Solvang ASA

ANNUAL REPORT
2012

INDUSTRY LEADING PROVIDER OF
LPG AND PETROCHEMICAL TONNAGE.

Definitions

Ammonia/NH3	Used as raw material for fertilizer production.
Cbm	Cubic meter. The most common capacity nomination for gas vessels
CoA	Contract of Affrightment. A CoA is an agreement between ship owner and customer for the transportation of a min-max volume of cargo at a given rate per ton, normally for one year or several years.
Dry docking	Normally related to a vessels periodic maintenance according to class requirements. Intervals normally 5 years for newer vessels
ESE	Evergas Solvang Ethylene. 50/50 joint venture between Solvang and Evergas for marketing of ethylene ships.
FFJV	Fully Fledge Joint Venture.
Freight rates	The rate paid by customer to owners for the transportation service provided. Can be either on per ton basis or per days basis.
IFRS	International Financial reporting Standards. All Norwegian companies quoted on the Oslo Stock exchange is required to follow this standard.
HSEQ	Health, safety, environment and quality
IFRS	International Financial Reporting Standards. All Norwegian companies quoted in the Oslo Stock Exchange is required to follow this accounting standard.

LGC	Large Gas Carrier. LPG vessels between 50.000 cbm and 70.000 cbm. Normal size for newer vessels is 60.000.
IGC	International Gas Carriers. Marketing company for Solvang's LGC and VLGC vessels.
LIBOR	London Interbank Offered Rate
LPG	Liquified Petroleum Gas.
LTI	Lost Time Incident Ratio measuring the level of injuries in a company or an operation.
Panamax VLGC	Very Large Gas Carrier with a beam of 32,2 meter enabling the vessels to trade through the Panama canal.
Petrochemical Gases	Gases used as input/feedstock in petrochemical industry.
Semiref/Ethylene vessel	A vessel capable of carrying cargoes under higher pressure than atmospheric pressure as well as fully refrigerated.
Spot rate	The rate obtained when chartering out a vessel for a single voyage.
TC	Time Charter. A contract between ship owner and customer for anything between 2 months and several years. All voyage cost such as bunkers, canal and harbour fees are payable by the customer. Operating Cost is for the owner's account.
VLGC	Very large Gas Carrier. LPG carriers with over 75,000 cbm load capacity The normal size for modern vessels is 82,000 cbm. As opposed to Panamax VLGC, these vessels cannot sail through the Panama Canal.

Market Analysis

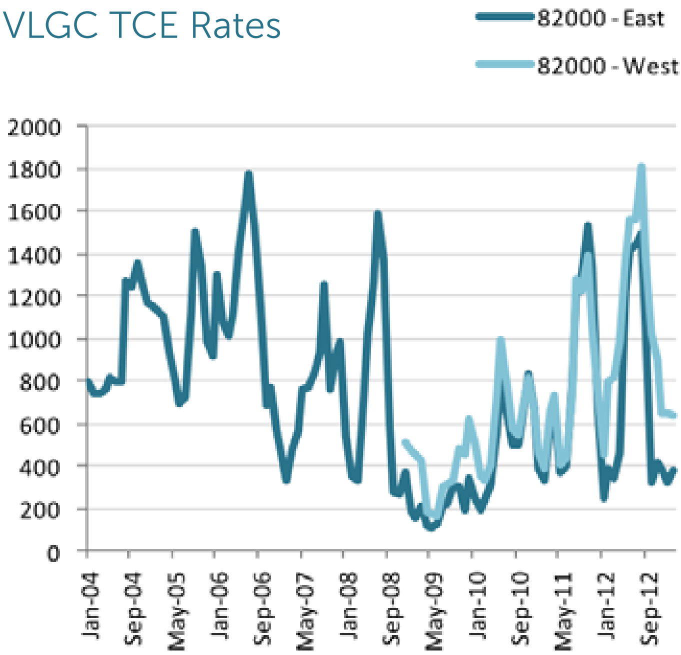
VLGC

The VLGC market freight rates in 2012 were very similar to those of 2011. During the second and third quarter, rates were driven up and were maintained at a high level led by increased exports from Saudi Arabia and Qatar. This was paralleled by high import demand and consequent congestion in India that led to a tight vessel supply in the Middle East Gulf. The spot market was further boosted by arbitrage between the West and East of Suez. A relatively high number of cargoes were shipped from the Atlantic Basin, and to a smaller extent from the Mediterranean, to the Far East.

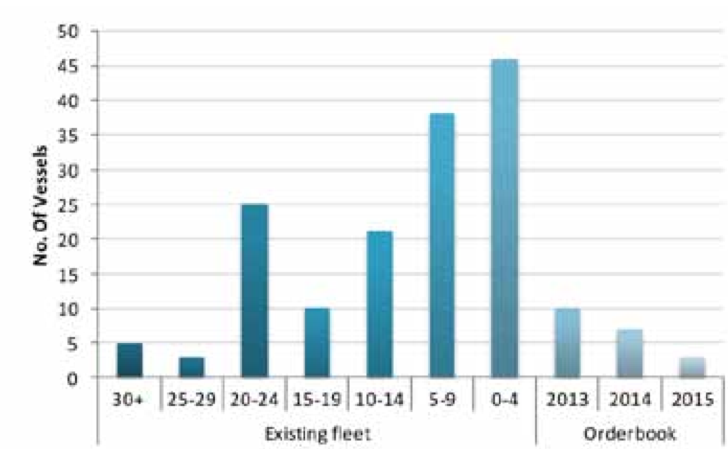
However, the West-East movements came to a halt in the third quarter as the US/EU-enforced sanctions against Iran during the summer months gradually led to a shortfall of about five to seven cargoes per month from the Middle East. The annual maintenance that took place on the export facilities in the Middle East temporarily limited the number of available cargoes even further, and towards the end of the year the low export volumes were reflected in the freight market, which was hovering in the high USD 30's pmt. Incremental LPG export volumes from Angola, expected to be around 1 million metric tons per annum, were scheduled to come on stream during the year, but the startup has been delayed until mid 2013.

Only two VLGC new build were delivered in 2012, out of an expected seven. One new build was cancelled by troubled owner Sanko Steamship, and four new builds were postponed for delivery from late 2012 to early 2013.

VLGC TCE Rates



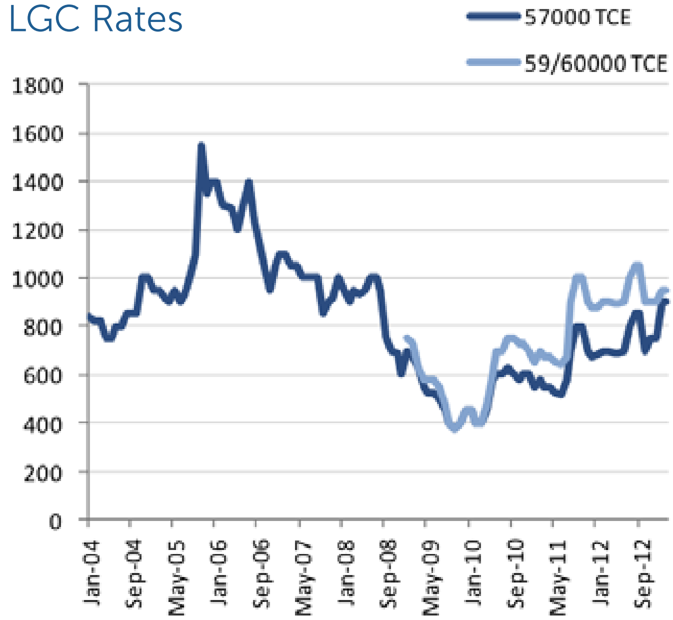
VLGC Age



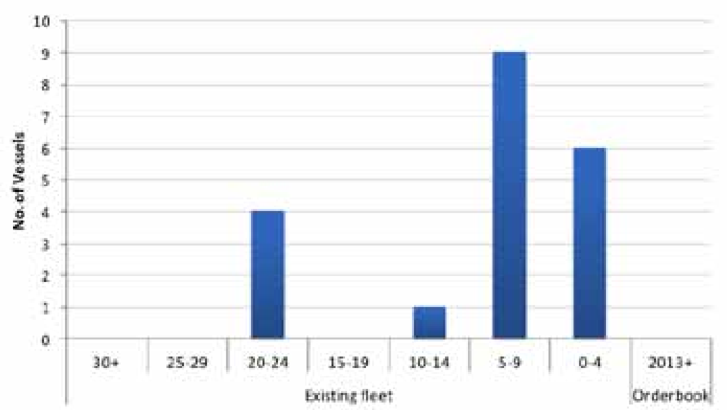
LGC

The LGC segment performed well throughout 2012. Supported by the increased demand for long haul ammonia transport, a number of ships were shifted from LPG trading to meet the new market demand. By the end of 2012, eleven ships were trading LPG, and the remaining nine were trading ammonia. All of the ships were primarily on medium to long term Time Charters. The outlook for 2013 remains positive as the majority of the fleet has already been committed.

LGC Rates



LGC Age



Ethylene Semi-Ref

While Iranian exports were healthy through May, they were almost entirely halted by the sanctions enforced in June. Their exports remained limited until fourth quarter when several vintage ethylene carriers were purchased by interests unbound by sanctions and subsequently used for the Iranian export trade.

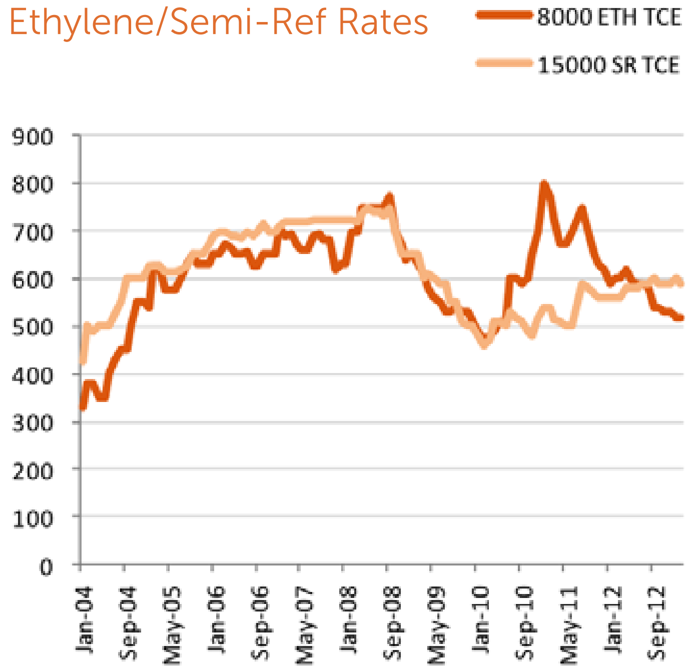
Ethylene exports from Qatar were expected to decline after a new downstream processing plant was meant to come online, but delays in construction led to Qatari exports exceeding expectations through the third quarter. Driven further by spot cargoes from Ruwais, UAE, and Rabigh, Saudi Arabia, the ethylene carriers experienced a strong summer. As Qatar's delayed downstream production facility came online, the market briefly experienced the equilibrium expected earlier in the year. However, a combination of plant maintenance and technical problems in the fourth quarter at downstream processing plants in Saudi Arabia led to increased exports from Jubail, Saudi Arabia and a fairly tight vessel market at the end of the year.

Looking at the market west of Suez, there was less trans-Atlantic business for CC4 and butadiene generated than anticipated. However, there were several shorter periods of positive arbitrage from Europe to Asia for propylene, CC4, and butadiene, all of which led to positive contributions to the ton-mile balance.

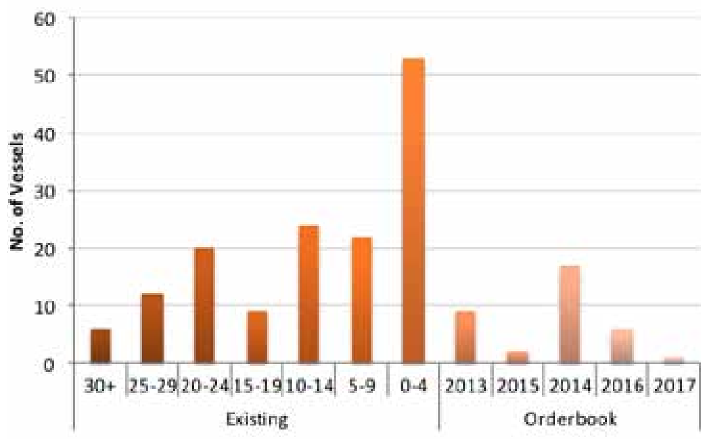
For the larger semi-ref vessels, a strong year for all market participants was capped with Navigator Gas' consolidation of its handy sized fleet through the acquisition of AP Møller's 11 vessels.

During 2012, orders for vessels ranging from 8-22,500 cbm included five semi-ref and 12 ethylene vessels. The semi-ref fleet received three new vessels this year, while there were no new ethylene vessels delivered. One ethylene carrier was scrapped.

Ethylene/Semi-Ref Rates



Ethylene Semi-Ref Age



Note: This is for vessels 8,000 CBM and over.

Annual Report 2012

1. INTRODUCTION

2012 has been a good year for the shipping activity, where the market for the VLGCs (Very Large Gas Carrier) has been volatile, but with an average that indicates a mid-cycle year. For the LGC (Large Gas Carrier) segment, the market is more stable, with all the vessels on shorter / longer time charter with a positive trend in freight rates. For the ethylene segment, the market has varied between quarters, but with an overall high level of exports from the Middle East, it has been a good year. Net financial items contributed positively both from dividends from shares, foreign exchange gains and positive value adjustments in line with the stock market in general. The Group recorded a profit before tax of NOK 64.1 million against NOK 14.2 million in 2011. Cash flow was 5.3 million against NOK 36.1 million in 2011, the drop from 2011 comes mainly from the repayment of loans. Tax expense was NOK 8.7 mill, which resulted in a net positive result of NOK 55.5 million against a loss of NOK -22.5 million in 2011.

The board of directors propose a dividend for 2012 of NOK0,50 per share.

2. OPERATIONS

The group's activities are divided in two main segments; Ship-management and Ship-ownership. The latter segment can be divided into three sub-segments for the transportation of Liquefied Petroleum Gas (LPG), ammonia (NH3) and petrochemical gases:

- 12,000 cbm – 17,000 cbm ships (Semi-refrigerated / Ethylene)
- 60,000 cbm fully refrigerated LPG ships (LGC)
- 75,000 – 82,000 cbm fully refrigerated LPG ships (VLGC)

The company's headquarters are located in Stavanger, Norway, where the operation of all the ships are managed from the company's fully integrated shipping organisation.

The chartering of the Ethylene fleet is managed by Evergas Solvang Ethylene (ESE), a 50 / 50 joint venture (JV) company based in Copenhagen. The chartering of the LGC / VLGC fleet is managed by International Gas Carriers (IGC) in Oslo; a 100% owned Daughter Company of Solvang ASA. In addition, the company has a crewing office in Manila, Philippines.

In 2012 the market improvement which began in 2010 continued. The imbalance between supply and demand in the last two years, due to a combination of over-contracting and low demand, was more balanced in 2012, but still very volatile for the largest ships and not fully satisfactory on average earnings.

3. MARKET

3.1 Semi-refrigerated / ethylene carriers

This segment includes semi-refrigerated and ethylene carriers from 8,000 cbm and up. The group has seven ships in this segment, of which five are managed by ESE. Solvang's ships in this segment achieved good average earnings in line with 2011, which was considered a good year for this segment. The improvement for ethylene carriers began in the fourth quarter of 2010, continued in 2011, and with some quarterly variations, has stayed strong in 2012. Main reason is high export volumes from the Middle East.

The "Clipper Harald" is on a time charter (TC) until October 2015, and the charterer has an option to extend the contract for an additional five year period.

The "Clipper Skagen" is on a TC until September 2013.

3.2 LGC

This segment is defined as fully refrigerated LPG ships from 57.000 – 60.000 cbm. The fleet consist of six ships, marketed by IGC. Two of the ships are on shorter-term employment, while three are on 3 year TC plus options, and the "Clipper Mars" is on a TC until 2022.

The average earnings on TC basis showed a significant increase from 2011, where earnings for 2012 was at a fairly satisfactory level. The positive trend has continued into 2013.

3.3 VLGC

This segment is defined as fully refrigerated LPG ships of 75.000 - 85.000 cbm. Solvang has two Panamax VLGC ships of 75,000 cbm and one VLGC of 82.000 cbm, which are marketed by IGC.

The Panamax VLGC's are purpose built for transporting LPG from the Atlantic Ocean and Gulf of Mexico to the west coast of Central America. As a result of these features, the Panamax VLGC's have achieved better earnings than the VLGC fleet in general in 2012. The "Clipper Victory" commenced a five year TC in August 2011, while the "Clipper Sirius" is on TC to January 2014.

The 82,000 cbm VLGC "Clipper Sun" is on a TC until September 2016.

The group also have two VLGCs of 84.000 cbm under construction at Hyundai Heavy Industries in South Korea, with delivery in June and December 2013. A lot of development work has been done in order to create the most energy efficient vessels possible, with changes including hull shape, propulsion technology, antifouling technology and cargo systems. Furthermore, the newbuildings are the first LPG carriers in the world with fully integrated exhaust gas cleaning system for both the main and auxiliary engines. This means that the ships comply with all existing environmental standards in Emission Control Areas (ECA) in 2015, and the new expected global standards in 2020.

4 PROFIT

(Figures in parentheses refer to 2010)

For 2012 IGC has been consolidated into the Group's profit & loss statement and balance sheet, as the company for 2012 is a 100% owned subsidiary, versus a 50% owned JV up to mid-2011. The Management fee increased from NOK 24.7 million to NOK 64.8 million on a change in method of charging to the shipping companies. From 2012, Solvang has charged a fixed fee for the manager role and for technical support. Prior to 2012, the cost of the technical department was allocated directly to shipping companies.

The group's result after tax was NOK 55.5 million (NOK -22.5 million). Earnings per share were NOK 2.28 (NOK -0.93). The result for the parent company was NOK 0.05 million (NOK -22.1 million).

4.1 Financial items

The group reported net financial items of NOK 4.4 million (NOK -24.2 million). The corresponding figure for the parent company was a loss of NOK -8.9 million (NOK -10.3 million). The group's securities portfolio generated a non-realised result of NOK 5.5 million (NOK -28 million).

4.2 Liquidity and financial strength

At year-end, the group had liquidity consisting of cash, listed shares and equity certificates totalling NOK 136 million (NOK 121 million). The securities portfolio had a market value of NOK 74.2 million (NOK 77.4 million). The corresponding figure for the parent company was NOK 41.6 million (NOK 57.5 million), of which the securities portfolio amounted to NOK 30.7 million (NOK 35.6 million). Total current assets at year-end was NOK 172.7 million (NOK 134.3 million), while current liabilities totalled NOK 56.8 million (NOK 16.4 million). Long-term liabilities and obligations totalled NOK 19.8 million (NOK 51.4 million). For the parent company, total current assets at year-end amounted to NOK 47.8 million (NOK 155.2 million), while short-term liabilities totalled NOK 23.9 million (NOK 165.1 million). The parent company's long-term liabilities and obligations totalled NOK 75.5 million (NOK 56.7 million). The group's share of current assets and liabilities in ship owning companies totalled NOK 56.3 million and NOK 680.5 million respectively.

Net cash flow from operating activities was NOK 21.3 million, compared to an operating profit of NOK 59.7 million. The main difference comes from the reversal of earnings from shipping companies using the equity method, partially offset by changes in working capital. Where the working capital change comes from lower accounts receivable, from a higher proportion of vessels on TC with prepayment.

The group's book equity totalled NOK 533 million (NOK 498.7 million) at the year-end. Free equity for the parent company was at year end NOK 442.6 million.

4.3 Taxes

The group chose not to join the tonnage-tax regime for 2012, however, the board is considering joining and it is deemed likely the group will join for 2013.

All the company's current interests in ships are owned under normal taxation.

4.4 Financial risk

The group's interests in ships that are owned through participation in general partnerships with shared liability, are primarily USD-based. Most of the revenues and the majority of expenses are in USD. Furthermore, the market value of the ships, and thus the greatest share of the assets, is priced in USD. The same applies to the financing of the ships. This entails that the real foreign currency exposure is limited in financial terms.

The group's entire fleet is financed by long-term financing at favourable terms compared with what can be achieved in the market today. The group has not entered into any contracts concerning financial derivatives or other financial instruments where there is any particular counterparty risk.

Most of the group's liabilities consist of a share of the mortgage debt for ships that are owned through general partnerships. This is denominated in USD and priced at a floating LIBOR interest rate. In addition, mortgage debt in certain general partnerships is hedged through fixed interest rate contracts. The group has a satisfactory debt-equity ratio, and this, together with active management of the interest rate exposure, ensures that the risk associated with any change in interest rate levels is acceptable.

The group's securities portfolio had a book value of NOK 74.2 million at the end of the year, compared with a cost price of NOK 94.6 million. The company is responsible for management of the portfolio. The investment activities are based on a relatively conservative strategy. General positive development in the securities markets in 2012, led to a positive value adjustment for the portfolio in 2012.

The group's fleet is employed in a mix of long & short TC contracts as well as in the spot market. This is a result of a conscious strategy aimed at ensuring earnings and cash flow, while at the same time benefiting from upturns in the market. The development of the world economy makes future market prospects uncertain.

The group has seven ships on TC contracts in excess of one year. The charterers are oil majors and major operators within the NH3 market. Credit risk is considered to be limited. The company sees the settlement risk for the business carried out in the spot market as satisfactory.

4.5 General

The year-end accounts are based on the assumption of a going concern. In the opinion of the Board of Directors, the accounts provide a true picture of the results for the year and the company's position at the year-end.

The group's interests in ships are owned through participation in general partnerships, with shared liability. In Note 3 of the accounts, the income statement and balance sheet have been compiled according to the proportionate consolidation method in order to provide more detailed accounting information on the operations.

All of the group's interests in ships are significant and they are recognised in accordance with IFRS based on the equity method of accounting.

5 ORGANISATION, HEALTH SAFETY AND THE ENVIRONMENT

5.1 Organisation

Both at sea and onshore, the company's primary focus is to ensure continuity on the personnel side. The company strives to establish an interesting and attractive workplace that attracts competent employees, where appraisals and employee surveys are key measures. We believe that we have succeeded in this context and that we have a stable and highly –qualified workforce.

Of the company's office staff, 41% are women and 59% are men. Women and men have equal opportunities to qualify for all types of jobs and positions, and they have equal opportunities for promotion. Working conditions are deemed to be good. Salaries reflect the individual's qualifications, regardless of gender.

Solvang is an international company with employees from a number of countries and cultures in addition to Norway. This recruitment policy is important for the future development of the company. The company wants to attract competent employees, regardless of religion, gender, race or sexual orientation.

The company engages in research and development work to optimise the ships' operations and to reduce emissions.

5.2 Health

The group has 39 onshore employees and around 400 sailing personnel. Working conditions on shore and on the ships are considered to be good. Sick leave on board the ships are 0.0,51%. The group had one injury that resulted in a short sick leave incident in 2012. This is a good result, and can be attributes to a conscious attention on this area across the entire group.

Sick leave among the onshore employees was 5,73% in 2011. Of this percentage, 3,4% were on long-term sick leave and 0.84% were self-certified. There were no incidents resulting in personal injury at the office in 2012.

5.3 Board of Directors

The Board of Directors consists of two women and three men. There is a healthy and positive working relationship between the management and Board of Directors.

5.4 Compensation policy

By offering a complete range of jobs, salaries and other benefits, Solvang aims to be an attractive employer for skilled individuals in all relevant disciplines.

All of Solvang's employees, including the Managing Director, are employed at a fixed salary with no fixed bonus or option elements. Salaries are adjusted once a year. The Managing Director's salary is evaluated correspondingly by the Board once a year. The company has a pension scheme that covers around 66% of the employees' salary with full entitlement based on 30 years of service and a retirement age of 67 for employees who started with the company before 31 December 2010. Persons who were employed after this date are offered a defined contribution scheme. In addition, the company has an ordinary insurance scheme covering disability, accidents and death.

The Board is remunerated by fixed directors' fees that are determined annually by the General Meeting. Board members have no bonus or options agreements with the company.

5.5 External environment

The transport of LPG and petrochemical gases by sea entails little risk of emissions or leakage into the sea. Loading and unloading operations are conducted in closed systems, and strict quality and safety requirements reduce the risk of emissions to a minimum.

All transport at sea entails emissions to the air from the combustion of oil by the ships' main and auxiliary engines. Our policy in this area is thus to reduce such emissions as much as practically possible. The group focuses primarily on reducing the consumption of bunkers and lubricants, and has through active measures been able to continue the positive trend achieved in recent years. The modern ships today use up to 40% less fuel compared to ships of same size 20 years ago.

Measurements are carried out regularly using a number of systems. Fuel consumption measured against the distance travelled is one of the most important key figures.

Wherever possible, we optimise our speed, in other words the speed that gives the lowest emissions and consumption given the contractual obligations we have towards our customers. These systematic analyses have generated excellent results in only a short timeframe. Our modern fleet is also significantly more environmentally friendly than older ships.

In 2010, the company was certified and approved in accordance with the ISO 14001 environmental standard, and will continue in its work to comply with the standard in future.

5.6 Safety

The company has strict quality and safety requirements, both on board the ships and within the onshore organisation. This is reflected in very good statistics for Loss Time Incident (LTI) injuries for the period 2008-2011, and with only one injury in 2012. This is further demonstrated in our good insurance statistics. In order to ensure that this positive development continues, the company invests significant resources in programmes for the continuous improvement of quality and safety on board and on land. We conduct regular and systematic inspections of our ships as part of this work. The same applies to several of our customers, which includes several major oil companies. There were a total of 212 inspections on our 16 ships in 2012. Of these inspections, 108 were conducted by Solvang, while our customers, port authorities and classification companies conducted a total of 104 inspections.

The company uses the "Best Management Practice" in waters as appropriate according to the situation.

6. CORPORATE GOVERNANCE

Solvang attaches importance to good corporate governance. There is a good relationship between the owners, Board and management, and all three parties have a desire and a stated goal to comply with any significant requirements stipulated by the Corporate Governance Code.

6.1 General

Solvang shall conduct operations that are commercially sound and beneficial to the owners, employees, customers and suppliers. The operations shall be conducted in accordance with clear ethical guidelines and with a focus on the impact on the environment and society as a whole.

6.2 Operations

The operations are described in the company's articles of association as being shipping, shipowning operations and real estate. The company is currently concentrating entirely on shipowning operations and shipping.

6.3 Company capital and dividends

Shipping is a cyclical industry that requires the company to be adequately capitalised with regard to equity and liquidity. This is reflected in the company's balance sheet structure. The company aims to have a stable and predictable dividend policy. This means that the dividends shall reflect the profit for the year, but dividends have also been paid during years with less earnings. In recent years dividends have been based on striking a balance between these two considerations. It is proposed a divided of NOK 0,50 per share for 2012.

6.4 Equal treatment of shareholders and transactions with related parties

The Company has only one class of share, with the same voting right for all shares. Transactions with related parties take place in accordance with the guidelines set by the code.

The group's main broker for sale and purchase is Inge Steensland AS. Parallel investments are also made with other companies within the Steensland Group. All transactions are carried out on market terms.

The Board of Directors has been granted a power of attorney by the General Meeting to increase the share capital by a maximum of 4 million shares. This power of attorney is valid for 18 months and has not yet been utilised.

In recent years, the Board has also had the power of attorney to purchase the company's own shares up to a maximum of 10% of the company's share capital. As of today, the company owns 319,978 treasury shares, approximately 1.3% of the share capital.

6.5 Free negotiability

The shares are freely negotiable, and Board approval is not required for the acquisition of shares.

6.6 General Meeting

The General Meeting is called and held in accordance with the company's articles of association. The Auditor and Chairman of the Board attend the General Meeting. Ample time shall be allowed for holding the General Meeting and for discussion.

6.7 Nominating Committee

More than 65% of the share capital is represented by the company's Board of Directors. It is therefore not deemed necessary to establish a separate nominating committee.

6.8 Board of Directors, composition and independence

The Board plays an important role as a link and as a control function between the shareholders and the company's management. The board members are elected for a term of one year at a time. The General Meeting also elects the Chairman of the Board.

Some of the board members have shares in the company. These are shares that have been acquired at market price. The Board is remunerated through a fixed directors' fee.

The Board's composition reflects the ownership structure and the need for a broad range of expertise in shipping, finance, law and HSE. The Chairman, Michael Steensland Brun, was employed in the company as Managing Director prior to the appointment as Chairman of the Board.

6.9 Work of the Board

The work of the Board and its meeting schedule is established once a year for the next 12-month period. The meetings include regular reporting and discussion in all relevant areas, including safety, quality, technical operations and finance. At least once a year, the company's Auditor participates in a board meeting at which feedback is given on the company's internal control, among other things.

6.10 Risk management and internal control

An important element in the company's risk management and internal control is an open and systematic dialogue between the Board and the management. A detailed review of the company's financial and operational position is carried out by the Board before presenting any quarterly report.

In general, there is a good dialogue between the Board and the management. No changes to the business plan or significant investments are made without prior discussion and approval by the Board.

6.11 Remuneration of the Board

The principles for remuneration of the Board and the management have remained unchanged for a long period of time. None of the Board's members have any additional duties for the company. The Board has not been allocated options in the company.

6.12 Remuneration of executive management

The company's senior executives are employed on a fixed salary. No options or fixed bonuses are linked to salary agreements. Details of the remuneration of the Board and senior executives are given in Note 9 to the consolidated accounts and Note 8 to the annual accounts for Solvang ASA. For several years, the company has had a programme for the sale of shares to employees, most recently at the start of 2013. Each employee has had an opportunity to purchase shares worth up to a maximum of NOK 30,000 at a 20% discount.

6.13 Information and communication

The company attaches great importance to ensuring that all shareholders and the market in general receive accurate and detailed information simultaneously and at the right time. The reports are published and distributed relatively soon after the end of each quarter and year. The company will only publish the annual report and quarterly reports on the Internet.

6.14 Corporate takeovers

As mentioned in Section 6.5, the company's shares are freely negotiable. In the event of a bid for the company, the Board will strive to provide the company's shareholders with accurate and timely information, as well as adequate time to evaluate the bid. If the situation so requires, the Board will seek an independent valuation to assess the value of the bid submitted.

6.15 Auditor

Each year, the Auditor presents a plan for the auditing work and reports the results of the audit that has been conducted. The Board summons the Auditor to board meetings at which significant accounting matters are to be discussed. This normally occurs once or twice a year. Information on the Auditor's remuneration, broken down by auditing and other work, is presented in the company's annual report and submitted to the General Meeting for approval.

One meeting is held each year between the Auditor and the Board without the presence of the management.

7. FUTURE OUTLOOK

2012 was another good year for the ethylene segment, where the strong market from 2011 continued through 2012. There are some uncertainty surrounding 2013 and 2014, particularly in terms of fleet growth and lack of new export volumes from existing producers.

For the fully refrigerated ships, the market was significantly better in 2012 than the past 4 years, particularly for the LGC segment. There is a further positive development and stabilization on this level expected within the LGC segment. For the VLGC segment there are some near term uncertainties related to fleet growth without significant increase in export volumes, but several positive signs on longer term. The overall earnings for 2013 are expected to be in line with 2012.

8. ALLOCATION OF THE PARENT COMPANY'S PROFIT

Solvang ASA posted a result of KNOK47.6

The Board of Directors proposes the following allocation:

Suggested dividend	KNOK	12 166
From the fund for valuation differences:	KNOK	-574
From other equity:	KNOK	-11 640

At the year-end, the parent company's equity amounted to KNOK 567 015 (KNOK 579 181).

9. SUBSEQUENT EVENTS

No subsequent events of material concern

10. CONCLUSION

The Board of Directors and the management would like to thank all the employees, both at sea and on shore, for their fine efforts during a busy period, particularly with 2013 and the additional workload with 10 classification dockings as well as two newbuilds, while expectations concerning quality and safety remain unchanged. We would also like to thank our customers and suppliers for their good support and cooperation in 2012 and look forward to the same good cooperation in 2013.

Michael Steensland Brun Chairman of the board	Erik O. Jacobsen Board member	Wenche Rettedal Board member

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Hans Petter Aas Board member	Sigrun Sagedahl Board member	Edvin Endresen CEO

GROUP ACCOUNTS 2012

Profit & Loss Account | Solvang ASA Group

Amounts in NOK 1 000

	Note	2012	2011
Management fee	12	64 767	24 659
Total Operating income		**64 767**	**24 659**
Salaries and other personnel expenses	10,11	46 456	16 611
Depreciation	15	571	523
Other operating expenses		15 650	9 198
Total operating expenses		**62 678**	**26 332**
Ship owning companies equity method	3,4,5	57 593	40 099
Operating result		**59 682**	**38 426**
Financial income and cost			
Other affiliated companies equity method	6	573	-1
Other financial income	7	12 898	10 963
Other financial expenses	8,12	-9 033	-35 209
Net financial items		**4 439**	**-24 247**
Ordinary result before tax		**64 121**	**14 179**
Tax on ordinary result	9	8 651	36 717
Net profit or loss for the year		**55 469**	**-22 538**
Earnings per share (whole NOK)	14	2,28	-0,93
Diluted earnings per share (whole NOK)	14	2,25	-0,93
Statement of comprehensive income			
Earnings of the periode		55 469	-22 538
Translation differences ship owning companies etc.		-29 756	10 856
Tax effects of translation differences ship owning companies equity method		8 609	-3 040
Comprehensive income to the shareholders of Solvang ASA		**34 322**	**-14 686**

Balance Sheet | Solvang ASA Group

Amounts in NOK 1 000	Note	2012	2011
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	9	3 371	1 959
Total intangible fixed assets		**3 371**	**1 959**
Tangible fixed assets			
Office equipment, furniture etc	15	1 831	1 148
Total tangible fixed assets		**1 831**	**1 148**
Financial fixed assets			
Investments ship owning companies equity method	3,4,5	431 185	426 729
Investments in affiliated companies	6	478	2 389
Other shares		20	20
Total financial fixed assets		**431 683**	**429 138**
Total fixed assets		**436 886**	**432 244**
Current Assets			
Receivables			
Other short term receivables	12,17	36 348	13 314
Total receivables		**36 348**	**13 314**
Investments			
Listed investments	7,8,16	74 234	77 357
Total investments		**74 234**	**77 357**
Cash and bank deposits	13	62 124	43 626
Total current assets		**172 706**	**134 297**
TOTAL ASSETS		**609 592**	**566 541**

Balance Sheet | Solvang ASA Group

Amounts in NOK 1 000	Note	2012	2011
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	19	123 264	123 264
Treasury shares	20	-1 600	-1 600
Total paid-in capital		**121 664**	**121 664**
Retained earnings			
Other reserves		-51 951	-30 804
Retained earnings		463 312	407 843
Total retained earnings		**411 362**	**377 039**
Total equity	19	**533 026**	**498 704**
Liabilities			
Provisions			
Pension liabilities	11	10 156	4 189
Earnings shipping co-operation partners	18	9 658	0
Total provisions		**19 813**	**4 189**
Long term liabilities			
Other long term liabilities	11,17	0	47 255
Total long term liabilities		**0**	**47 255**
Current liabilities			
Liabilities to financial institution	18	564	0
Tax payable	9	0	104
Public duties payable		6 145	5 206
Other short term liabilities	12	50 043	11 084
Total current liabilities		**56 752**	**16 394**
Total liabilities		**76 566**	**67 838**
TOTAL EQUITY AND LIABILITIES		**609 592**	**566 541**

Stavanger, 29th April 2012

Michael Steensland Brun Chairman of the board	Erik O. Jacobsen Board member	Wenche Rettedal Board member
Hans Petter Aas Board member	Sigrun Sagedahl Board member	Edvin Endresen CEO

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Cash Flow Statement | Group

Amounts in NOK 1 000	Note	2 012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before tax		64 121	14 179
Tax paid for the period		-1 189	-1 862
Depreciation and amortisation	15	571	523
Difference between expensed pension and paid in/out		1 278	-4 394
Result in affiliated ship owning companies	3,4,5	-57 593	-40 099
Result in affiliated companies	6	-573	1
Changes in other current balance sheet items		10 089	16 902
Earnings shipping co-operation partners	18	9 658	0
Financial income	7	-12 284	-10 303
Financial expenses	8	7 274	36 482
Net cash flow from operating activities		**21 352**	**11 429**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale / purchase of tangible fixed assets		-371	291
Payments received securities		10 999	15 198
Payments purchase of securities		-5 457	0
Dividend received	7	3 049	4 671
Investment affiliated companies	6	497	-817200
Payments from ship owning companies	5	53 124	16 817
Payments to ship owning companies	5	-30 736	-4 227
Net cash flow from investing activities		**31 105**	**31 932**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of debt (short and long term)		-47 255	0
Changes in overdraft facility		564	-9 852
Purchase / sale of treasury shares	19	0	824
Net cash flow from financing activities		**-46 691**	**-9 028**
Effect of exchange rate changes on cash and cash equivalents		-420	1 799
Net change in cash and cash equivalents		5 346	36 132
Cash and cash equivalents 01.01		43 626	7 494
Addition cash full consolidation IGC		13 152	0
Cash and cash equivalents 31.12		**62 124**	**43 626**

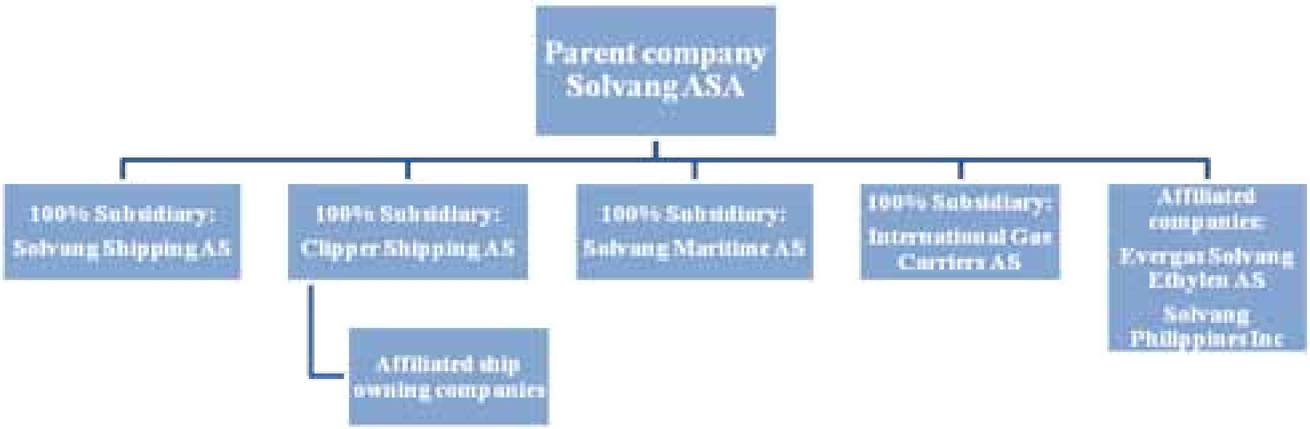
Statement of changes in equity | Group

Amounts in NOK 1 000	Share capital	Treasury shares	Other reserves	Retained earnings	Total equity
2011					
Equity at 01.01.2011	**123 264**	**-1 798**	**-38 641**	**429 755**	**512 580**
Loss of the year				-22 538	-22 538
Translation differences ship owning companies etc.			7 837		7 837
Total comprehensive income			**7 837**	**-22 538**	**-14 700**
Buy back / Sale treasury shares		198		626	824
Total changes in equity for the year		198	7 837	-21 912	-13 876
Equity at 31.12.2011	**123 264**	**-1 600**	**-30 804**	**407 843**	**498 704**

	Share capital	Treasury shares	Other reserves	Retained earnings	Total equity
2012					
Equity at 01.01.2012	**123 264**	**-1 600**	**-30 804**	**407 843**	**498 704**
Profit of the year				55 469	55 469
Translation differences ship owning comp			-21 147		-21 147
Total comprehensive income			**-21 147**	**55 469**	**34 322**
Total changes in equity for the year			**-21 147**	**55 469**	**34 322**
Equity at 31.12.2012	**123 264**	**-1 600**	**-51 951**	**463 312**	**533 026**

Notes 2012 | Solvang Group

NOTE 1 - CORPORATE INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES



CORPORATE INFORMATION

Solvang ASA is a public limited company incorporated and domiciled in Norway whose shares are publicly traded on Oslo Børs. The company was incorporated in 1936, and the address of the registered office is: Solvang ASA, Næringslivets Hus, Haakon VII's gate 8, 4005 Stavanger, Norway.

Solvang ASA and its subsidiaries' ("Solvang" or "the Company") business is fully concentrated on shipping and ship owning activities through investments in limited partnerships and shipping partnerships. The investments in limited partnerships and shipping partnerships are accounted for using the equity method. In addition, the company uses some resources on the management of its liquidity.

Solvang's fleet consists of 16 ships that carry liquid petrochemical gases, liquefied petroleum gases and ammonia.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a historical cost basis, except for investments in shares and other financial instruments, which are valued at market value according to IAS 39.

The consolidated financial statements are presented in Norwegian kroner (NOK).

Statement of Compliance

The consolidated financial statements have been prepared in accordance with EU-adopted IFRSs and appurtenant interpretations and additional country-specific disclosure requirements according to the Norwegian Accounting Act and stock exchange rules, in effect as of 31st of December 2012.

The proposed consolidated financial statement was approved by the board of directors and the managing director on the date which appears on the dated and signed balance sheet. The consolidated financial statement will be handled by the annual general meeting on 14 May 2013 for final approval. Until final approval, the board is authorised to amend the consolidated financial statement.

Basis of consolidation

The consolidated financial statements of Solvang ASA comprise the financial statements of Solvang ASA and its subsidiaries. As of 31 December, 2012 Solvang ASA has four fully-owned subsidiaries: Solvang Shipping AS, Clipper Shipping AS, Solvang Maritime AS, and International Gas Carriers AS. International Gas Carriers AS is consolidated for the first time in 2012. This company was earlier consolidated using the equity method, and the consolidation has as a consequence no effects for profit and loss and equity for corresponding figures 2011. For 2012 the consolidation involves an up-grossing of income and cost elements, in addition to working capital items on the balance sheet. Consistent accounting policies are applied throughout the group.

All intercompany balances, transactions, income and expenses together with unrealized profits and losses resulting from intercompany transactions that are recognized in assets, have been eliminated.

Functional Currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. Normally, that is the currency of the environment in which an entity primarily generates and expends cash. The Company has Norwegian kroner as the reporting currency at group level. Both Solvang ASA and its fully-owned subsidiaries Solvang Shipping AS, Clipper Shipping AS and Solvang Maritime AS have Norwegian kroner as their functional currency. However, International Gas Carriers ASA and investments in ship owning companies accounted for using the equity method, have US dollar (USD) as the functional currency. Exchange differences arising on translation of the ship owning companies from USD to NOK recognized as a separate item in shareholders' equity, net of any deferred tax.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to fixed asset impairment tests, useful life applied for the depreciation of fixed assets, pension liabilities and to revenue and expense recognition and valuation of interest on the fair value of ship owning companies. We evaluate these estimates on an ongoing basis, utilizing past experience, consultations with experts and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates.

The key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date and which have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of property, plant and equipment

The company invests in ships through limited partnerships and shipping partnerships. For ships held in entities accounted for using the equity method, the Company assesses at each reporting date whether there is an indication that an asset that is held in entities accounted for using the equity method may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount, which is the higher of fair value less costs to sell or value in use.

Property, plant and equipment are evaluated for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires an estimation of the asset's value, which, if available, is based on market appraisals or value in use.

The value in use is determined on the basis of the total estimated discounted future cash flows, excluding taxes. In determining impairment of fixed assets, management must make judgments and estimates to determine the cash flows generated by those assets. Discount rates must also be estimated. Assumptions used in these estimates are consistent with internal forecasts. To support management's estimates, market outlook and considerations provided by the joint/venture chartering companies have been used.

If the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment is reflected in the Company's share of income/(loss) from ship owning companies in the profit and loss account.

The Company considers whether there is a basis for reversing previous asset impairment write-downs, using the same evaluation criteria as for impairment. If the review suggests that there is a basis for reversal, the carrying amount is reversed to the estimated fair value, limited to the carrying amount the asset would have had if no impairment had been recognized.

SIGNIFICANT ACCOUNTING POLICIES

Revenue and expense recognition

The Company's revenues are mainly derived from ship management. These revenues are fixed per year according to contracts and recognized monthly throughout the year. Operating expenses are expensed when incurred.

Income in limited partnerships and shipping partnerships booked using the equity method, are either income from joint ventures or income from time charters. Freight income and demurrage are recognized according to monthly joint venture settlements and monthly time charters. Direct voyage expenses are matched to income when relevant. Essentially, all direct voyage expenses for the joint ventures and time charter are recognized on the accounts of the charterers.

Foreign currency transactions

Transactions in foreign currencies are recorded using the exchange rate at the transaction date. Balances denominated in foreign currencies are translated using the exchange rates at the balance sheet date. Foreign currency gains and losses are recorded as financial items when incurred.

Investments in shipping partnerships – equity method

The equity method is used for investments in limited partnerships and shipping partnerships in which the Company has significant influence. The Company's share of profits and losses are adjusted to include amortization of excess value on ships if the original cost of the owner interest is higher than the acquired share of booked equity.

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and impairment write-downs. Depreciation is straight-line over the estimated useful life of the asset. When assets are sold or retired, their costs and related accumulated depreciation are removed from the balance sheet and any gain or loss is included in net income. Estimates of useful life, residual value and method of depreciation are reviewed at each financial year end and adjusted if appropriate. Any changes are accounted for prospectively as a change in accounting estimate.

Tangible fixed assets in shipping partnerships
In the shipping partnerships booked using the equity method, the ships are booked at cost less accumulated depreciation and impairment write-downs. Cost includes the expense of adding/replacing part of a ship, machinery or equipment when that expense is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized.

Depreciation of ships is computed using the straight line method over estimated useful life. The depreciable amount is determined after deducting the residual value of the asset. The cost of ships has been categorized separately by its main components, and useful life has been determined for each component. The average useful life for gas ships is 30 years.

A part of the original cost of ships is allocated to periodical maintenance. Periodic maintenance for ships is recognized in the balance sheet and expensed over the period up to the next periodical maintenance. Current maintenance is expensed as incurred.

When assets are sold or retired, their costs and related accumulated depreciation are removed from the balance sheet and any gain or loss is included in net income.

Estimates of useful life, residual values and methods of depreciation are reviewed at each financial year end and adjusted if appropriate. Any changes are accounted for prospectively as a change in accounting estimate. The estimated useful life of the ships could change, resulting in different depreciation amounts in the future.

Financial assets
Financial assets are recognized on the contract date, when the group becomes party to the contractual provisions of the instrument. Initially, all financial assets which are not recognized at fair value through profit or loss are recognized in the balance sheet at fair value including transaction costs. Financial assets which are recognized at fair value through profit or loss are recognized at the time of acquisition at fair value and the transactions costs are recognized.

The group derecognizes a financial asset when the contractual right to the cash flow from the asset expires or when the group transfers the contractual right to a transaction where substantially all the risks and rewards of ownership of the financial asset are transferred. All rights and obligations that are created or retained in this type of transfer are recognized separately as assets or liabilities.

As a rule, the group classifies financial assets in one of the following categories: financial assets at fair value through profit or loss; loans and receivables; and financial assets available for sale.

<u>Financial assets at fair value through profit or loss</u>
A financial asset is classified at fair value through profit or loss if on initial recognition it is designated as such or is classified as held for trading. Financial assets are designated at fair value through profit or loss if management and acquisition and sales decisions are based on the instrument's fair value in accordance with the group's documented risk management or investment strategy. On initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Instruments are measured at fair value, and changes in value are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

Held for sale

Financial assets held for sale is non-derivative financial assets which we choose to classify in this category, or which do not belong to any other category. They are classified as assets as long as the investment does not fall due within twelve months or the management has as intention to sell the investment within twelve months from the balance sheet date.

Offsetting

Financial assets and obligations are presented net if the group has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial liabilities

Financial liabilities are recognized on the contract date, when the group becomes party to the contractual provisions of the instrument. On initial recognition, non-derivative financial liabilities are recognized at fair value plus directly attributable transaction costs. After initial recognition, liabilities are measured at amortized costs using the effective interest method.

Share capital

Ordinary shares are classified as equity. Costs that are directly attributable to the issuance of ordinary shares and share options are recognized as a reduction of equity (share premium reserves) net after any tax.

When shares which is recognized as equity is reacquired, the consideration, including directly attributable costs, is recognized as a reduction in equity, net after tax. The shares that are acquired are classified as treasury shares, and are presented separately. The shares' face value is separated, and deducted from the share capital. When treasury shares are sold, the amount received is recognized as an increase in equity and divided between share capital and other equity. Gain or loss as a consequence of the transaction is transferred to/ from retained earnings.

Impairment of financial assets

At the balance sheet date (reporting date), financial assets that are not measured at fair value with value changes recognized in profit or loss are measured to determine whether there is objective evidence of impairment. A financial asset is assessed to be exposed to impairment if objective evidence exists that one or more events have had a negative effect on the estimated future cash flow for the asset. Objective evidence that financial assets have been subjected to impairment may be: failure of the debtor to make payments; changes in outstanding claims at terms which the group would otherwise not have accepted; indications that a debtor or issuer will become bankrupt or the lack of an active market for securities. For equity instruments classified as available for sale, there will be objective evidence of impairment due to a significant or prolonged decline in the fair value below its cost.

Basic and diluted earnings per share

Basic earnings per share are computed by dividing profit for the year by the weighted average number of common shares outstanding during the period. On a diluted basis, both profit for the year and shares outstanding are adjusted to assume exercise of all potential shares which have been outstanding in the period. For diluted earnings per share, the Company must also consider the potential outstanding shares of its equity method investees. Neither the Company nor its equity method investees has any potentially outstanding shares. The difference between basic earnings per share and diluted earnings per share is a consequence of treasury shares.

Pensions

The company has both a defined benefit pension plan and a contribution based pension plan whereas the benefit pension plan was closed for new employees per 01.01.2011. All employees starting from 2011 will be included in the contribution based pension plan.

Defined benefit pension plan

The Company has a defined benefit pension plan for employees, managed and funded through a Norwegian life insurance company, and non-funded pension obligations for two pensioners, which are not covered by the general pension plan. The present value of benefit obligations is calculated based on actuarial methods, and compared with the value of pension assets. The net amount of the present value of benefit obligations and pension assets, adjusted for unrecognized changes in estimates, is included under long-term liabilities or non-current assets. Net pension costs (benefits earned during the period including interest on the projected benefit obligation, less estimated return on pension assets and amortization of accumulated changes in estimates) are included in salaries and other personnel expenses.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working life of the employees participating in the plans.

Contribution based pension plan
For contribution based pension plans, the company pays contributions to a public or private managed pension plan. The company has no further payment obligations after the contribution have been paid. Contributions are recognized as personnel expenses in line with the obligation to pay contributions accrue.

Taxes
Income tax expense consists of taxes payable and the net change in deferred taxes arising as a result of temporary differences.

Current tax for the current and prior periods is measured at the amount expected to be paid to the tax authorities for present and earlier years. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date.

Change deferred taxes reflect the future tax effects resulting from the activities for the period. Deferred taxes in the balance sheet are calculated on the basis of temporary differences between financial and taxable values, with consideration for taxable losses carried forward. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Dividends
Dividends proposed by the Board of Directors are not recorded as liability in the financial statements until they have been approved by the shareholders at the annual general meeting.

Related parties
Parties are related if one party has the ability,

directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. The Company believes that all transactions between related parties are based on the principle of arm's length (estimated market value).

Business areas/segments
Ship management and ship ownership are the business areas for Solvang. Ship ownership is further divided based on type and size of ship. Solvang has ownership interests in gas ships. These ships are divided into three types based on size, semi-ref ships from 12,000 – 17,000 cbm, LGC ships from 40,000 - 60,000 cbm and VLGC ships above 75,000 cbm. Accounting information based on business area and ship types are given in note 2 to the accounts.

Cash flow statement / Cash and cash equivalents
The Company uses the indirect method for calculating cash flow statements. Cash flows generated by investment and financing activities is shown gross, while for operations a reconciliation is shown between profit for the year and cash flows from operating activities. Cash and cash equivalents include cash and bank deposits.

NEW IFRS AND IFRIC INTERPRETATIONS

There are no new or changed IFRSs or IFRIC interpretations that are effective for the 2012 financial statements, which is considered to have or expected to have a material impact on the Group.

New standards and interpretations which have not come into force
There are a number of new standards and interpretations that have been adopted but not yet made effective for the year ending 31 December 2012. For example

- IFRS 9 - Financial Instruments will replace IAS 39
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosures of Interest in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 1 (Amendment) - Presentation of Financial Statements
- IAS 19 (Amendment) - Employee Benefits

The Group has not used early adoption of any new or amended IFRSs and IFRIC interpretations, and based on the information known to Solvang ASA at the reporting date (when the financial statements are prepared) it has been determined that these will most likely not have a material effect on the consolidated accounts for Solvang ASA in 2012.

Regarding IAS 19 - Employee Benefits, this was changed in June 2011 and will enter into effect on 1 January 2013. The change means that all actuarial gains and losses are recognized in other comprehensive income as they arise, an immediate recognition of all past service cost of pension benefits and replacement of interest costs and expected return on plan assets with a net interest amount calculated by applying the discount rate on net pension obligation. It will be prepared comparative figures for 2012 in connection with the implementation, but the Group has not yet completed the impact assessment of the changes in IAS 19. The remaining non-amortized actuarial gains and losses is NOK 1.7 million for the Group.

When it comes to changes in accounting rules for financial instruments, IFRS 9 was adopted in late 2009. The standard is effective for annual accounting periods beginning 1 January 2013 or later, but the IASB is considering a proposal to defer the implementation to accounting periods beginning 1 January 2015 or later. It is not yet approved for use by the EU and Solvang ASA will consider adopting this standard early when it has been approved for use. If this becomes relevant, Solvang will demonstrate the possible consequences.

Regarding IFRS 11 - Joint Arrangements, this means that the group must consider the investments in the shipping companies to make a proper classification with respect to whether the investments are to be considered as "joint operations" or "joint activities". If investments are to be classified as "joint operations", the group must move from the current use of the equity method to using a gross method. The Group has not yet made a final impact assessment of IFRS 11, the Group refers also to note 3 which illustrates the effect of a possible gross consolidation of the shipping shares. This is however not fully assessed in accordance with the implementation of IFRS 11 but provides an illustration of the effect of a possible change.

NOTE 2 - FINANCIAL MARKET RISK

The group is exposed to credit risk, liquidity risk and market risk by use of financial instruments.

Credit risk
Credit risk is risk for financial loss if a counterpart to a financial instrument does not manage to fulfil its obligations under the contract. There are attached credit risk to the group's receivables and equity securities. Receivables are mainly towards affiliated ship owning companies included using the equity method of accounting. As manager for these companies, we have a good view of their financial standing, and the credit risk is considered minimal. The equity portfolio consists of listed shares and equity certificates in Norway, Great Britain and USA. There is little credit risk related to these investments.

Liquidity risk
Liquidity risk is the risk for the group not being able to fulfil its financial obligations as they fall due. Shipping is a cyclical business, and the group has therefore chosen to be well capitalized, and have a high proportion of liquidity. As of 31.12.2012 the liquidity reserves including the portfolio of equity securities amount to 22 % of the total balance sheet, while current liabilities together with liability to pay equity to affiliated companies amount to 9 % of the balance sheet. The liquidity risk is considered acceptable.

Market risk
Market risk is risk for changes in market prices, such as exchange rates on currency, interest rates and share prices, influence on income or value of financial instruments. There is attached financial market risk to equity shares (exchange rate and market prices), and bank deposits (exchange rate), loans (exchange rate and interest rates). In addition the group is exposed to market risk related to mortgage loans in the ship owning companies included using the equity method of accounting (interest rates). The group has a conservative strategy for investment in equity shares. The groups activities are mainly USD based, and deposits are to a large extent held in USD to reduce exchange rate risk. The group is mainly exposed to interest rate risk through mortgage loan in the ship owning companies. These loans are priced at floating LIBOR rate + margin. Interest rate exposure is actively handled, and parts of the loans are secured by fixed interest rate contracts to reduce interest rate risk. Due to a conservative strategy regarding financial instruments, and active handling of market risk, we are of the opinion that the groups market risk is satisfactory seen in relation to the balance sheet.

Asset management
The board's goal is to keep a sufficient capital base, to maintain confidence from investors, creditors and the market in general, and to develop the business activity. A substantial part of the liquidity reserve is invested in equity shares as the board are of the opinion that this over time will yield a higher return compared to keeping the reserve as bank deposits and bond investments. The portfolio is managed by the group, and a relatively conservative strategy has been applied for the management. Capital return is monitored by the board. The group trade in its own shares. The purpose is to increase value for the company's shareholders. There has not been made any changes in how asset management is approached during the year. None of the group's companies is subordinated external capital requirements.

The following table summarizes the estimated fair value of the group's financial instruments at the balance sheet date:

FINANCIAL INSTRUMENTS	31.12.2012		31.12.2011	
	Booked value	**Fair value**	**Booked value**	**Fair value**
Financial assets held at fair value through profit or loss				
Equity securities	74 234	74 234	77 357	77 357
Options	0	0	-139	-139
Loan and receivables				
Long term loans	0	0	-47 255	-47 255
Total	74 234	74 234	29 962	29 962

For bank deposits, receivables and account payable the groups best estimate as per 31.12.2012 is that book value is equal to fair value. Market value for equity securities are calculated on basis of listed stock price at the balance sheet day. Market value for loan and receivables are at face value, adjusted for any exchange rate effects.

There is a 3 level hierarchy for assessing the value of financial instruments entered into the balance sheet at market value. All the company's financial instruments are valued according to level 1 where market value is set by using quoted prices.

NOTE 2 - FINANCIAL MARKET RISK

SENSITIVITY ANALYSIS

Change in market prices		**Value change**
Equity securities	10 % increase of share prices	7 423
	10 % reduction of share prices	-7 423

Change in exchange rates		**Value change**
Equity securities	10 % increase of exchange rates (USD)	177
	10 % reduction of exchange rates (USD)	-177
Bank deposits	10 % increase of exchange rates	4 453
	10 % reduction of exchange rates	-4 453

Change of interest rates		**Effect on profit or loss**
Mortgage loans on ships in companies included using the equity method of accounting	100 basis points increase of interest rates	6 632
	100 basis points reduction of interest rates	-6 632

Effect of change of interest rates for bank deposits is evaluated insignificant, and there is not made a sensitivity analysis.

NOTE 3 - AREAS OF OPERATION

Solvangs management reports and control are reported according to the proportionate consolidation method. In the companys view this gives the best information regarding total risk related to the groups operation. The main reason for using this principle is that the majority of the ship owning companies are organized as pro rata unlimited partnerships where each partners has an unlimited, pro rata liability for the ship owning companys commitments. In the notes to the accounts the profit and loss account as well as the balance sheet are presented according to the proportionate consolidation method. Further, main figures for areas of operation for our ship owning activity are presented with a split on market segments by ship size and ship management activities.

PROFIT AND LOSS ACCOUNT PROPORTIONATE CONSOLIDATION

OPERATING INCOME/EXPENSES	**2012**	**2011**
Share of revenue on t/c-basis ships	196 905	174 086
Profit on sale of ships / interests in ship owning companies	1 502	3 676
Management fee	64 767	24 659
Total operating income	263 175	202 421
Share of operating expenses ships	76 614	82 704
Salaries and other personnel expenses	46 456	16 611
Other operating expenses	15 650	9 198
Depreciation ships	47 120	39 656
Write-down ships	0	1 381
Depreciation	571	523
Total operating expenses	186 411	150 072
Operating result	76 764	52 349
FINANCIAL ITEMS		
Other affiliated companies equity method	573	-1
Financial income	12 898	10 963
Share of financial expenses ships	-17 081	-13 923
Financial expenses	-9 033	-35 209
Net financial items	-12 643	-38 170
Ordinary result before tax	64 121	14 179
Tax on ordinary result	-8 651	-36 717
Net profit or loss for the year	55 469	-22 538

NOTE 3 - AREAS OF OPERATION

BALANCE SHEET PROPORTIONATE CONSOLIDATION

ASSETS	31.12.12	31.12.11
Fixed Assets		
Deferred tax asset	3 371	1 959
Share of ships	987 963	1 141 833
Share of periodic maintenance ships	9 454	10 452
Share of new build contracts	57 922	15 260
Office equipment, furniture etc	1 831	1 148
Total	1 060 541	1 170 652
Financial fixed assets		
Investments in affiliated companies	478	2 389
Other shares	20	20
Total fixed assets	1 061 039	1 173 061
Current Assets		
Receivables		
Share of current assets ship owning companies	56 326	71 478
Other short term receivables	36 348	13 314
Total receivables	92 674	84 792
Investments		
Listed investments	74 234	77 357
Bank deposits		
Bank deposits	62 124	43 626
Total current assets	229 032	205 775
TOTAL ASSETS	1 290 071	1 378 836

EQUITY AND LIABILITIES		
Equity		
Paid-in capital		
Share capital (24 652 837 shares a NOK 5)	123 264	123 264
Treasury shares	-1 600	-1 600
Retained earnings		
Other equity	-51 951	-30 804
Retained earnings	463 312	407 843
Total equity	533 026	498 704
Long term liabilities		
Share of long term liabilities ship owning companies	659 095	773 678
Loans	0	47 255
Pension liabilities	10 156	4 189
Earnings shipping co-operation partners	9 658	0
Total long term liabilities	678 908	825 122
Current liabilities		
Liabilities to financial institution	564	0
Tax payable	0	104
Public duties payable	6 145	5 206
Share of current liabilities of ship owning companies	21 384	38 616
Other short term liabilities	50 043	11 084
Total current liabilities	78 137	55 010
TOTAL EQUITY AND LIABILITIES	1 290 071	1 378 836

NOTE 3 - AREAS OF OPERATION

AREAS OF OPERATION AND SEGMENTS

	SHIP OWNERSHIP		SHIP MANAGEMENT		TOTAL	
	2012	2011	2012	2011	2012	2011
Operating income			64 767	24 659	64 767	24 659
Share of profit ship owning companies						
Semi ref ships	95 397	99 170			95 397	99 170
LGC ships	63 533	46 171			63 533	46 171
VLGC ships	39 478	32 421			39 478	32 421
Operating expenses	-76 614	-82 704	-62 107	-25 809	-138 720	-108 513
Depreciation	-47 120	-41 036	-571	-523	-47 691	-41 559
Operating profit/loss	74 674	54 022	2 089	-1 673	76 764	52 349
Shares in affiliated companies			573	-1	573	-1
Financial items	-17 081	-13 923	3 866	-24 246	-13 216	-38 169
Profit/loss before tax	57 593	40 099	6 528	-25 920	64 121	14 179
Deferred tax assets			3 371	1 959	3 371	1 959
Interest in ship owning companies equity method						
Semi ref ships	352 359	422 672			352 359	422 672
LGC ships	380 797	424 697			380 797	424 697
VLGC ships	254 807	294 464			254 807	294 464
New build	57 922	15 260			57 922	15 260
Total	1 045 885	1 157 093			1 045 885	1 157 093
Share periodic maintenance ships						
Semi ref ships	6 798	4 035			6 798	4 035
LGC ships	1 881	4 334			1 881	4 334
VLGC ships	775	2 084			775	2 084
Total	9 454	10 452			9 454	10 452
Share of current assets ships						
Semi ref ships	33 764	30 582			33 764	30 582
LGC ships	14 355	19 047			14 355	19 047
VLGC ships	8 207	21 849			8 207	21 849
Total	56 326	71 478			56 326	71 478
Other investments			2 309	3 537	2 309	3 537
Assets	74 234	77 357	98 492	56 960	172 726	134 317
Total assets	1 185 898	1 316 380	104 172	62 456	1 290 071	1 378 836
Share current debt ships						
Semi ref ships	192 488	230 765			192 488	230 765
LGC ships	265 176	312 592			265 176	312 592
VLGC ships	201 430	230 321			201 430	230 321
Total	659 095	773 678			659 095	773 678
Share current debt ships						
Semi-ref skip	4 920	6 377			4 920	6 377
LGC skip	7 167	14 466			7 167	14 466
VLGC skip	9 298	17 774			9 298	17 774
Total	21 385	38 616			21 385	38 616
None Interest bearing debt			76 002	20 582	76 002	20 582
Interest-bearing debt		47 255	564		564	47 255
Total debts	680 479	859 550	76 566	20 582	757 045	880 133
Net investments in fixed assets in the period						
Interest in ship owning companies equity method						
LGC ships		-3 407				-3 407
VLGC skip	23 832	19 596			23 832	19 596
Office equipment, furniture etc			427	85	427	85

Liquidity reserves including equity shares are included in the ship ownership area, as this is the capital intensive area of the groups operation.

NOTE 4 - SHIPPING ACTIVITY

SHARE IN SHIP OWNING COMPANIES UNDER THE EQUITY METHOD OF ACCOUNTING

Company	Ownership %	Profit on sale of vessels	Freight earnings on T/C base	Operating expenses	Depreciation	Write-off	Net financial items	Net profit	Share vessel	Share accr. dry-docking	Share current assets	Share long term liabilities	Share current liabilities	Share uncalled capital as of 31.12.2011	Net book value balance sheet at 31.12.2011
KS AS Heragas	19,5 %	0	0	16	0	0	0	-16	0	0	0	0	0	0	0
PR Clipper Skagen DA	20,0 %	0	5 713	4 396	1 640	0	-83	-407	9 607	2 100	1 181	0	3 049	0	9 839
PR Clipper Viking DA	20,0 %	0	17 075	6 262	2 738	0	-44	8 031	24 453	234	3 938	0	252	0	28 373
PR Clipper Harald DA	20,0 %	0	1 573	2 029	0	0	9	-446	0	0	3 009	0	91	0	2 918
PR Clipper Star DA	20,0 %	0	28 590	13 032	8 175	0	-3 467	3 916	170 194	826	5 352	114 295	2 105	0	59 973
PR Clipper Sky DA	20,0 %	0	19 806	8 733	5 487	0	-2 707	2 879	121 383	666	5 476	88 212	4 744	0	34 569
PR Clipper Hebe DA	25,0 %	0	31 491	9 934	6 745	0	-1 875	12 937	148 241	3 937	11 665	87 115	1 002	0	75 726
PR Clipper Mars DA	24,0 %	0	15 137	5 397	3 767	0	-1 145	4 828	89 220	389	3 527	62 670	318	0	30 147
PR Clipper Hermes DA	30,0 %	0	39 544	12 508	7 444	0	-2 374	17 217	170 058	527	13 970	105 373	525	0	78 658
Pr Clipper Sirius DA	30,0 %	0	18 151	6 443	5 144	0	-2 647	3 917	121 641	252	3 385	92 989	5 972	0	26 317
Pr Clipper Posh DA	20,0 %	0	0	351	0	0	-56	-407	19 499	0	-944	0	4	0	18 551
Victory DIS	15,3 %	0	9 411	3 266	2 681	0	-1 240	2 224	93 554	298	3 020	53 666	2 575	34 088	40 631
PR Clipper Sun II DA	20,0 %	0	11 916	4 245	3 299	0	-1 451	2 921	78 035	224	2 746	54 775	747	0	25 483
Sum 2012			198 408	76 614	47 120		-17 081	57 593	1 045 885	9 454	56 326	659 095	21 384	34 088	431 185
Sum 2011		3 676	174 086	82 704	39 656	1 381	-13 923	40 099	1 157 093	10 452	71 478	773 678	38 616	42 489	426 729

Where the company has invested in pro rata unlimited partnerships (Partrederi DA), the company has a pro rata liability for the ship owning company's commitments. The ownership in the ship owning companies have been tested for impairment and this test resulted in impairment adjustment of NOK 1 380 726. The recoverable amount is fixed at estimated value of use of each ship. Estimated value of use is calculated as a net present value based on the rest of life and risk. The net present value calculated based on each vessel's remaining economic life, and the first year's cash-flow based on approved budgets. Discount rate, 5.23% (5 year) and 6.28% (10 year), is based on the group's risk weighted cost of capital (WACC). WACC is calculated on basis of the capital asset pricing model (CAPM), and the loan interest rate is assumed interest rate for new loans. USD/NOK is set at 5.57, which was the rate as per 31.12.2012.

Mortgage debt in ship owning companies are nominated in USD and priced by LIBOR + margin. For parts of the debt interest rate SWAPS has been entered for maturities up to 5 years.

NOTE 5 - SHIPPING ACTIVITY

SHARE IN SHIP OWNING COMPANIES UNDER THE EQUITY METHOD OF ACCOUNTING

		2011					2012				
Company	Ownership in %	Balance 01.01.2011	Share profit of the year	Investments/repayments/sale	Translation differences	Balance 31.12.2011	Balance 01.01.2012	Share profit of the year	Investments/repayments/sale	Translation differences	Balance 31.12.2012
KS AS Heragas	19,5 %	416	-18		8	406	406	-16	-390		
PR Clipper Skagen DA	20,0 %	14 694	-3 776		78	10 996	10 996	-407		-751	9 839
PR Clipper Viking DA	20,0 %	60 765	7 561	-10 103	1 223	59 447	59 447	8 031	-37 218	-1 886	28 374
PR Clipper Harald DA	20,0 %							-446	3 637	-273	2 918
PR Clipper Star DA	20,0 %	66 317	-4 624		1 197	62 890	62 890	3 916	-2 216	-4 618	59 972
PR Clipper Sky DA	20,0 %	32 820	-2 740		562	30 641	30 641	2 879	3 355	-2 305	34 569
PR Clipper Hebe DA	25,0 %	59 339	16 159	-3 425	2 137	74 211	74 211	12 937	-5 669	-5 752	75 726
PR Clipper Mars DA	24,0 %	21 062	5 567		860	27 489	27 489	4 828		-2 169	30 147
PR Clipper Hermes DA	30,0 %	55 209	20 794	-3 289	2 373	75 087	75 087	17 217	-7 631	-6 016	78 658
PR Clipper Victory DA	30,0 %	30 580	2 335	-30 716	-2 199						
PR Clipper Sirius DA	30,0 %	25 224	-1 403		480	24 300	24 300	3 917		-1 900	26 317
PR Clipper Posh DA	20,0 %							-407	19 383	-425	18 551
Victory DIS	15,3 %		-780	34 133	3 488	36 841	36 841	2 224	4 361	-2 794	40 631
PR Clipper Sun II DA	20,0 %	21 634	1 025	1 106	655	24 421	24 421	2 921		-1 859	25 483
Sum		388 060	40 099	-12 293	10 862	426 729	426 729	57 593	-22 388	-30 748	431 185

Registered office for ships operated by Solvang ASA, are in Stavanger. The right to vote is according to pro rata, ownership share. Some of the companies which is included under the equity method of accounting has loan agreements with financial institutions which restricts distribution to the owners. This can be requirement for minimum cash holdings, working capital, or written approval from the lender before distribution to owners.

According to sales agreement dated 9th September 2009, were the company reduced its ownership share in PR Clipper Mars DA. from 30% to 24%, buyer has an option, given certain circumstances, to declare a purchase of a further 30% which would reduce the company's holding to 15%. The purchase price according to the option agreement is pro rata the same as the price paid for the first 20%. The earliest date for declaring the option is September 2014. The company has assessed the option agreement according to IAS 39 regarding implied derivative. At year end 2010 the agreement is not included in the balance sheet as the management evaluates the value of the written call option to be insignificant. The value of the option will be assessed on a continuous basis until maturity.

NOTE 6 - OTHER AFFILIATED COMPANIES

SHARE IN AFFILIATED COMPANIES INCLUDED UNDER THE EQUITY METHOD OF ACCOUNTING

Company	Ownership	Balance 01.01.12	Share profit for the year	nvestments	Translation difference	Balance 31.12.12
Solvang Phillipines Inc	25 %	18	154			172
Evergas Solvang Ethylene AS	50 %	385	419	-449	-48	307
Sum		402	573	-449	-48	478

Solvang Philippines Inc. is located in Manila, Philippines.
Evergas Solvang Ethylene AS is located in Copenhagen, Denmark.
Voting rights are according to pro rata ownership share.

We have not received final audited accounts from the companies, and results presented in this note is by definition estimates.

NOTE 7 - FINANCIAL INCOME

	2012	2011
RECEIVABLES		
Interest income	357	611
Currency gain	6 816	5 455
Total receivables	7 172	6 066
HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		
Gain on sale of shares	1 581	25
Increase in market value of current financial assets	838014	0
Dividend Norwegian shares	3 028	4 464
Dividend foreign shares	20	208
Gain on options	0	151
Total held at fair value through profit and loss	5 468	4 847
Other financial income	258	50
Total	12 898	10 963

NOTE 8 - FINANCIAL EXPENSES

	2012	2011
LOANS		
Interest and banking expenses	1 508	1 970
Currency loss	7 274	3 657
Total loans	8 782	5 626
HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		
Loss on sale of shares	0	42
Decrease in market value of current financial assets	0	32 641
Expenses trading shares and options	0	143
Total held at fair value through profit and loss	0	32 825
Reversal of earlier years accrued financial expenses	0	-3 246
Other financial expenses	251	4
Total	9 033	35 209

NOTE 9 - TAX

CURRENT TAX	2012	2011
Ordinary income/loss before tax	64 121	14 179
Permanent differences related to shares	-4 894	26 299
Other permanent differences	-2 782	26 533
Changes in temporary differences	4 156	-101 061
Applied loss carried forward	-60 601	0
Net taxable income/loss	0	-34 048
Payable tax	0	0

TAX EXPENSES FOR THE YEAR	2012	2011
Payable tax	2	124
Gross changes in deferred tax / deferred tax assets	8 649	34 934
Adjustment previous year	0	1 659
Total tax on income for the year	8 651	36 719

SPECIFICATION OF TEMPORARY DIFFERENCES:	31.12.12	31.12.11
Long term temporary differences		
Tangible fixed asset	61	-128
Pension liabilities	-10 160	-4 189
Investment in shares	-3 062	-1 837
Investment ship owning companies	96 112	139 349
Tax loss carry-forward	-138 477	-199 078
Total	-55 525	-65 882

ANALYSIS OF RECOGNISED DEFERRED TAX IN RESPECT OF EACH TYPE OF TEMPORARY DIFFERENCES AND UNUSED TAX LOSSES

	31.12.12	31.12.11	Change
Long-term temporary differences			
Tangible fixed asset	17	-36	53
Pension liabilities	-2 845	-1 173	-1 672
Investments in shares	-857	-514	-343
Investments in ship owning companies	26 911	39 018	-12 106
Tax loss carried forward	-38 773	-55 742	16 968
Total deferred tax (28%)	-15 547	-18 447	2 900
Change deferred tax recognized through profit and loss account			8 649
Corrections previous year			-1 453
Change deferred tax recognized through other comprehensive income			-8 609
Deferred tax asset not recognised (28%)	-12 176	-16 488	4 312
Total recognised deferred tax (28%)	-3 371	-1 959	-1 412

Reconciliation tax expenses for the year	2012	%	2011	%
28% of ordinary income/loss before tax	17 954	28 %	3 970	28 %
Adjustment previous year	0	0 %	1 659	12 %
28% effect of permanent differences related to shares	-1 370	-2 %	7 364	52 %
28% effect of other permanent differences	-8 904	-14 %	7 429	52 %
Withholding tax	2	0 %	20	0 %
28% effect of deferred tax asset not recognised	970	2 %	16 274	115 %
Tax cost according to Profit & Loss account	8 651	13 %	36 719	259 %

The Group has not recognized deferred tax assets related to temporary differences in the subsidiary Clipper Shipping AS. The deferred tax asset is not recognized as the company evaluates entering the Norwegian tonnage tax scheme from 2013. As a consequence utilization of the deferred tax asset is uncertain.

NOTE 10 - PAYROLL EXPENSES

Personnel expenses	**2012**	**2011**
Salary	31 705	9 543
Employers tax	5 444	4 022
Pension cost	5 555	1 656
Other benefits	3 752	1 390
Total personnel expenses	46 456	16 611
Number of employees	39	36

From 2012 Solvang has invoiced the affiliated ship owning companies a technical fee for services provided to the companies in addition to the management fee. Before 2012 the technical fee was entered in the accounts as cost reduction. Salaries are a large part of the basis for technical fee, and the change is the reason for the significant increase in salary expenses compared to 2011.

REMUNERATION (IN NOK 1000)		
Managing Director (01.01 - 30.04.2011)		
Salary	0	1 059
Bonuses	0	0
Pensions paid	0	4 262
Other remuneration	0	63
Managing Director	(01.01.-30.04)	(01.05 - 31.12)
Salary	620	1 000
Bonuses	0	0
Pension	0	0
Other remuneration	1	3
Managing Director (Deputy Managing Director till 30.04.2012)		(01.10 - 31-12)
Salary	1 798	425
Bonuses	0	0
Pension	69	32
Other remuneration	6	8
Director Marine Operations		
Salary	1 626	1 391
Bonuses	0	0
Pension	149	109
Other remuneration	154	81
Total remuneration to key management personnel	4 424	8 433
Number of individuals included in key management personnel	2	3
Board of Directors		
Remuneration	325	325
Total remuneration to key management personnel and Board of Directors	4 749	8 758

The Managing Director has an agreement of one year pay after termination of employment, and an additional contribution based pension of 15% of salary above 12G. The company's senior executives are employed on a fixed salary. No options or fixed bonuses are linked to the salary agreements.
The amounts stated are exclusive of social security contributions

Auditor

Remuneration to auditor consist of the following	**2012**	**2011**
Audit mandatory by law	568	813
Tax advisory services	68	121
Other non-audit services	53	54
Total	**689**	**988**

NOTE 11 - PENSION COST AND PENSION LIABILITIES

Funded plans

The group has a general pension plans in a life insurance company. The plan entitles its members to defined future benefits. These benefits are mainly dependent on number of years of employment, salary at the end of ordinary employment and the size of the benefits from the National Insurance Scheme. Full retirement pension will amount to approximately 66% of the basis for pension (limited to 12G), and the plan also includes entitlement to disability and children's pensions. Retirement age is 67 years. The company has the right to alter the pension plan. The benefits accruing under the scheme are funded. The pension plan has 36 members. The defined benefit pension plan for Solvang ASA has been closed for new employees. New employees are members of a defined-contribution pension plan.

This pension plan meets the requirement in the Act on Mandatory company pension.

Non-funded plans

The group also has non-funded pension obligations for 2 pensioners, and for the Managing Director of IGC AS, which are not covered by the general pension plan. The pension obligations for the Managing Director of IGC include early retirement pension and pension for salary exceeding 12 G.

Assumptions

Pension liabilities and pension costs are calculated by a third party independent actuary, and the following assumptions were used:

	2012	**2 011**
Discount rate	3,90 %	2,60 %
Expected salary increases	3,50 %	3,50 %
Rate of pension increases	0,20 %	0,10 %
Increase of National Insurance Basic amount (G)	3,25 %	3,25 %
Expected return on plan assets	4,00 %	4,10 %
Social Security Tax	14,10 %	14,10 %

The discount rate is in 2012 changed from interest based on 10 year Norwegian government securities to interest based on 10 years corporate securities adjusted to reflect that the settlement date for the pension obligations is beyond 10 years. The overall expected rate of return on plan assets are determined based on the market prices prevailing at year end applicable to the period over which the obligation is expected to be settled, taking into account each category of plan assets.

Net periodic pension cost:	***Non-funded plans***			***Funded plans***
	2012	**2011**	**2012**	**2 011**
Benefits earned during the year	1 094	205	3 139	2 355
Interest cost	142	88	600	704
Expected return on pension assets			-629	-733
Administrative expenses			338	177
Social Security Tax	174	41	439	328
Amortization of net accumulated changes in estimates	60	-1 636	193	90
Net periodic pension cost	1 470	-1 301	4 081	2 921
Actual return on plan assets			3,5 %	3,5 %

Present value of benefit obligation	***Non-funded plans***		***Funded plans***	
	2012	**2011**	**2012**	**2 011**
Present value of benefit obligation at January 1	4 479	7 593	22 459	17 688
Actuarial loss / (gain)	-585	-3 155	-6 154	-780
Benefits earned during the year	1 094	205	3 139	2 355
Interest cost on prior year's benefit obligation	142	88	600	704
Pensions paid during the year	-110	-4 160	-177	-175
Present value of benefit obligation at December 31	5 021	571	19 866	19 792

NOTE 11 - PENSION COST AND PENSION LIABILITIES

Fair value of plan assets	*Non-funded plans*		*Funded plans*	
	2012	**2011**	**2012**	**2 011**
Fair value of plan assets at January 1			13 647	12 460
Actuarial (loss) / gain			73	-1 904
Actual return on plan assets			629	733
Company contributions			3 514	1 111
Administrative expenses			-296	-155
Pensions paid during the year			-177	-175
Fair value of plan assets at December 31			17 389	12 070

Status of pension plans reconciled to the balance sheet

	Non-funded plans		*Funded plans*	
	2012	**2011**	**2012**	**2 011**
Present value of pension obligations	-5 021	-571	-19 866	-19 792
Fair value of plan assets			17 389	12 070
Funded status of plans at December 31.	-5 021	-571	-2 477	-7 722
Unrecognised net changes in estimates	-55	65	-1 683	5 209
Social Security Tax	-708	-81	-349	-1 089
Translation differences	137	0		
Net pension liability recognised at December 31.	-5 647	-586	-4 509	-3 602

	2012	**2 011**
Total net pension liability non-funded and funded plans recognised at December 31	-10 156	-4 189

Composition of plan assets on major investment categories

The company's pension funds are managed by an independent life insurance company that invests the funds of the plan according to Norwegian law. The major categories of plan assets as a percentage of the fair value of plan assets are as follows:

	2012	**2011**
Shares and other equity instruments	8,8 %	8,7 %
Bonds	74,3 %	70,4 %
Money market and similar	0,4 %	3,4 %
Properties and real estate	16,5 %	17,5 %
Total	100 %	100 %

Expected payments related to the pension plans in 2013

The Group's estimate contribution to the funded pension plan for the fiscal year 2013 is NOK 2 718 000.
The Company's estimated payments for non-funded pension plans are NOK 110 000 for the fiscal year 2013.

The value adjusted return on plan assets (secured pension plan) was 4.0% per 30.09.2012, and for 2011 was the value adjusted return 2.0%

Development of deficit/surplus in the plan and actuarial loss / gain the last five years

	2012	**2011**	**2010**	**2009**	**2008**
As of 31st December					
Present value of benefit obligation	24 887	20 363	25 281	22 011	22 319
Fair value of plan assets	17 389	12 070	12 460	10 764	7 967
Deficit in the plan	7 498	8 293	12 822	11 247	14 352
Experience adjustments on plan assets	-6 739	-3 935	-309	-4 357	3 196
Experience adjustments on plan assets	-73	1 904	1 579	127	1 713

Defined-contribution pension plan

The defined benefit pension plan for Solvang ASA has been closed for new employees. New employees are members of a defined-contribution pension plan. Per 31.12.2012 this plan had 11 members. Paid contributions in 2012 was NOK 237 225.

NOTE 12 - RELATED PARTIES

The shipping companies where Solvang has an ownership share of more than 20% and companies where the Steensland family have control are regarded as related parties. All transactions with related parties, are at arm's length and market terms. In connection with Solvang's position as manager for the shipping partnerships, there are ongoing transactions between Solvang and the individual shipping partnerships. Solvang receives a yearly fee as managers. The size of the fee is regulated by the management agreement, and is approved each year by the annual general meeting of the shipping partnerships. Solvang's regular broker for sale and purchase is Inge Steensland AS. Parallel investments with other companies controlled by the Steensland family, are also made.

	Profit & Loss Account		Balance Sheet	
	2012	**2011**	**31.12.12**	**31.12.11**
Management fee (income)	64 767	24 659		
Technical fee (reduction of cost)	0	17 076		
Interest income ship owning companies	211	0		
Interest expenses other related parties	-1 154	-1 350		
Receivables ship owning companies			1 487	12 242
Receivables other related parties			0	378
Liabilities ship owning companies			0	-6 568
Liabilities other related parties			0	-47 255
Long term liability ship owning companies			-9 658	0
Total	63 824	40 384	-8 171	-41 203

Liabilities other related parties are priced at 3 months LIBOR + margin of 2% for foreign exchange loans, and 3 months NIBOR + margin 2% for NOK loans.

NOTE 13 - RESTRICTED BANK DEPOSIT

The group has the following restricted bank deposits

	2012	2011
Restricted bank deposit payroll withholding tax	3 371	2 600
Restricted bank deposit rent guarantee	473	0
Restricted bank deposit pension liability	3 936	0

NOTE 14 - EARNINGS PER SHARE

	2012	2011
Profit / loss for the year (numerator)	55 469	-22 538
Average number of shares outstanding (denominator)	24 333	24 333
Total number of shares issued	24 653	24 653
Earnings per share (NOK)	2,28	-0,93
Diluted earnings per share (NOK)	2,25	-0,93

NOTE 15 - TANGIBLE FIXED ASSETS

	Book value as of 01.01.11	Additions during the year	Disposals during the year	Depreciation during the year	Expensed home computers employees	Book value as of 31.12.11
Misc. Fixed assets	1 931	86	350	523		1 143
Home computer agreements employees	30				26	4
Total	1 962	86	350	523	26	1 147

	Book value as of 01.01.12	Additions during the year	Disposals during the year	Addition regarding entry of subsidiary	Depreciation during the year	Expensed home computers employees	Book value as of 31.12.12
Misc. Fixed assets	1 143	427		832	571		1 831
Home computer agreements employees	4					4	0
Total	1 147	427	0		571	4	1 831

Useful life for office equipment is from 3 to 5 years.

NOTE 16 - SHARES IN OTHER COMPANIES

	Currency	2012 Acquisition cost (NOK)	2012 Book value/ market value as of 31.12.2012 (NOK)	2011 Acquisition cost (NOK)	2011 Book value/ market value as of 31.12.2011 (NOK)
HELD AT FAIR VALUE THROUG PROFIT OR LOSS					
Shares and equity certificates listed in Norway		91 154	72 467	92 364	74 664
Shares and funds listed in USA		3 459	1 767	4 530	2 693
Total group		94 613	74 234	96 893	77 357
Exchange rates per 31.12.2012		GBP/NOK	8,995		
		USD/NOK	5,570		
		EUR/NOK	7,341		

In 2012 an increase in market value of KNOK 838 mill has been booked towards the company's listed investment portfolio. The increase has been classified as other financial income. (Ref note 7).

NOTE 17 - RECEIVABLES

Debtors consist mainly of trade debtors, prepaid voyage costs and receivables from shipping partnerships.
None of the receivables is falling due more than one year after the end of the fiscal year. None of the receivables of significant amount is due on the balance sheet date.

	2012	2011
Receivables	36 348	13 314

NOTE 18 - LIABILITIES

Long term debt
Solvang ASA has had long term debt to AS Clipper and AS Audley. The loans have been paid off during 2012.
Reference is made to note 12.

	2012	2011
Year 1:	0	0
Year 2:	0	47 255
Total	0	47 255

Security
Solvang ASA has a credit facility of NOK 20 million.
As security for this the company has furnished the shares of Solvang Shipping AS as collateral.

	2012	2011
Drawn amount overdraft facility	564	0
Security overdraft facility (equity Solvang Shipping AS)	55 836	55 114

In addition the group has parts of mortgage debt through participation in shipping partnerships.
As security for this mortgage debt, the lender has a mortgage on ships belonging to the respective companies.

	2012	2011
The groups share of mortgage debt	663 215	789 149

Leasing
The group has operating lease commitments for office space that expires at 31.12.2014 and 31.12.2016
There is options under the agreements to extend the leases with 5 years from 31.12.2014 and 31.12.2016 at market terms.

At 31.12 The Company had the following minimum non-cancellable leasing commitments:

	2012	2011
Year 1	2 873	2 151
Year 2-5	7 223	8 606
Year 6-10	0	0
Total	10 095	10 757

The company recognized lease expenses of KNOK 2 841 for 2012 and KNOK 2 012 for 2011.

Other long term commitments

The shipping co-operation partners for LGC ships organised by IGC AS has KNOK 9 658 in earnings that has not been distributed to the partners.

NOTE 19 - EQUITY

Shareholders

The company's main shareholders as of 31.12.2012

	31.12.12		31.12.11	
Name of owner	**# of shares**	**Ownership**	**# of shares**	**Ownership**
Clipper AS	5 460 932	22,2 %	5 460 932	22,2 %
Straen AS	5 405 157	21,9 %	5 405 157	21,9 %
Audley AS	3 589 014	14,6 %	3 589 014	14,6 %
Søgne Shipping AS	1 000 000	4,1 %	1 000 000	4,1 %
Michael Steensland Brun	981 201	4,0 %	981 201	4,0 %
MP Pensjon PK	821 363	3,3 %	821 363	3,3 %
Jacobsen Erik Olger	620 000	2,5 %	0	0,0 %
Skagenkaien Eiendom	600 000	2,4 %	0	0,0 %
Folke Hermansen AS	503 600	2,0 %	503 600	2,0 %
Inge Steenslands Stiftelse	500 000	2,0 %	500 000	2,0 %
Myhre Leif Harald	404 000	1,6 %	404 000	1,6 %
Jaco Invest AS	354 510	1,4 %	354 510	1,4 %
Solvang ASA	319 978	1,3 %	319 978	1,3 %
Torbertra Kapital AS	310 500	1,3 %	310 500	1,3 %
Remaining < 1%	3 782 582	15,3 %	5 002 582	20,3 %
Total	24 652 837	100,0 %	24 652 837	100,0 %

The board of directors and managing director own or control shares in the company as of 31.12.2012 as follows:

Michael Steensland Brun	981 201
Erik O. Jacobsen	678 151
Wenche Rettedal	2 781
Edvin Endresen (CEO)	3 019

Proposed dividend
The Board of Directors propose a dividend of NOK 0.50 per share for 2012. There was no dividend paid for 2011.

The company has no other dividend limitations than those imposed by Norwegian law.

NOTE 20 - TREASURY SHARES

As of 31.12.2012 Solvang ASA had shareholdings of 319 978 own shares, booked at NOK 2 854 112.
The purpose for buy back of own shares was to increase value for the company's shareholders.

PARENT COMPANY 2012

Profit & Loss Account | Solvang ASA

	Note	2012	2011
Management fee	10	48 045 340	24 919 071
Total Operating income		**48 045 340**	**24 919 071**
Salaries and other personnel expenses	8,10	34 373 147	16 614 108
Depreciation	13	366 799	523 010
Other operating expenses	8	12 237 301	9 053 517
Total operating expenses		**46 977 247**	**26 190 635**
Operating result		**1 068 093**	**-1 271 564**
Recieved group contributions		1 557 531	0
Ship-owning companies equity method	2	-748 046	139 151
Other affiliated companies equity method	3	572 713	-1 249
Other financial income	4,10	7 759 730	7 658 796
Write-down shares in subsidiaries	7	-11 076 530	0
Other financial expenses	5,10	-6 955 758	-18 085 453
Net financial items		**-8 890 360**	**-10 288 755**
Ordinary result before tax		**-7 822 268**	**-11 560 319**
Tax on ordinary result	6	-7 869 845	10 534 069
Net profit or loss for the year		**47 577**	**-22 094 388**
Net profit or loss for the year is distributed as follows			
Reserve for valuation variances		-573 655	1 249
Dividend		12 166 430	0
From other equity		-11 640 352	22 093 139
Total distributed		**-47 577**	**22 094 388**

Balance Sheet | Solvang ASA

	Note	31.12.2012	31.12.2011
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	6	2 659 845	0
Total intangible fixed assets		**2 659 845**	**0**
Tangible fixed assets			
Office equipment, furniture etc	13	1 203 919	1 147 900
Total tangible fixed assets		**1 203 919**	**1 147 900**
Financial fixed assets			
Investments in subsidiaries	7,16	611 451 204	629 740 980
Investments ship-owning companies equity method	2	2 889 754	14 531 892
Investments in affiliated companies	3	478 140	402 462
Total financial fixed assets		**614 819 098**	**644 675 334**
Total fixed assets		**618 682 862**	**645 823 234**
Current Assets			
Receivables			
Short term receivables group companies	10,15	1 231 168	89 986 516
Other short term receivables	10,15	4 946 976	7 650 960
Total receivables		**6 178 144**	**97 637 476**
Investments			
Listed investments	14	30 662 369	35 626 722
Total investments		**30 662 369**	**35 626 722**
Cash and bank deposits	11	10 983 174	21 895 950
Total current assets		**47 823 687**	**155 160 148**
TOTAL ASSETS		**666 506 549**	**800 983 382**

Balance Sheet | Solvang ASA

	Note	31.12.2012	31.12.2011
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	18	123 264 185	123 264 185
Treasury shares	19	-1 599 890	-1 599 890
Total paid-in capital		**121 664 295**	**121 664 295**
Retained earnings			
Reserve for valuation variances		84 398	658 053
Other equity		445 265 827	456 858 809
Total retained earnings		**445 350 225**	**457 516 862**
Total equity	**18**	**567 014 520**	**579 181 157**
Liabilities			
Provisions			
Pension liabilities	9	3 988 155	4 188 697
Deferred tax liability	6	0	5 210 000
Total provisions		**3 988 155**	**9 398 697**
Long term liabilities			
Long Term loan Group companies	10	71 557 006	0
Other long term liabilities	10,16	0	47 255 327
Total long term liabilities		**71 557 006**	**47 255 327**
Current liabilities			
Liabilities to financial institution	16	564 024	0
Trade creditors		3 747 898	1 370 404
Current liabilities Group companies	10	0	157 975 273
Public duties payable		4 341 927	3 133 857
Dividend		12 166 430	0
Other short term liabilities	10	3 126 592	2 668 667
Total current liabilities		**23 946 871**	**165 148 201**
Total liabilities		**99 492 032**	**221 802 225**
TOTAL EQUITY AND LIABILITIES		**666 506 549**	**800 983 382**

Stavanger, 29th April 2013

Michael Steensland Brun
Chairman of the board

Erik O. Jacobsen
Board member

Wenche Rettedal
Board member

Translation - No signature

Hans Petter Aas
Board member

Sigrun Sagedahl
Board member

Edvin Endresen
CEO

Cash Flow Statement | Solvang ASA

	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	-7 822 268	-11 560 319
Profit / (loss) on sale of fixed assets	0	-50 000
Depreciation and amortisation	366 799	523 010
Return on investments in equity shares	-2 995 749	13 456 623
Difference between expensed pension and paid in/out	-200 542	-4 394 084
Result in other affiliated companies	-572 713	1 249
Result in affiliated ship owning companies	748 046	-139 151
Changes in inventories, trade receivables and trade payables	2 377 494	1 370 404
Changes in other current balance sheet items	4 322 194	26 652 703
Write-down shares in subsidiaries	11 076 530	0
Net cash flow from operating activities	**7 299 791**	**25 860 435**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale / purchase of tangible fixed assets	-422 818	314 714
Proceeds from sale / purchase of securities	6 271 319	1 916 365
Dividend received	1 688 783	2 078 365
Investment affiliated companies	497 035	-850 761
Proceeds form ship owning companies	21 745 138	0
Payments to ship owning companies	-3 637 800	-1 106 245
Net cash flow from investing activities	**26 141 657**	**2 352 438**
CASH FLOW FROM FINANCING ACTIVITIES		
Changes in overdraft facility	564 024	-9 852 015
Payments other long term debt	-47 255 327	0
Purchase / sale of treasury shares	0	823 750
Change in outstanding accounts group companies	2 337 081	0
Net cash flow from financing activities	**-44 354 222**	**-9 028 265**
Net change in cash and cash equivalents	**-10 912 774**	**19 184 608**
Cash and cash equivalents 01.01	21 895 950	2 711 342
Cash and cash equivalents 31.12	**10 983 174**	**21 895 950**

Notes 2012 | Solvang ASA

NOTE 1 ACCOUNTING PRINCIPLES

The annual accounts consist of the profit and loss account, balance sheet, cash flow statement and notes to the accounts, and have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect as of 31st of December 2012.

The annual accounts have been prepared based on the fundamental accounting principles, and the classification of assets and liabilities are according to the Norwegian Accounting Act. The application of the accounting principles and the presentation of transactions and other issues attach importance to economic realities, not only legal form. Contingent losses, which are likely to happen and are quantifiable, will be expensed.

General principles
Assets that are meant for long-term ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables are classified as current assets if they are to be re-paid within one year after payment. The same criteria apply for liabilities.

The annual accounts have been prepared based on the fundamental accounting principles historical cost, comparability, going concern, congruence and prudence. Transactions are recorded at their value at the time of the transaction. Income is recognised at the time of delivery of goods or service sold and matches costs expensed in the same period as the income to which they relate is recognized.

Valuation of fixed assets is entered in the accounts at original cost. If the fair value of a fixed asset is lower than book value, and the decline in value is not temporary, the fixed asset will be written down to fair value. Fixed assets with a limited expected useful life is depreciated according to plan.

Current assets are valued at the lower of acquisition cost and fair value. Short-term liability is booked nominally at the point of establishment.

According to the accounting principles there are some exceptions from the general principles. These exceptions are commented below.

Fixed assets
Fixed assets are entered in the accounts at original cost, with deductions for accumulated depreciation and write-down. If the fair value of a fixed asset is lower than book value, and the decline in value is not temporary, the fixed asset will be written down to fair value. Depreciation is calculated and distributed linearly over the estimated useful life. Maintenance of fixed assets is continuously booked to operating cost. Major replacement and improvements witch significantly improve the fixed assets useful life, are added to the purchase price of the assets.

Investment in subsidiaries
By subsidiaries means investments where the company directly or indirectly owns more than 50% of the voting shares, where the investment have a long-term and strategic dimension, and investments where the company have a controlling interest. Investments in subsidiaries are accounted for using the purchase method. Cost price increases when means are contributed by a capital increase, or when group contribution is received by the subsidiary. Received dividends are normally booked as income. Dividends which exceeds retained earnings after the initial investment, is booked as reduction of historical acquisition cost. Year-end allocation related to dividend from subsidiaries is entered as financial income the same fiscal year.

Investment in affiliated companies
By affiliated companies means investments where the company directly or indirectly owns 20-50% of the voting shares, where the investment have a long-term and strategic dimension, and investments where the company can exercise a considerable influence. Investments in affiliated companies are accounted for using the equity method.

Solvang’s share of the profit in an affiliated company is based on profit after tax in the affiliated company less any depreciation on excess value due to the acquisition cost of the owner interest being higher than the acquired share of book equity. In the profit and loss account, the share of the profit in affiliated companies is presented as financial items. In the balance sheet, owner interests in affiliated companies are presented together with fixed assets.

For affiliated participant taxed companies are Solvang's share of the profit based on the pre-tax profit in the affiliated company. Tax on profit ratio is included together with the Group's other tax expenses.

NOTE 1 ACCOUNTING PRINCIPLES

Securities
Shares, primary capital certificates and interests in unit trusts (mutual funds) that are traded on a stock exchange or a regulated market and have a good ownership diversity and liquidity, are included in the trading portfolio and are valued at market value at balance sheet date.

Receivables
Receivables are valuated at face value after deduction of accrual for anticipated loss. Accruals for anticipated loss are made on basis of assessment of the individual outstanding claims.

Foreign currency
Transactions in foreign currencies are recorded at transaction date.
All cash and bank balances in foreign currency are accounted for at the exchange rate at year-end.

Financial expenses
When a new debt financing is established any up front fees and other cost related to the financing are expensed at the date of drawdown of the loan.

Pension liability and pension cost
The Company has both defined benefit and contribution based pension plans, which the defined benefit pension plan was closed by 01.01.2011 so that all new employees starting from 2011 will be included in the contribution based pension plan.

Defined benefit pension plan
Net pension cost includes the period calculated pension benefits, including expected salary increases, estimated interest expenses, less the expected return on plan assets and any effects of changes in estimates and plans. The surplus is capitalized to the extent it can be applied to future pension obligations. The company applies IAS 19 Employee Benefits as a basis for accounting for pension.

Contribution based pension plan
For defined contribution plans the company pays contributions to publicly or privately administered pension insurance plans. The company has no further payment obligations once the contributions have been paid. Contributions are recognized as compensation expense in line with the obligation to pay contributions accrue.

Treasury shares
Own shares are posted at face value on a separate line of the balance sheet under equity. The difference between the face value of the share and the original cost is deducted from other equity.

Taxes
Taxes in the Profit and Loss statement contain both payable tax of the year and changes in deferred tax / deferred tax asset.

Deferred tax /deferred tax assets is calculated on basis of temporary differences between accounting standards and tax legislation by the end of the fiscal year. The calculation is based on nominal tax rate. Tax-augmenting and tax-reducing temporary differences that can be reversed in the same period are balanced in the accounts. Deferred tax assets arises if there are net tax-reducing temporary differences which can be justified by the assumption of future profits. This year tax on ordinary result consist of net changes in deferred tax and deferred tax assets together with payable tax of the year and adjusted for any differences in provision previous years.

Cash flow statement
The Cash Flow statement is prepared in accordance with the indirect method. Cash flow generated by investing and financing activities is shown gross, while for operations reconciliation is shown between book profit and cash flow from operating activities. Investments in securities are not included under cash equivalents. Cash and cash-equivalents include petty cash and bank payments.

NOTE 2 - SHIPPING ACTIVITY

SHARE IN VESSELS INCLUDED UNDER THE EQUITY METHOD OF ACCOUNTING

Company	Owner-ship	Opening balance 01.01.12	Share of net profit	Additions/ disposals	Incoming payments / repayments	Closing balance 31.12.12
PR Clipper Sun II DA	20 %	14 531 892	0	-14 531 892	0	0
PR Clippper Harald DA	20 %	0	-748 046	3 637 800	0	-748 046
Total		14 531 892	-748 046	-10 894 092	0	-748 046

Registered office of ship owning companies included after the equity method of accounting is in Stavanger.
The voting rights are according to pro rata ownership share.

In 2012 Solvang ASA sold its share in Partrederiet Clipper Sun II DA to the subsidiary Clipper Shipping AS.
The transaction is at accounting continuity, i.e. the gain of NOK 7.2 mill has not been entered over profit and loss, but has reduced the value of the shares in Clipper Shipping AS.

NOTE 3 - AFFILIATED COMPANIES

AFFILIATED COMPANIES INCLUDED UNDER THE EQUITY METHOD OF ACCOUNTING

Company	**Ownership**	**Acquisition cost**	**Equity at acquisition**	**Opening balance 01.01.12**	**Share of net profit**	**Dividend recieved**	**Translation differences**	**Closing balance 31.12.12**
Solvang Phillipines Inc	25 %	102 092	102 092	17 818	153 638	0	169	171 625
Evergas Solvang Ethylene AS	50 %	291 650	291 650	384 644	419 074	-449 250	-47 953	306 515
Sum		393 742	393 742	402 462	572 712	-449 250	-47 784	478 140

Solvang Phillipines Inc is located in Manila, Phillipines.
Evergas Solvang Ethylene AS is located in Copenhagen, Denmark.
The voting rights are according to pro rata ownership share.

We have not received final or audited accounts from the affiliated companies, hence the amounts presented in this note is estimate only.

NOTE 4 - FINANCIAL INCOME

	2012	2011
Interest income	333 622	526 553
Interest received from group companies	0	2 473 394
Gain on sale of shares	1 306 966	24 765
Increase in market value of current financial assets	318 461	0
Dividend Norwegian shares	1 688 783	2 078 365
Gain on options	0	151 194
Currency gain	3 931 216	2 354 523
Other financial income	180 681	50 002
Total	**7 759 729**	**7 658 796**

NOTE 5 - FINANCIAL EXPENSES

	2012	2011
Interest and banking expenses	3 571 671	1 742 283
Brokerage costs shares and options	0	12 175
Decrease in market value of current financial assets	0	15 698 772
Currency loss	3 177 102	407 284
Other financial expenses	206 985	224 939
Total	**6 955 758**	**18 085 453**

NOTE 6 - TAX

		2012	2011
Ordinary income/loss before tax		-7 822 268	-11 560 319
Permanent differences related to shares		-2 945 086	13 526 336
Permanent differences		12 245 249	554 843
Accounting result ship owning companies		748 046	-139 151
Taxable result ship owning companies		-742 401	-4 508 366
Differences related to equity method		-572 713	1 249
Changes in temporary differences		-200 542	-3 968 091
Applied loss carried forward		-710 285	0
Net taxable income/loss		**0**	**-6 093 499**
Payable tax	**28 %**	**0**	**0**
Tax expenses for the year			
Gross changes in deferred tax / deferred tax assets		-7 869 845	8 860 264
Adjustment previous year		0	1 673 805
Total tax on income for the year		**-7 869 845**	**10 534 069**
Specification of temporary differences:			
Long term temporary differences			
Tangible fixed asset		-128 082	-128 082
Pension liabilities		-3 988 155	-4 188 697
Investment ship owning companies		0	29 017 417
Tax loss carry-forward		-5 383 211	-6 093 496
Total		**-9 499 448**	**18 607 142**
Deferred tax / deferred tax assets	**28 %**	**-2 659 845**	**5 210 000**
Reconciliation tax expenses for the year			
28% of ordinary income/loss before tax		-2 190 235	-3 236 889
Changes related to ship owning companies		-8 152 597	8 219 371
Changes related to equity method		-160 360	350
28% effect of permanent differences related to shares		-824 624	3 787 374
28% effect of permanent differences related to write-down of shares in subsidiaries		0	0
28% effect of other permanent differences		3 457 970	90 058
Adjustment previous year		0	1 673 805
Tax cost according to Profit & Loss account		**-7 869 845**	**10 534 069**

NOTE 7 - SHARES IN SUBSIDIARIES

Company name	Ownership/ Voting rights	Share capital	Nominal value	Number of shares owned	Total nominal value	Value on balance sheet
Solvang Shipping AS	100 %	22 000 000	1 000	22 000	22 000 000	57 255 000
Clipper Shipping AS	100 %	559 316 900	100	5 593 169	559 316 900	552 103 671
Solvang Maritime AS	100 %	100 000	1 000	100	100 000	106 000
International Gas Carriers AS	100 %	1 000 000	100	10 000	1 000 000	1 986 533
Total Subsidiaries						**611 451 204**

Solvang Shipping AS, Clipper Shipping AS and Solvang Maritime AS is located in Stavanger.
International Gas Carriers AS is located in Oslo.

The shares in Solvang Shipping AS has been written of by NOK 11 076 530 in 2012. After the write-down the value is equal to the equity in the company.

In connection with sale of the share in Partrederiet Clipper Sun II DA from Solvang ASA to the subsidiary Clipper Shipping AS at accounting continuity, the value of the share in Clipper Shipping AS is reduced by the gain of the sale in Solvang ASA, reference made to note 2.

NOTE 8 - PAYROLL EXPENSES

	2012	2011
Personnel expenses		
Salary	24 081 041	9 543 174
Employers tax	4 141 696	4 021 726
Pension cost	3 074 007	1 656 123
Other benefits	3 076 403	1 393 085
Total personnel expenses	34 373 147	16 614 108
Number of employees	34	36

Remuneration (in NOK) 2012

	Director's fees	Salary	Bonuses	Pension costs	Other remuneration	Total remuneration
MANAGERS						
Michael Steensland Brun, Man.Dir from (01.01 - 30.04)		620 000	0	0	1 334	621 334
Edvin Endresen, Man.Dir. (01.05 -31.12) Dep. Man Dir. (01.10.11-30.4.2012)		1 798 455	0	69 448	6 000	1 873 903
Tor Øyvind Ask, Dir. Marine Operations		1 626 170	0	148 707	153 855	1 928 732
BOARD OF DIRECTORS						
John Hatleskog, Chairman	100 000					100 000
Erik O. Jacobsen, Board member	75 000					75 000
Wenche Rettedal, Board member	75 000					75 000
Åse Koll Lunde, Board member	75 000					75 000
Total remuneration	**325 000**	**4 044 625**	**0**	**218 155**	**161 189**	**4 748 969**

Managing Director has an agreement of one year pay after termination of employment, and an additional contribution based pension of 15% of salary above 12G. The company's senior executives are employed on a fixed salary. No options or fixed bonuses are linked to the salary agreements.

AUDITOR

The fee to the auditors for 2012 amounts to NOK 338 900, whereof NOK 262 500 relates to audit regulated by law, NOK 23 400 for tax advisory and NOK 53 000 for other non-audit services. The amounts are reported exclusive of VAT.

NOTE 9 - PENSION COST AND PENSION LIABILITIES

Funded plans

The company is obligated to have a pension plan according to the Act on Mandatory company pension, and has a pension plan which follows the requirement as set in the Act on Mandatory company pension.

The company has a general pension plan in a life insurance company. The plan entitles its members to defined future benefits. These benefits are mainly dependent on number of years of employment, salary at the end of ordinary employment and the size of the benefits from the National Insurance Scheme. Full retirement pension will amount to approximately 66% of the basis for pension (limited to 12G), and the plan also includes entitlement to disability and children's pensions. Retirement age is 67 years. The company has the right to alter the pension plan. The benefits accruing under the scheme are funded. The pension plan has 30 members (2011: 35 members).

Non-funded plans

The company also has non-funded pension obligations for 2 pensioners, which are not covered by the general pension plan.

Assumptions

Pension liabilities and pension costs are calculated by a third party independent actuary, and the following assumptions were used:

	2012	2011
Discount rate	3,90 %	2,60 %
Expected salary increases	3,50 %	3,50 %
Rate of pension increases	0,20 %	0,10 %
Increase of National Insurance Basic amount (G)	3,25 %	3,25 %
Expected return on plan assets	4,00 %	4,10 %
Social Security Tax	14,10 %	14,10 %

Net periodic pension cost:	Non-funded plans		Funded plans	
	2012	2011	2012	2011
Benefits earned during the year	0	204 592	2 287 101	2 355 039
Interest cost	13 411	88 230	512 283	704 014
Expected return on pension assets	0	0	-552 059	-733 190
Past service costs	0	0	0	0
Administrative expenses	0	0	274 243	177 211
Social Security Tax	1 891	41 288	316 873	327 947
Amortization of net accumulated changes in estimates	6 193	-1 635 595	180 089	90 417
Net periodic pension cost	**21 495**	**-1 301 485**	**3 018 530**	**2 921 438**
Actual return on plan assets			3,5 %	3,5 %

Status of pension plans reconciled to the balance sheet

	Non-funded plans		Funded plans	
	2012	2011	2012	2011
Present value of pension obligations	-467 299	-570 967	-17 199 588	-19 791 896
Fair value of plan assets	0	0	15 092 130	12 069 618
Funded status of plans at December 31.	-467 299	-570 967	-2 107 458	-7 722 278
Unrecognised net changes in estimates	51 280	65 147	-1 101 636	5 208 747
Social Security Tax	-65 889	-80 506	-297 152	-1 088 841
Net pension liability recognised at December 31.	**-481 908**	**-586 326**	**-3 506 246**	**-3 602 372**

	2012	2011
Total net pension liability non-funded and funded plans recognised at December 31	-3 988 154	-4 188 698

Composition of plan assets on major investment categories

The company's pension funds are managed by an independent life insurance company that invests the funds of the plan according to Norwegian law.

The major categories of plan assets as a percentage of the fair value of plan assets are as follows:

	2012	2011
Shares and other equity instruments	8,8 %	8,7 %
Bonds	74,3 %	70,4 %
Money market and similar	0,4 %	3,4 %
Properties and real estate	16,5 %	17,5 %
Total	**100,0 %**	**100,0 %**

Defined-contribution pension plan

The defined benefit pension plan for Solvang ASA has been closed for new employees. New employees are members of a defined-contribution pension plan. Per 31.12.2012 this plan had 11 members. Paid contributions in 2012 was NOK 237 225.

NOTE 10 - RELATED PARTIES

The shipping companies where Solvang has an ownership share of more than 20% and companies where the Steensland family have control are regarded as related parties. All transactions with related parties, are at arm's length and market terms. In connection with Solvang's position as manager for the shipping partnerships, there are ongoing transactions between Solvang and the individual shipping partnerships. Solvang receives a yearly fee as managers. The size of the fee is regulated by the management agreement, and is approved each year by the annual general meeting of the shipping partnerships. Solvang's regular broker for sale and purchase is Inge Steensland AS. Parallel investments with other companies controlled by the Steensland family, are also made.

	Profit & Loss Account		**Balance Sheet**	
	2012	**2011**	**31.12.12**	**31.12.11**
Management fee (income)	48 045 340	24 919 071		
Technical fee (reduction of cost)	0	17 075 614		
Interest income subsidiaries	-2 203 387	2 473 394		
Interest expenses other related parties	-943 414	-1 350 217		
Receivables group companies			1 231 168	89 986 516
Liabilities group companies			-71 557 006	-157 975 273
Net receivables ship owning companies			1 486 852	6 848 297
Net receivables other related parties			0	378 329
Liabilities other related parties			0	-47 255 327
Total	**44 898 539**	**43 117 862**	**-68 838 986**	**-108 017 458**

NOTE 11 - RESTRICTED BANK DEPOSIT

In connection with payment of payroll withholding tax, the company has a restricted bank deposit of NOK 1 472 640,-.

NOTE 12 - EARNINGS PER SHARE

	2012	2011
Profit / loss for the year (numerator)	47 577	-22 094 388
Average number of shares outstanding (denominator)	24 332 859	24 332 859
Total number of shares issued	24 652 837	24 652 837
Earnings per share (NOK)	0,00	-0,91
Diluted earnings per share (NOK)	0,00	-0,91

NOTE 13 - TANGIBLE FIXED ASSETS (NOK 1 000)

	Book value as of 01.01.11	Additions during the year	Disposals during the year	Depreciation during the year	Expensed home computers employees	Book value as of 31.12.11
Misc. Fixed assets	1 143	427	0	367	0	1 203
Home computer agreements employees	4	0	0	0	4	0
Total	**1 148**	**427**	**0**	**367**	**4**	**1 203**

Useful life for office equipment is from 3 to 5 years.

NOTE 14 - SHARES IN OTHER COMPANIES

	Number of shares	Acquisition cost (NOK)	Book value/ Market value as of 31.12.2012 (NOK)
HELD AT FAIR VALUE THROUG PROFIT OR LOSS			
Shares and equity certificates listed in Norway		**55 972 322**	**30 662 369**

In 2012 the result of the company's investment in equity shares is NOK 3.3 mill, ref note 4.

NOTE 15 - RECEIVABLES

Debtors consist mainly of receivables from shipping partnerships. None of the receivables is falling due more than one year after the end of the fiscal year.

NOTE 16 - LIABILITIES

Solvang ASA has a credit facility of NOK 20 million. As of 31.12.2012 there was drawn KNOK 564 from this facility. As security for this the company has furnished the shares of Solvang Shipping AS as collateral. Book value of the shares in Solvang Shipping AS is 57 255 000.

NOTE 17 - AREAS OF OPERATION

Since practically all of the company's ship ownership was sold to the subsidiary Clipper Shipping AS in December 2007, the company is left with one area of operation, ship management.

NOTE 18 - EQUITY

Solvang ASA	Share capital	Treasury shares	Reserve for valuation differences	Other Equity	Total equity
Equity as of 31.12.2011	123 264 185	-1 599 890	658 053	456 858 809	579 181 157
Profit / loss of the year			-573 655	621 232	47 577
Translation differences *(note 3)*			0	-47 785	-47 785
Proposed dividend				-12 166 430	-12 166 430
Treasury shares		0		0	0
Equity as of 31.12.2012	**123 264 185**	**-1 599 890**	**84 398**	**445 265 827**	**567 014 520**

Shareholders

The share capital of Solvang ASA consist of 24 652 837 ordinary shares, each with a par value of NOK 5,-.
All shares have equal rights.

The company's main shareholders as of 31.12.2012

Name of owner	# of shares	Ownership
Clipper AS	5 460 932	22,2 %
Straen AS	5 405 157	21,9 %
Audley AS	3 589 014	14,6 %
Søgne Shipping AS	1 000 000	4,1 %
Michael Steensland Brun	981 201	4,0 %
MP Pensjon PK	821 363	3,3 %
Jacobsen Erik Olger	620 000	2,5 %
Skagenkaien Eiendom	600 000	2,4 %
Folke Hermansen AS	503 600	2,0 %
Inge Steenslands Stiftelse	500 000	2,0 %
Myhre Leif Harald	404 000	1,6 %
Jaco Invest AS	354 510	1,4 %
Solvang ASA	319 978	1,3 %
Torbertra Kapital AS	310 500	1,3 %
Others < 1%	3 782 582	15,3 %
Total	24 652 837	**100,0 %**

The board of directors and managing director own or control shares in the company as of 31.12.2012 as follows:

Michael Steensland Brun	981 201
Erik O. Jacobsen	678 151
Wenche Rettedal	2 781
Edvin Endresen (CEO)	3 019

Proposed dividend
The Board of Directors has proposed a dividend of NOK 0.50 per share for 2012. No dividend was paid for 2011.

The company has no other dividend limitations than those imposed by Norwegian law.

NOTE 19 - TREASURY SHARES

As of 31.12.2012 Solvang ASA had shareholdings of 319 978 own shares, booked at NOK 2 854 112.
The purpose for buy back of own shares was to increase value for the company's shareholders.

NOTE 20 - FINANCIAL MARKET RISK

The company's operations expose the company for currency risk, interest risk and market risk, whilst the company only have a very limited exposure to credit risk.

CURRENCY RISK AND INTEREST RISK

Investment in ship owning companies

The operations of the company's investments in ship owning companies accounted for according to the equity method are mainly USD based. Most of the revenues are in USD. The majority of the income is in USD. Furthermore, the market value of the ships, and thus most of the assets, are priced in USD. Most of the debts are also in USD. This leads to foreign exchange exposure being limited.

Most of the company's debt is share of the debt in the ship owning companies accounted for according to the equity method. This is denominated in USD and is priced by floating LIBOR interest. All loans are at floating interest rates. The company has an acceptable equity ratio. This together with an active handling of interest rate exposure, leads to the risk of any changes in the interest rate level being limited for the company.

MARKET RISK

The company has a liquidity reserve, which to a large extent is invested in equity shares. At 31.12.2012 the portfolio was booked at NOK 30.7 mill. Acquisition cost is NOK 56 mill. The portfolio is exposed to market risk, depending on the development in the equity share market. The portfolio is managed by the company, and a relatively conservative strategy has been applied for the management.

STATEMENT OF COMPLIANCE

BOARD AND GENERAL MANAGER'S STATEMENT OF COMPLIANCE

We confirm that the annual accounts for the period 1 January 2012 to 31 December 2012 are, to the best of our knowledge, presented in compliance with current applicable accounting standards, and that the information contained in the accounts give a true and fair view of the company's and the groups' assets, liabilities, financial position and results as a whole. We also confirm that the information in the annual report gives a true summary of the developments, profits and losses and position of the company and the group together with a description of the most central risk factors and uncertainties with which the company is faced.

Stavanger, 29th April 2013

Michael Steensland Brun
Chairman of the board

Erik O. Jacobsen
Board member

Wenche Rettedal
Board member

Translation - No signature

Hans Petter Aas
Board member

Sigrun Sagedahl
Board member

Edvin Endresen
CEO

To the Annual Shareholders' Meeting of Solvang ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Solvang ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2012, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2012, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion on the financial statements of the parent company

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Solvang ASA as at 31 December 2012, 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.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Solvang ASA as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and statement of corporate governance principles and practices

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 and statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that 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.

Stavanger, 29 April 2013
PricewaterhouseCoopers

Henrik Zetlitz Nessler
State Authorised Public Accountant (Norway)

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

Fleet List

Ship	Owner share in %	Employment	Register	Load capasity	Type of ship	Year built
Clipper Skagen	20,0	TC	NIS	15 000 cbm	LPG/Ammoniakk	1989
Clipper Viking	20,0	Joint venture ESE	NIS	12 500 cbm	LPG/Etylen	1998
Clipper Harald	20,0	TC	NIS	12 500 cbm	LPG/Etylen	1999
Clipper Hebe	25,0	Joint venture ESE	NIS	17 200 cbm	LPG/Etylen	2007
Clipper Helen	25,0	Joint venture ESE	NIS	17 200 cbm	LPG/Etylen	2007
Clipper Hermes	30,0	Joint venture ESE	NIS	17 200 cbm	LPG/Etylen	2008
Clipper Hermod	30,0	Joint venture ESE	NIS	17 200 cbm	LPG/Etylen	2008
Clipper Star	20,0	Joint venture IGC	NIS	59 200 cbm	LPG/Ammoniakk	2003
Clipper Moon	20,0	Joint venture IGC	NIS	59 200 cbm	LPG/Ammoniakk	2003
Clipper Sky	20,0	Joint venture IGC	NIS	59 200 cbm	LPG/Ammoniakk	2004
Clipper Orion	20,0	Joint venture IGC	NIS	60 000 cbm	LPG/Ammoniakk	2008
Clipper Neptun	20,0	Joint venture IGC	NIS	60 000 cbm	LPG/Ammoniakk	2008
Clipper Mars	24,0	TC	NIS	60 000 cbm	LPG/Ammoniakk	2008
Clipper Sirius	30,0	TC	NIS	75 000 cbm	LPG/Ammoniakk	2008
Clipper Victory	15,3	TC	NIS	75 000 cbm	LPG/Ammoniakk	2009
Clipper Sun	20,0	TC	NIS	82 000 cbm	LPG/Ammoniakk	2008

Newbuildings

Hyundai Heavy Industries Hull No. 2516	15,3		NIS	84 000 cbm	LPG/Ammoniakk	2013
Hyundai Heavy Industries Hull No. 2517	20,0		NIS	85 000 cbm	LPG/Ammoniakk	2013

SOLVANG ASA

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