500)	(789 997)	Capital increase/(dividend)	(1 100 705)	(141 229)
(89 347)	180 484	Reduction / (Increase) in loan to group companies	0	16 975
170 153	**30 487**	**C = Net cash flow from financing activities**	**(1 012 984)**	**(357 718)**
		Other Changes		
0	0	Cash in new subsidiaries in the Group	116 238	31 920
0	0	Other changes, accounting principles, and currency fluctuations	(12 536)	(55 638)
0	**0**	**D = Net other changes**	**103 702**	**(23 718)**
(162 472)	283 358	A+B+C+D = Net change in bank deposits and cash	726 712	1 974 382
525 239	362 769	Bank deposits and cash as per 1 January	7 594 875	5 620 493
362 769	**646 126**	**Bank deposits and cash as per 31 December**	**8 321 586**	**7 594 875**
		Balance of bank deposits and cash consists of:		
		Deposits bank activities	7 106 513	4 909 999
		Other bank deposits and cash	1 215 073	2 684 875

ACCOUNTING PRINCIPLES

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

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

Consolidation principles

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

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

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

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

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

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

Financial instruments

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

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

Intangible assets

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

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

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

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

Write-down of fixed assets

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

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

ACCOUNTING PRINCIPLES

Shares, stocks and other financial instruments

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

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

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

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

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

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

Lease commitments

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

Revenue recognition principles

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

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

Offshore og shipping

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

Telecom

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

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

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

Bank activities

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

Maintenance and classification expenses

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

Gifts and sponsorships

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

NOTES TO THE ACCOUNTS

Amounts in NOK 000s

NOTE 1 - BUSINESS AREAS

	Bank	Bulk	Offshore	Industrial shipping
Operating Income 2018	2 328 268	8 705 102	2 700 695	27 588
Operating Income 2019	3 033 133	9 352 285	449 453	0

	IT / Telecom	Real Estate	Other	Group
Operating Income 2018	401 381	3 608	212 517	14 379 158
Operating Income 2019	995 234	2 108	608 763	14 440 975

Operating Income by geographical areas	2019	2018
Nordic region	2 060 446	3 578 260
Rest of Europe	6 197 741	4 996 653
North America	866 811	794 843
Rest of the world	5 315 977	5 009 401
Total	**14 440 975**	14 379 158

NOTE 2 - OTHER FINANCIAL INCOME AND EXPENSES

	Parent Company		Group	
	2019	2018	**2019**	**2018**
Share dividends	0	57 361	0	57 762
Gains on foreign exchange	0	0	33 462	48 159
Other financial income	3	4 099	12 022	3 719
Total other financial income	**3**	**61 460**	**45 484**	**109 640**
	2019	2018	**2019**	**2018**
Loss on foreign exchange	(7 035)	(3 119)	(19 885)	(90 869)
Other financial expense	(11 337)	(12 528)	(26 778)	(18 840)
Total other financial expenses	**(18 374)**	**(15 647)**	**(46 665)**	**(109 710)**

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

	Parent Company		Group	
	2019	2018	**2019**	2018
Wages and salaries, holiday pay, fees etc	58 943	73 069	613 601	519 823
National insurance contribution	6 760	9 089	66 087	50 119
Pension expenses benefit-based pensions	0	0	16 328	8 698
Pension expenses contribution-based pensions	1 508	1 363	16 543	10 580
Other personnell expenses	1 737	1 209	41 631	26 143
Total wages and salaries	**68 949**	**84 731**	**754 190**	**615 365**
Full time equivalents	15	14	1 042	850

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

NOTES TO THE ACCOUNTS

Amounts in NOK 000s

Renumeration of the company's officers and managing director

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

The Managing Director's salary, bonus and other remuneration amounted to NOK 7 372 in 2019.

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	699	5 449	4 620
Assistance with preparing annual financial statements, tax returns and other tax services	593	1 823	2 013
Services other than audit	15	907	1 667
Total	1 306	8 179	8 300

Some of the subsidiaries have a defined benefit pension scheme that covers a total 431 (373) employees in the Group at 31 December 2019, of which 312 (328) are retired. The employees are beneficiaries to certain defined future benefits. These benefits mainly depend on the number of earnings years, salary at the age of retirement, future returns on pension assets and size of the benefits received from the National Insurance Scheme.

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.

	Group	
Pension expenses and liabilities in the financial statements:	**2019**	2018
Current value of this year's pension contributions	110	(6 440)
Interest cost of accrued pension liability	481	4 563
Expected return on pension assets	(260)	(3 861)
Amortisation	0	0
National insurance contribution and administration expenses	6 021	1 311
Net pension expenses, contribution plans	9 976	13 126
Year's pension expenses/(income)	**16 328**	**8 698**
Pension assets/(liabilities):	**2019**	2018
Estimated pension liabilities	(187 251)	(190 482)
Pension assets (at market value)	163 896	166 301
Unrecognised actuarial differences	0	0
Estimated national insurance contribution	(5 554)	(5 376)
Adjustment IFRS to NGAAP	0	0
Net book value, pension liabilities	**(28 910)**	**(29 557)**
Pension scheme with net liability classified as an accrual	**(28 910)**	**(29 557)**
Pension assets included in other receivables	**0**	**0**

Estimate assumptions:	
Discount rate	1,2 % - 2,3 %
Expected returns	1,2 % - 2,3 %
Wage and salary adjustment rate	2,25 % - 3,2 %
National Insurance Scheme's basic pension adjusmtent rate	2,00 %
Pension regulation	0,50 %

NOTES TO THE ACCOUNTS

Amounts in NOK 000s

NOTE 4 – TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

	Parent Company	Group	
	FF&E machinery, etc.	FF&E machinery, etc.	Buildings real estate
Acquisition cost as per 1 January	10 279	136 776	50 859
Reclassification	0	991	25 971
Foreign currency translation differences	0	(353)	0
Additions during the year	57 124	398 393	16 926
Disposals during the year	0	(14 958)	0
Acquisition cost as per 31 December	**67 403**	**520 850**	**93 756**
Depreciations and amortisations as per 1 January	8 143	43 924	15 628
Reclassification	0	184 835	11 060
Foreign currency translation	0	(300)	0
This year's depreciations	781	50 318	3 421
This year's writedowns	0	0	0
Additions during the year	0	9 552	0
Disposals during the year	0	(9 272)	0
Accumulated depreciations and amortisations	8 924	279 059	30 109
Book value as per 31 December	**58 478**	**241 792**	**63 646**
Economic life	5-10 years	3-10 years	50 years
Depreciation plan	Straight line	Straight line	Straight line Real estate is not depreciated

	Ships, Offshore	Other Intangible assets	Goodwill / (Negative Goodwill)	**Total Group**
Acquisition cost as per 1 January	2 690 130	988 435	(152 804)	3 713 397
Reclassification	0	785	0	27 748
Foreign currency translation differences	7 775	(1 010)	0	6 412
Additions during the year	30 568	697 950	110 205	1 254 042
Disposals during the year	(532 981)	(4 312)	(37 916)	(590 167)
Acquisition cost as per 31 December	**2 195 492**	**1 681 849**	**(80 515)**	**4 411 431**
Depreciations and amortisations as per 1 January	987 602	498 480	(169 597)	1 376 039
Reclassification	(82 888)	170 640	12 252	295 899
Foreign currency translation	1 437	(687)	0	449
This year's depreciations	66 576	140 515	10 799	271 630
This year's writedowns	0	0	0	0
Additions during the year	0	0	0	9 552
Disposals during the year	(408 733)	0	(11 909)	(429 914)
Accumulated depreciations and amortisations	563 994	808 940	(158 455)	1 523 647
Book value as per 31 December	**1 631 497**	**872 909**	**77 940**	**2 887 783**
Economic life	20-25 years	2 - 99 years	5 years	
Depreciation plan	Straight line	Straight line / 10 % balance	Straight line	

Goodwill/ (Negative goodwill)

Net goodwill consists mainly of negative goodwill following the acquisition of shares in Viking Supply Ships AB in 2016 and 2018 (NOK -73,256), goodwill from acquisitions / issues in Western Bulk Chartering AS (NOK 38,607), goodwill in O1881 Group (NOK 57 420), goodwill in Lumarine (NOK 22 738) and NextGenTel (NOK 32 430). The items are depreciated in accordance with the Accounting Act.

Intangible assets

Intangible assets derive from the acquisition of Opplysningen 1881 AS in 2011, Digitale Medier AS in 2017 and NextGenTel in 2019, as well as internally developed IT - and production systems.

Lease agreements

Western Bulk Chartering has signed some long-term T/C agreements with a duration for longer than 12 months. These represent a lease liability of USD 103,5 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 10,2 million.

NOTES TO THE ACCOUNTS

Amounts in NOK 000s

NOTE 5 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

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

Total book value of the subsidiaries is NOK 3 488 858.

Material subsidiaries	Parent company	Ownership share / voting rights	Business office
Viking Supply Ships AB	Viking Invest AS	78,3 % / 74,7 %	Kristiansand
FPS Viking LTD	VSS Holdings AS	30 %	Limassol, Kypros
1881 Group AS	Kistefos Venture Capi	100 %	Oslo
Western Bulk Chartering AS	Kistefos Equity Holdir	82,2 %	Oslo
NextGenTel Holding AS	Telecom Holding 3 AS	100 %	Oslo
Lumarine AS	Holding Akvaservice A	94 %	Tømmervåg

NOTE 6 – SHARES AND OTHER FINANCIAL INSTRUMENTS

PARENT COMPANY

	Profit/Equity in last financial statement	Number of shares owned	Ownership interest	Book value
Instabank ASA		83 126 568	25,0 %	137 264
TradeIX Ltd		67 297	26,5 %	88 695
Ostomycure AS*	(7 827)/(843)	21 427 926	67,0 %	82 122
Aspit AS		1 980	40,0 %	75 936
Diffia AS		48 014	24,5 %	25 254
Other shares and financial instruments				90 375
Total shares and other financial instruments – parent company				**499 647**

OWNED BY SUBSIDIARIES

	Number of shares owned	Ownership interest (%)	Book value
Oslo Airport City AS	20 539 565	26,6 %	205 396
Promon AS	201 399	30,4 %	22 566
Semine AS (previously Bilagos AS)	467 463	41,8 %	53 907
Antler (shares and investment funds)			37 382
Previwo AS*	1 091 484	50,9 %	30 289
Other shares and financial instruments			36 953
Total shares and other financial instruments – Subsidiaries			386 493
Total shares and other financial instruments – Group			**886 138**

* Not consolidated due to temporary ownership.

NOTES TO THE ACCOUNTS

Amounts in NOK 000s

NOTE 7 – TAXES

	Parent Company		Group	
Tax expenses for the year:	**2019**	2018	**2019**	2018
Change in deferred tax/deferred tax assets*	3 218	(5 891)	(4 998)	(10 833)
Tax payable	0	0	208 989	161 341
Tax on group contribution in P&L	0	0	10 709	2 383
Other changes	0	0	2 370	(4 846)
Year's tax expense/(income)	**3 218**	**(5 891)**	**217 070**	**148 045**

**: 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:	**2019**	2018
Operating result before tax	460 803	1 123 773
Permanent differences	(745 760)	(1 211 226)
Change in temporary differences	(8 489)	14 868
Basis for tax payable	**(293 446)**	**(72 585)**
Tax (22 % /23%)	0	0

Specification of the basis for deferred tax:	Parent Company		Group	
Offsetting differences	**2019**	2018	**2019**	2018
Temporary differences, current receivables/debt	0	0	(9 545)	(2 777)
Temporary differences, fixed assets/long term debt	10 367	13 500	418 692	515 358
Temporary differences, others	(187 214)	(10 970)	(132 954)	(48 355)
Loss carry-forward for tax purposes incl. Cut off interest cost	(32 020)	(15 126)	(382 623)	(222 798)
Change in deferred tax/(deferred tax assets)	**(208 868)**	**(12 596)**	**(106 430)**	**241 429**
	22 %	*22 %*	*22% - 23%*	*22% - 23%*
Estimated deferred tax/(deferred tax assets)	**(45 951)**	**(2 771)**	**(23 415)**	**53 114**
			0	0
Deferred tax - not recognized on balance sheet	**(44 261)**	**0**	**(75 055)**	**(5 276)**
Net deferred tax / (deferred tax asset)	**(1 690)**	**(4 908)**	**51 640**	**45 242**
Deferred tax on balance sheet	**0**	**0**	**60 000**	**62 728**
Deferred tax asset on balance sheet	**(1 690)**	**(4 908)**	**(8 360)**	**(17 486)**

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	1 105 356	1 493 692
Profit/(loss) for the year	0	0	457 585	457 585
Provision for group contribution	0	0	(205 626)	(205 626)
Provision for dividend	0	0	(4 374)	(4 374)
Other changes and conversion differences	0	0	0	0
Equity as per 31 December	**310 828**	**77 508**	**1 352 940**	**1 741 276**

The company's share capital is NOK 310,828 divided into 22,202,000 shares at NOK 14 each. All shares carry equal rights.
The company's shares are owned by AS Holding (97.92%) and Kistefos Skog AS (2.08%), 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	1 292 768	1 405 326	3 086 430
Profit/(loss) for the year	0	0	231 789	258 715	490 504
Provision for group contribution	0	0	(205 626)	0	(205 626)
Provision for dividend	0	0	(4 374)	(480 008)	(484 382)
Other changes and conversion differences	0	0	33 952	(20 580)	13 372
Equity as per 31 December	**310 828**	**77 508**	**1 348 509**	**1 163 454**	**2 900 298**

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

The parent company has at year-end 2019 and 2018 no secured debt.
The Group has debt of NOK 1 030 772 (2018: NOK 1 702 078) that is pledged in assets with a book value of NOK 1 377 886 (2018: NOK 2 560 005).

Advanzia Bank hybrid loans totaling NOK 310,000 have been issued with no maturity date, while hybrid loans of EUR 25,000 have a 10-year maturity. In accordance with Norwegian GAAP, NOK 222,200 of the hybrid capital has been reclassified from equity in Advanzia's official accounts to debt in Kistefo's consolidated financial statements. 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 104 436 (2018: NOK 180 192) 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 8 528 (2018: NOK 1 242) is deposited in tax withholding account for the parent company.

Western Bulk Chartering has restricted cash deposits of USD 13 711 related to obligations to brokers, guarantees and pension liabilities.
As 31.12.19, Western Bulk Chartering had drawn USD 5,900 of a USD 20,000 revolving credit facility (RCF).

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 2019.

Guarantees, etc.

Kistefos AS has, for the benefit of the lender, made a conditioned guarantee for a loan taken out by the wholly-owned subsidiary 1881 Group AS and Opplysningen 1881 AS. The outstanding loan was NOK 105 million at the end of the year. Kistefos's guarantee was not exposed to losses at the time the financial statements were presented.

Opplysningen 1881 AS and Digitale Medier AS has pledged guarantees as collateral for various operations-related liabilities. Bank guarantees and collateral totalling NOK 13 600 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.

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

NOTE 10 – FINANCIAL RISK FACTORS

Operational exposure

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

Currency risk related to the balance sheet

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

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

Interest rate risk

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

Liquidity risk

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

Credit Risk

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

Amounts in NOK 000s

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

At the beginning of April, Kistefos, through its subsidiary Telecom Holding 3 AS, purchased 100% of the shares in NextGenTel Holding ASA ("NGT") for NOK 14.00 per share. Kistefos AS previously owned 25.02% of the shares in NGT. NGT was delisted from the Oslo Stock Exchange after the transaction.

Western Bulk Chartering AS completed two capital issues in 2019. The first in April of NOK 129,000 (NOK 41.00 per share), and the last one in December of NOK 132,000 (NOK 12.50 per share). Kistefos subscribed for shares in both issues, and at the end of the year owns 82.2% of the shares in the company.

In May, the parent company issued a new bond loan (KIST06) of NOK 1,000,000. At the same time, the outstanding loan under KIST04 were settled. The loan was increased by NOK 250,000 in August, and an additional NOK 100,000 in November. After the increase in November, the loan is fully drawn up with NOK 1,350,000, which is the borrowing

Advanzia Holding AS repaid the loan in DNB in June of NOK 500,000. The loan was replaced by a new loan of the same amount.

In September, the parent company sold its 53.5% shareholding in Kappa Bioscience AS. The sale resulted in an accounting gain of approximately NOK 340,000 for the Group.

In December, Kistefos Eiendom AS sold all its shares in Bygdø Alle 23 AS. The sale generated an accounting gain of approx. NOK 13,000.

The parent company had liabilities to, and receivables from, other group companies. These are subject to interest of 6 month NIBOR + a 1.75% margin. In addition, Kistefos does some administrative work for other group companies. These are billed based on the arm's length principle.

The outbreak of Covid-19 (the "corona virus") has strongly impacted the world economy with weakening markets globally, uncertainty, falling stock exchanges and oil prices. Reference is made to the Board of directors report.

NextGenTel Holding ASA is consolidated for the first time in 2019. If the company was consolidated in 2018, it would have resulted in higher sales revenues in the group of approximately NOK 962 200.

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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 profit of NOK 457 585 000 in the financial statements of the parent company and profit of NOK 490 504 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company Kistefos AS, which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Kistefos AS and its subsidiaries, which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 17 March 2020
RSM Norge AS

Translation, not to be signed

Per-Henning Lie
State Authorised Public Accountant