SOLVANG ASA

INDUSTRY LEADING PROVIDER OF LPG AND PETROCHEMICAL TONNAGE

ANNUAL REPORT 2016

From the CEO

2016 was the year the LPG market turned after a period of historically high rate levels, where 2014 and 2015 reached levels never seen before in the segment.

The very tight shipping market was mainly a result of new export volumes of LPG from USA, a product of the rapidly increasing shale gas and shale oil production in the period from 2012 up to today. In addition, price differences on LPG between regions have made extra arbitrage available, resulting in more long-haul LPG voyages from west to east.

With high expectations of a good market, which then were followed up by two years at record levels, resulted in a strong interest from existing and new players to increase their market exposure. At one stage, the order book for VLGC where over 50% of the existing global fleet. 35 ships were delivered in 2015, 44 were delivered in 2016, and another 28 are scheduled for delivery in 2017. This obviously had an impact on the VLGC market, which quickly turned downwards in the spring of 2016, where most people were expecting the market to turn after the normal summer peak-market. This was not to be, and the combination of high number of new-builds, along with no open arbitrage, resulted in an earlier and steeper than anticipated market correction.

For Solvang, much of 2016 was covered by existing contracts, but for the VLGCs on contract with floating rate, we got the market correction in step with the market decline. Also, some of our LGCs came open during 2016, and there is no doubt the new contracts were at a completely different rate level compared to what we were used to over the last couple of years. This was a sudden change for the organization, but we followed our philosophy of ensuring the ships were kept busy, and although rates in new contracts have been considerably lower, we have had little or no idle time. The focus now is to ensure we operate with a low cost base, while keeping our quality level. We will work smarter, maintain our continuous improvement program, keep our ships working and come out of the downturn in the LPG sector as an even stronger player. Solvang has every opportunity to do so. We have had a conservative philosophy, pre-paid on our debt, and can as such withstand a poor market for a long time, and at the same time be able to take opportunities for further growth that come up in the market.

In the midst of these challenging times, we can be very proud of what we have achieved. We have a very stable organization with little or no turnover onshore, an organization that is capable of handling any technical, operational or commercial issue without using external expertise. As a matter of fact, our in-house expertise is often requested by the shipping industry players in Norway to give advice and join development projects.

Throughout 2016, we delivered outstanding performance on all key success factors; HSE, customer satisfaction, quality, CSR and financial.

- We unfortunately had one LTI during 2016, a finger injury, but now stand with only 5 LTI in the past 9 years. Smaller potential incidents happen every day though, so we will never let our guard down on safety.

- We have record low number of seafarers becoming unfit for duty after medical check. Our health campaign works!

- Feedback from customers show that we are there for them, deliver our services in a safe and timely manner, have the right attitude, and they can rely on us being their long-term shipping partner.
- Our environmental footprint is improved with 6 vessels now running a full scale exhaust cleaning system, and our 4 new-builds for delivery in 2019 will all have the same exhaust cleaning system.
- Our Quality statistics / vetting results are among the best in our segment, with an average for 2016 of only 2.4 observations per OCIMF/SIRE inspection.
- We continue to support a SOS Children´s Village in the Philippines, as well as other local welfare causes. We are a supporter and member of MACN (Marine Anti-Corruption Network) and comply with the good corporate practices in the maritime industry as described in the network´s operating charter.
- We have a strong financial position and are prepared to handle the downturn, and have the ability to act on further growth opportunities where prices are attractive to do so.

In terms of new-builds, we have in 2016 had full focus on the construction of our two Panamax VLGCs, which will be delivered in 2017. These vessels represent a further development of our two existing Panamax VLGCs, with 5% bigger loading capacity and improved speed / consumption numbers. Both ships are going on a 10 year timecharter to Phillips66 and represent one of the biggest contracts Solvang has ever won. We are looking forward to the delivery in May and August 2017 and the start-up of these important contracts.

Solvang ASA has a strong position, both in the market place and financially. We believe that the future looks bright, and we continue to focus on excellence in operating our ships and in high quality service-delivery to our customers.

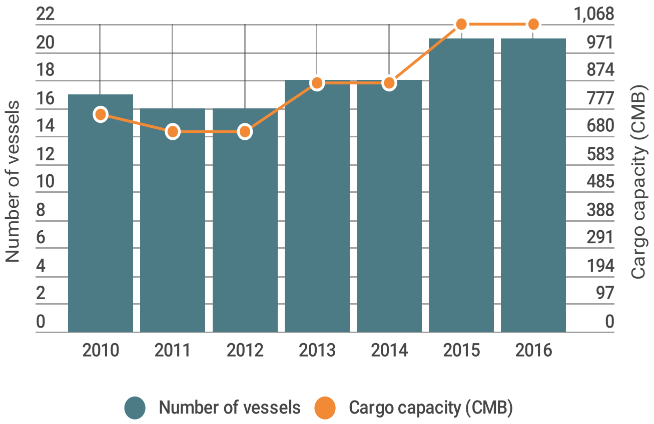
Edvin Endresen
CEO

Definitions

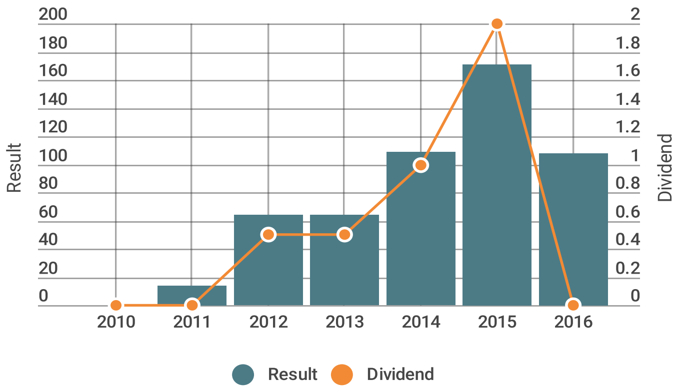
Ammonia / NH_3	Used as raw material for fertilizer production.
Cbm	Cubic meter. The most common capacity nomination for gas vessels.
CoA	Contract of Affrightment. A CoA is an agreement between ship owner and customer for the transportation of a min-max volume of cargo at a given rate per ton, normally for one or several years.
CVC	Consecutive Voyage Contract. An agreement between ship owner and customer for the transportation from A to B and then return in ballast to A to repeat the voyage consecutively within a given time frame.
Dry docking	Normally related to a vessels periodic maintenance according to class requirements. The intervals are normally 5 years for newer vessels.
MGC	Mid-size Gas Carrier. LPG vessels between 20.000 cbm and 40.000 cbm. Normal size for newer vessels is 38.000 - 40.000 cbm.
Freight rate	The rate paid by customer to owners for the transportation service provided. Calculated either per ton basis or per days basis.
HSEQ	Health, safety, environment and quality.
IFRS	International Financial Reporting Standards. All Norwegian companies quoted at the Oslo Stock Exchange are required to follow this accounting standard.
KPI	Key Performance Indicators. Key figures.
LGC	Large Gas Carrier. LPG vessels between 50.000 cbm and 70.000 cbm. Normal size for newer vessels is 60.000.
LIBOR	London Interbank Offered Rate.
LPG	Liquefied 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 gas carrier capable of transporting cargoes both under high pressure and with full refrigeration.
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.

Key Figures

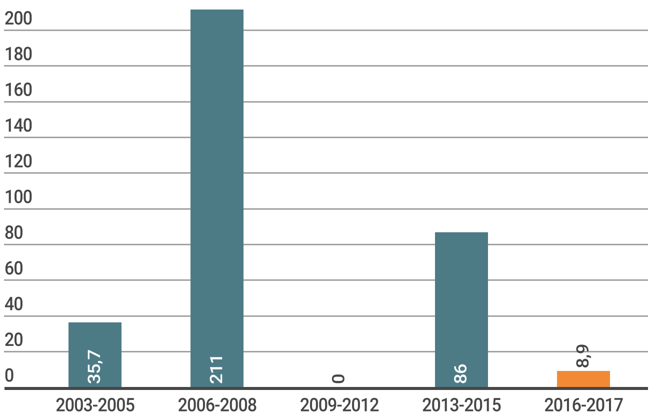
Number of ships v/s cargo capacity (CMB)



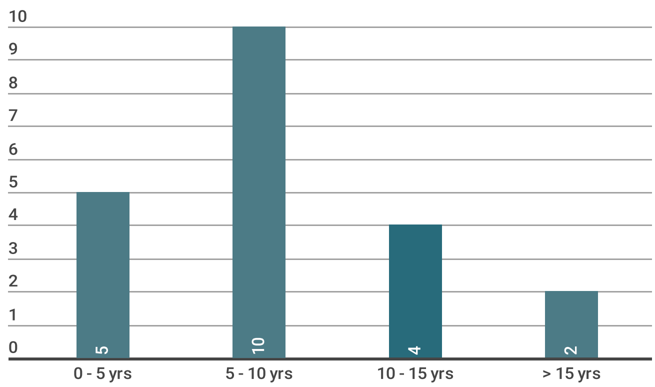
Result development (Mill NOK) before tax. Dividend in NOK.



Investments (Mill USD)



Fleet age



Key figures, joint venture accounting, reference made to note 3 in the group accounts

Key Figures

		2016	2015	2014	2013	2012
Operating revenues	mill. NOK	502,2	480,9	324,2	249,1	263,2
Op. exp. excl. depreciation	mill. NOK	203,7	199,4	161,3	146,9	138,7
Depreciation	mill. NOK	166,2	86,6	47,6	49,9	47,7
Operating profit/loss	mill. NOK	132,4	194,9	115,3	52,3	76,8
Net financial items	mill. NOK	-24,2	-23,4	-7,0	11,5	-12,6
Profit/loss before tax	mill. NOK	108,2	171,6	108,4	63,8	64,1
Net profit/loss for the year	mill. NOK	106,2	168,9	102,8	65,7	55,5
Net Cash flow	mill. NOK	3,9	38,4	33,9	-3,9	5,4
Total capital joint venture accounting	mill. NOK	2 400,6	2 638,3	1 790,2	1 550,0	1 290,1
Equity	mill. NOK	1 192,5	1 164,8	849,8	626,1	533,0
Equity	%	49,68 %	44,15 %	47,47 %	40,40 %	41,31 %
KEY FIGURES PER SHARE						
Nominal value per share		5,00	5,00	5,00	5,00	5,00
Price 31.12 (market price - tax assessment)		27,00	31,90	22,50	20,25	19,20
Yield per share		4,42	7,02	4,44	2,62	2,63
Earnings per share		4,34	6,91	4,21	2,69	2,28
Cash flow per share		0,16	1,57	1,39	-0,16	0,22
Dividend per share		0,00	2,00	1,00	0,50	0,50
Price-Earnings Ratio per 31.12		6,11	4,55	5,07	7,74	7,29
PRICE DEVELOPMENT						
Nominal value per share		5,00	5,00	5,00	5,00	5,00
Highest quoted price		34,50	34,00	26,00	24,00	20,90
Lowest quoted price		22,90	21,00	20,20	16,00	14,10
Weighted average no. of shares		**24 493 775**	**24 450 653**	**24 403 578**	**24 372 413**	**24 332 859**

Formulas used for calculating key figures

Equity %: $\dfrac{\text{Book equity}}{\text{Total capital joint venture accounting}}$

Yield per share $\dfrac{\text{Profit/loss before tax}}{\text{Average no. of shares}}$

Earnings per share: $\dfrac{\text{Profit/loss for the year}}{\text{Average no. of shares}}$

Price-Earnings Ratio: $\dfrac{\text{Price at 31.12}}{\text{Profit/loss before tax per share}}$

Market Analysis

VLGC

After last year's record-high earnings and the extremely profitable years following the shale gas boom in the US, 2016 turned out to be a challenging year for the VLGC market. The year was marked by high number of deliveries, closed product price arbitrage and consequently very low rates and earnings. The downward trend that started in 2015 did not come to halt until September 2016 where the Baltic LPG Index (BLPG) dropped down to an almost record low point of 18.406 USD pmt. Measured in earnings (Baltic TCE excl. waiting time) this resulted in roughly 6000 USD per day- a level not seen after 2010.

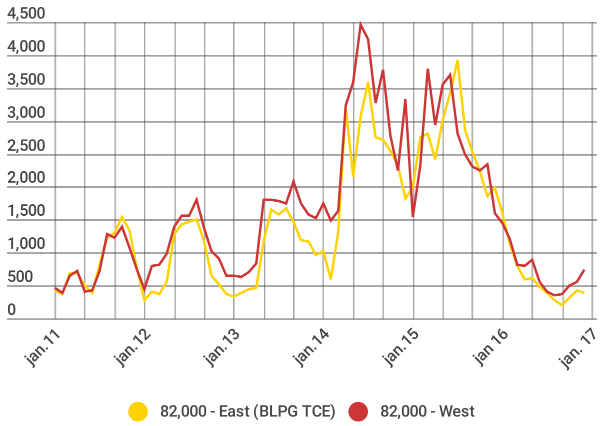
High ordering activity in the preceding years let to an inflow of a total of 44 VLGCs, making up 22 % of the existing fleet at beginning of the year. At the same time only two vessels were scrapped leaving the market to struggle with a significant supply shock that could not be matched by an equivalent change in demand. With oil prices hovering between 45 and 55 USD and closed regional product price spreads, VLGC liftings from the US have for the first time in 3 years dropped in summer 2016, despite new export capacity coming online. Liftings from the Middle East have remained relatively stable over the year.

An event worth noting is the opening of the Panama Canal expansion in 2016, simplifying VLGC trade between the US gulf and the Far East. Reduced costs on this trade narrowed the arbitrage window that is needed to trigger additional cbm mile demand.

Towards the end of the year the market seemingly bottomed out, bringing rates back above average OPEX levels. The average BLPG over 2016 is reported at 30 USD pmt, while Earnings (excl. waiting time) are assessed at an average around 20,000 USD per day.

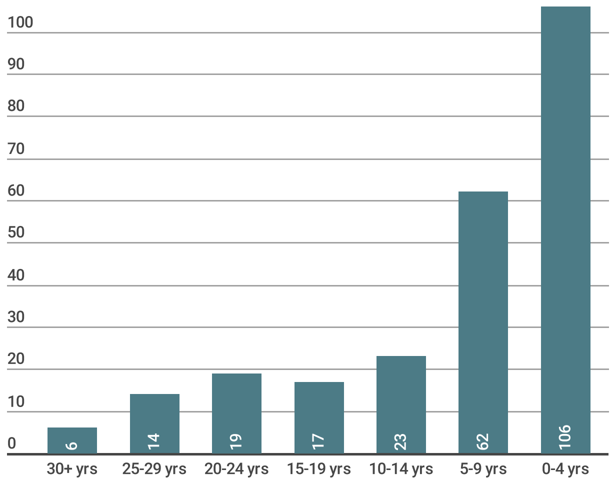
Looking at the fundamentals for 2017, the outlook is not very promising. The orderbook with scheduled deliveries in 2017 counts 28 vessels, representing an expected increase of 11% on the supply side. The various export capacity additions in the US have slowly come into place, leaving no big changes ahead in 2017. In the long term Asian LPG demand is picking up, which, together with increased production in the US, is expected to lead to growing cbm-mile demand, pointing at higher rates beyond 2017.

VLGC TCE Rates

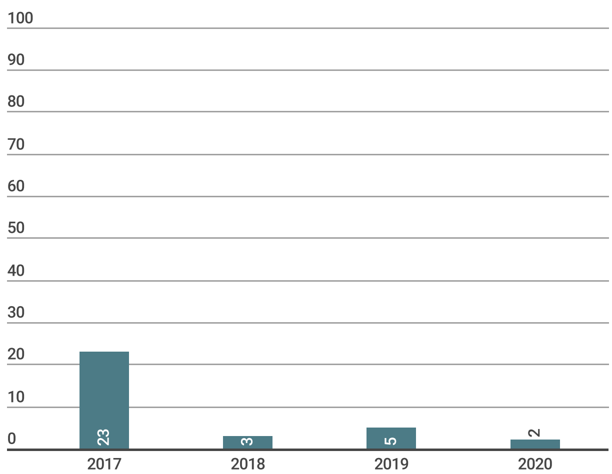


VLGC Fleet Age

Existing fleet



Orderbook



LGC

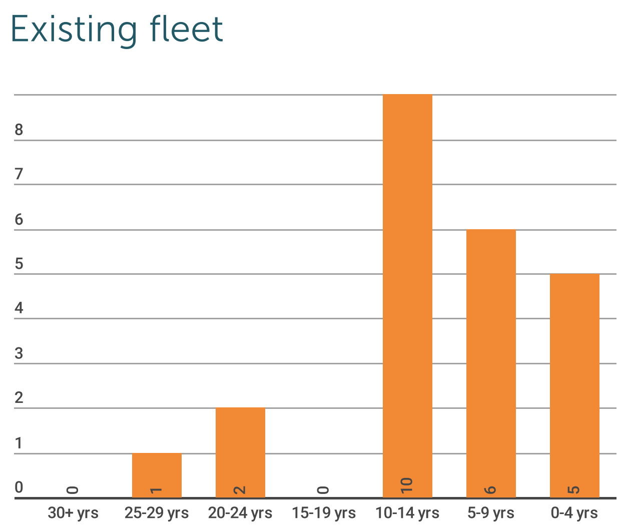
The LGC marked followed the movements in the VLGC market, experiencing a crash in rates that led to a new record low time charter equivalent in September. Most of the vessels were employed in the time charter market, only 2 vessels were reported in the spot market at the end of the year. Over the year, the majority was trading LPG (only ~30 % Ammonia).

Two vessels were added to the LGC fleet (Latsco), now counting a total of 24 vessels. No vessels were scrapped and the orderbook remains empty for the time being.

With most of the vessels trading LPG at year end, the market remains strongly related to the VLGC market, thus expecting no major improvements for 2017.

LGC Rates

LGC Age



Etylen Semi-Ref

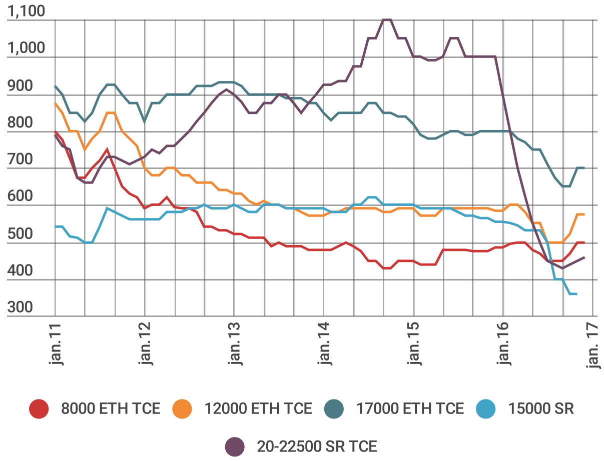
Relative to the larger semi-ref vessels, the ethylene vessel fleet has enjoyed a somewhat more stable year, supported by a tight Asian ethylene market, and increasing exports out of the Americas. Middle East exports, another key driver of the ethylene shipping market failed to give the market the needed momentum in the first half of 2016 caused by various production issues. However, delayed cracker startups in the region led to higher export volumes than expected in the second half of 2016. Towards the end of the year, all but the larger semi-ref rates recovered significantly.

A new development in 2016 was the opening of the first ethane export terminal in the US, which so far did not affect the regular petchem trade, as a dedicated ethane fleet with mainly larger tonnage (midsize +) is building up.

A total of seven handysize semi-ref vessels were delivered in 2016, while 4 semi-refs were scrapped, including only one handysize vessel. On the ethylene side, only three vessels were added to the fleet in 2016, one handy size vessel and two smaller ethylene vessels (12 000 cbm), while two ethylene vessels were scrapped. The trend towards larger vessels is continued and reflected in the current orderbook that contains mainly larger tonnage. On the back of the market's development and the substantial amount of the deliveries, it is not surprising that only one vessel (13,000 semi-ref) was ordered.

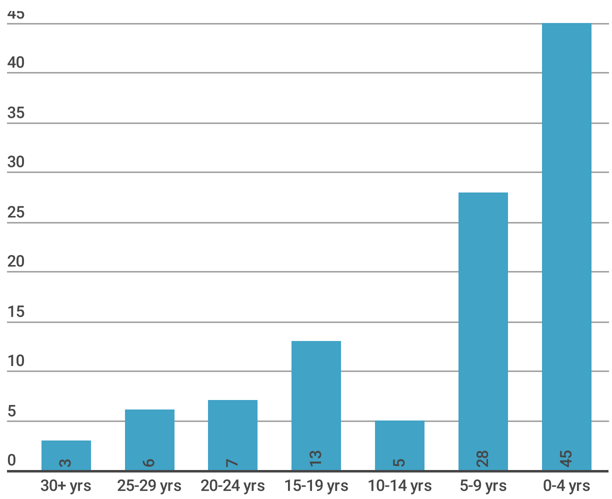
For the dedicated ethane trade segment, five midsize vessels were delivered, in addition to two very large ethan carriers. Looking ahead, a challenging LPG market and a high number of deliveries in the semi-ref fleet is expected to put further pressure on the market. A support for ton-mile demand from increased US ethylene and propylene exports and a limited orderbook on the ethylene side should however stabilize the market going forward. The intensified long-haul trade from the Americas towards Asia can be evaluated as a positive sign for the larger ethylene vessels going forward.

Etylen/semi-ref rates

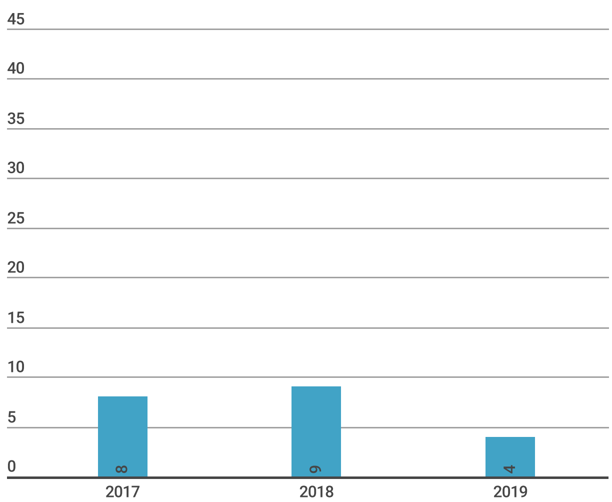


Etylen/semi-ref age

Existing fleet

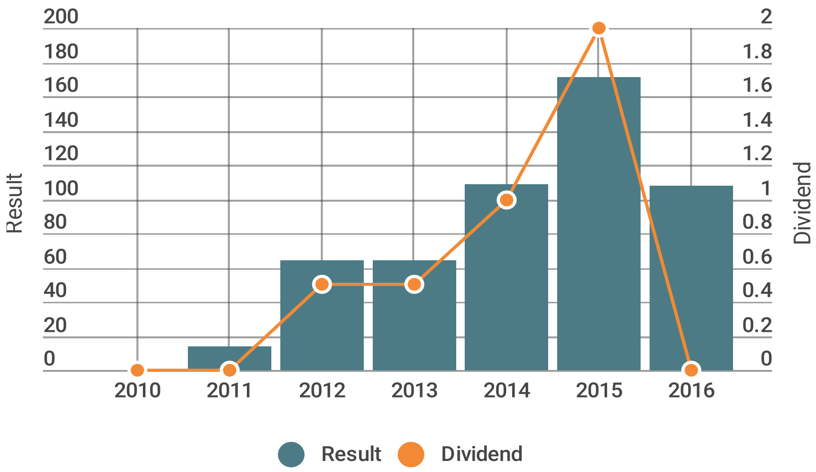


Orderbook



Annual Report 2016

Profit developement 2010-2016 (mill. NOK Profit before taxes) and Dividend per share



Year	Result (Mill NOK, before tax)	Dividend per share
2010	-0,68	0,00
2011	14,2	0,00
2012	64,1	0,50
2013	63,8	0,50
2014	108,4	1,00
2015	171,6	2,00
2016	108,2	0,00

1. INTRODUCTION

The result for 2016 shows a distinct decline from 2015, where the biggest factor is impairment of vessel values, followed by significantly poorer LPG and ammonia market for Solvang's largest vessels. It was expected that the LPG market would get a correction in 2016, but the drop came earlier and fell more quickly than expected. A combination of high number of newbuilds, along with no arbitration between West and East, pushed the market from two sides. Solvang had a large part of the fleet covered on contracts, thus avoiding the same earnings drop as the market, but ships on floating contracts, and some new contracts, reflects a significantly weaker market, with rates down to operating cost levels.

The Group recorded a profit before tax of NOK 108.2 million against NOK 171.6 million in 2015. Positive cash flow was NOK 3.9 million compared to NOK 38.4 million in 2015. Tax expense was NOK 2.0 million, and the Group had a profit after tax of NOK 106.2 million against NOK 168.9 million in 2015.

The board of directors proposes not to pay dividends for 2016 on the basis of market uncertainties, committed capital expenditures, and the possibilities for new counter cyclical investment opportunities.

2. OPERATIONS

The group's activities are divided in two main segments; Ship-management and Ship-ownership through participation in ship owning companies. 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)
- 38,000 - 60,000 cbm fully refrigerated LPG ships (LGC/ MGC)
- 75,000 – 84,000 cbm fully refrigerated LPG ships (VLGC)

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

The company has also a crewing office in Manila, Philippines.

The company operates and has ownership in 21 ships by year end. Furthermore, Solvang has ownership in two 78,700 cbm Panamax VLGC ship, for delivery in 2017.

3. MARKET

3.1 Semi-refrigerated / ethylene carriers

This sub segment includes semi-refrigerated and ethylene carriers from 8,000 cbm and up. The group had six ships in this sub segment where three are on a longer term TC to 2019/2020, while the other three have been operating in the spot marked, on short term TC and on consecutive voyage contracts.

In March 2017, the group and partners signed shipbuilding contract for four 21,000 cbm ethylene carriers for delivery in 2019. The ships have complete exhaust gas cleaning and Tier III nox compliance, giving high flexibility with regards to existing and future environmental regulations applicable from 2020.

3.2 LGC/MGC

This sub segment is defined as fully refrigerated LPG ships from 59,000 – 60,000 cbm. The fleet consist of 9 LGC ships, where 3 were delivered in second and third quarter 2015. In addition one MGC of 38,000 cbm delivered in fourth quarter 2015 is also included in this sub segment. All ships operate on TC with varying length.

The LGC newbuilds from 2015 represent a new type of LGC, with a shorter hull to avoid waiting time in certain areas, and there is considerable amount of development done in order to create the most energy efficient vessels possible. Changes including hull shape, propulsion technology, antifouling technology and cargo systems. Furthermore, the newbuilds are the first LGC 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) from 2015, and the new expected global standards in 2020.

After two incredibly strong years, we have seen the LPG market drop significantly during the first and second quarter, and stay muted throughout third and fourth quarter. The much hoped for summer market did not materialize, and was the first clear proof that the expected downturn was here and would affect 2016 to a higher degree than first anticipated. Freight rates at the end of 2016 were almost reduced by 50% compared to beginning of the year.

3.3 VLGC

This sub segment is defined as fully refrigerated LPG ships of 75,000 – 84,000 cbm. Solvang has a total of 5 ships in this sub segment with further two newbuilds in order. The group has two Panamax VLGC ships of 75,000 cbm, one VLGC of 82.000 cbm, and two VLGC ships of 84.000 cbm.

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 also in 2016 achieved better TC earnings than the VLGC fleet in general. Both vessels are on new contracts during 2016. The "Clipper Victory" is on TC to August 2017 with an option for remaining of the year, while the "Clipper Sirius" is on TC to end of 2017 with an option for further 1+1+1 year.

The 82,000 cbm VLGC "Clipper Sun" is on a TC until October 2017. "Clipper Quito" a 84,000 cbm vessel, is on TC to December 2017, and the "Clipper Posh", a 84,000 cbm vessel, is on TC to December 2018.

The VLGC subsegment was affected the most by the downturn in the LPG market. Up to three of the ships were on floating contract through 2016, and immediately got the effect of the drop in freight rates, which towards the summer was on levels with operating expenses.

4. PROFIT

(Figures in parentheses refer to 2015)

Operating income decreased from NOK 84 million to NOK 78 million, mainly due to fact that 2015 also included revenue from operational service of vessels for external parties.

The group's result after tax was NOK 106.2 million (NOK 168.9 million). Earnings per share were NOK 4.34 (NOK 6.91). The result for the parent company was NOK 7.2 million (NOK 0.6 million).

4.1 Financial items

The group reported net financial items of NOK 11.7 million (NOK -1.0 million). The corresponding figure for the parent company was a result of NOK 0.1 million (NOK -0.9 million).

4.2 Liquidity and financial strength

At year-end, the group had liquidity consisting of cash totalling NOK 134.4 million (NOK 130.6 million). The corresponding figure for the parent company was NOK 53.9 million (NOK 12.1 million). Total current assets at year-end was NOK 156.1 million (NOK 159.3 million), while current liabilities totalled NOK 42.1 million (NOK 194.8 million). Long-term liabilities and obligations totalled NOK 12.9 million (NOK 17.9 million). For the parent company, total current assets at year-end amounted to NOK 65.2 million (NOK 23.1 million), while short-term liabilities totalled NOK 89.5 million (NOK 110 million). The parent company's long-term liabilities and obligations totalled

NOK 12.9 million (NOK 7.3 million). The group's share of current assets and liabilities in ship owning companies totalled NOK 94.1 million and NOK 1,153.1 million respectively.

Net cash flow from operating activities was NOK -103.9 million, compared to an operating profit of NOK 96.5 million. The main difference comes from the reversal of earnings from shipping companies using the equity method and changes in working capital.

The group's book equity totalled NOK 1,192.5 million (NOK 1,164.8 million) at the year-end.

4.3 Taxes

The group is from 2013 part of the tonnage-tax regime through its subsidiary Clipper Shipping AS. Other companies within the group are taxed ordinary.

All the company's current interests in ships by year end are owned under the tonnage-tax regime.

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. 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 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 11 ships on TC contracts in excess of one year. The charterers are oil majors and major operators within the Ammonia 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, 36% are women and 64% 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 700 sailing personnel. Working conditions on shore and on the ships are considered to be good. Sick leave on board the ships was 0.50%. The group had one incident that resulted in lost time in 2016, and have only had 5 incidents causing lost time over the last 9 years. The target is always zero accidents, and the very low injury frequency can be attributes to a conscious attention on this area across the entire group.

Sick leave among the onshore employees was 0.99% in 2016. There were no incidents resulting in personal injury at the office in 2016.

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 had 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 had been offered a defined contribution scheme. Both these pension schemes have been closed and settled as of 31.12.2016, and are replaced by a new hybrid scheme from 01.01.2017. 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 standards, 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, with one incidents in 2016 and only five incidents in the entire period from 2008-2016, with around 3.5 million working hours per year. 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 314 inspections on our 21 ships in 2016. Of these inspections, 146 were conducted by Solvang, while our customers, port authorities and classification companies conducted a total of 168 inspections.

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

5.7 Corporate Social Responsibility

The group's main contribution to society is to conduct long-term, sustainable and value-added business for our shareholders, employees, customers, suppliers and other relations. Our goal is to ensure that our business practices and investments are sustainable and contribute to long-term economic, environmental and social development. The group's material sustainability areas are within Environment, Finance, Human Resources and Community, including ethics and anti-corruption.

The group recognizes its environmental responsibility and strive to maintain a high standard in order to reduce the environmental impact of its operations. The company has focused on reducing fuel consumption, which is the main source of the shipping sector's emissions of CO2, NOx and SOx. Continuous measurements of all consumption are being done, as well as implementing measures and setting clear targets for improvement. The group also has two VLGCs which were the first in the world of its kind with full exhaust cleaning system, have done a complete retrofit of one of the ethylene carriers with the same exhaust gas cleaning equipment, and all the three newbuilds delivered in 2015 had full scale exhaust gas cleaning installed.

With regards to Finances, the company strives for good corporate governance with necessary internal controls, risk management, and solidity.

It is the company's policy to integrate attention to human and labour rights in its existing business. In practice, a large part of human and labour rights are covered by the company's health and safety work. The company values its employees as its most important resource, and always aim to continuously provide and promote high quality of working conditions, both on land and on board ships.

The company believes that corruption hinders well-functioning business processes and suppresses economic development. The group focuses on transparency in its business practices, and compete in a fair and ethical manner. The Board of Solvang ASA has approved a Code of Conduct, a set of ethical guidelines that define the company's ethical standards. The group is furthermore a full member of MACN (Marine Anti-Corruption Network), a network of companies doing knowledge sharing and working actively to reduce corruption in the most exposed areas.

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. The board also has to consider the market outlook, committed capital expenditures, and potential counter cyclical investments that may arise. Dividends in later years take into account all of these considerations, and for 2016 the board proposes not to pay dividends.

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. There are also parallel investments with companies controlled by the Steensland family. 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 12 months and has not yet been utilised.

The board has been granted a power of attorney to buy own shares of up to 10% of the share capital. As of today the company own 107,062 own shares which correspond to 0.43% of the share capital.

The board has also been granted a power of attorney to approve the distribution of dividends on the basis of the financial statements for 2015. The power of attorney is valid until the Annual General Meeting in 2017, and has not been used.

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. The Board also acts as the audit committee.

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, and HSE.

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 10 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 2017. 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

The ethylene fleet has good contract coverage and the segment looks promising for this year and beyond. The fleet balance is as always a challenge, but with cancellations at yards in China, this segment is now more in balance for the next years than at the start of 2016.

For the fully refrigerated vessels (VLGC and LGC), 2016 were the year the market turned after several years of good earnings. The market is characterized by imbalances with too many newbuilds, but also in the form of a lack of arbitration between regions. The lack of arbitration comes as a result of sustained low oil price, where the price of LPG in Asia is strongly correlated with the absolute price of oil, while LPG in the US is driven by several factors such as inventory, internal consumption and other factors. This imbalance must be corrected, which will take time, and it is expected that 2017 will see rates at challenging levels throughout the LPG segment.

The group had at year-end contract coverage of 85% for 2017 for the fleet, with one vessel operating in spot market and only four vessels coming open later in 2017.

8. ALLOCATION OF THE PARENT COMPANY'S PROFIT

Solvang ASA posted a result of KNOK 7,223.

The Board of Directors proposes the following allocation:
To other equity: KNOK 7,223

At the year-end, the parent company's equity amounted to KNOK 521,616 (KNOK 503,168).

9. SUBSEQUENT EVENTS

In March 2017 Solvang signed shipbuilding contracts of four 21k cbm ethylene carriers for delivery in 2019. There are no other 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, where the group delivers strong results in terms of safety, quality and financial. We would also like to thank our customers and suppliers for their good support and cooperation in 2016 and look forward to the same good cooperation in 2017.

Stavanger, 24th April 2017

GROUP ACCOUNTS

2016

Profit & Loss | Solvang Group

Amounts in NOK 1 000

	Note	2016	2015
Management fee	12	78 438	83 994
Total operating income		**78 438**	**83 994**
Salaries and other personnel expenses	10,11	48 630	61 009
Depreciation	15	1 209	1 036
Other operating expenses	10	17 684	15 965
Total operating expenses		**67 523**	**78 010**
Ship owning companies equity method	3,4,5	69 177	166 564
Loss sale of share in ship owning company	3,4,5	16 392	0
Operating result		**96 484**	**172 548**
Financial income and cost			
Other affiliated companies equity method	6	85	-688
Other financial income	7,12	26 724	9 049
Other financial expenses	8	-15 140	-9 350
Net financial items		**11 669**	**-989**
Ordinary result before tax		**108 153**	**171 559**
Tax on ordinary result	9	1 958	2 706
Net profit / (loss) for the year		**106 195**	**168 853**
Earnings per share (whole NOK)	14	4,34	6,91
Diluted earnings per share (whole NOK)	14	4,31	6,85
STATEMENT OF COMPREHENSIVE INCOME			
Earnings of the period		106 195	168 853
Items that will not be reclassified to profit or loss			
Remeasurements pension liability		-1 293	11 618
Tax effects of remeasurements pension liability		323	-3 137
Items that may be reclassified to profit or loss			
Translation differences ship owning companies etc.	5,6,15	-29 915	161 145
Tax effects of translation differences ship owning companies			
Comprehensive income to the shareholders of Solvang ASA		**75 310**	**338 479**

Balance Sheet | Solvang Group

Amounts in NOK 1 000	Note	31.12.2016	31.12.2015
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	9	3 101	3 111
Total intangible fixed assets		**3 101**	**3 111**
Tangible fixed assets			
Share of Newbuild contract	20	0	37 549
Office equipment, furniture etc.	15	3 118	3 666
Total tangible fixed assets		**3 118**	**41 215**
Financial fixed assets			
Investments ship owning companies equity method	3,4,5	1 055 218	1 173 492
Investments in affiliated companies	6	333	314
Loan to ship owning companies	12,16	29 604	0
Other shares		20	20
Total financial fixed assets		**1 085 175**	**1 173 826**
Total fixed assets		**1 091 393**	**1 218 153**
Current Assets			
Receivables			
Other short term receivables	12,13,16	21 680	28 767
Total receivables		**21 680**	**28 767**
Cash and bank deposits	13	134 426	130 573
Total current assets		**156 105**	**159 340**
TOTAL ASSETS		**1 247 499**	**1 377 492**

Balance Sheet | Solvang Group

Amounts in NOK 1 000	Note	31.12.2016	31.12.2015
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	18	123 264	123 264
Treasury shares	19	-795	-1 011
Total paid-in capital		**122 469**	**122 253**
Retained earnings			
Other equity, unrecognized		257 773	288 658
Retained earnings		812 248	753 936
Total retained earnings		**1 070 021**	**1 042 593**
Total equity	**18**	**1 192 490**	**1 164 847**
Liabilities			
Provisions			
Pension liabilities	11	12 933	17 883
Total provisions		**12 933**	**17 883**
Long term liabilities			
Other long term liabilities	17	0	0
Total long term liabilities		**0**	**0**
Current liabilities			
Liabilities to financial institution	17	8 001	45 842
Tax payable	9	2 654	1 292
Public duties paytable		7 892	9 363
Other short term liabilities	12	23 529	138 265
Total current liabilities		**42 076**	**194 762**
Total liabilities		**55 009**	**212 645**
TOTAL EQUITY AND LIABILITIES		**1 247 499**	**1 377 492**

Stavanger, 24th April 2017

Translated version. Not to be signed.

Changes in Equity | Group

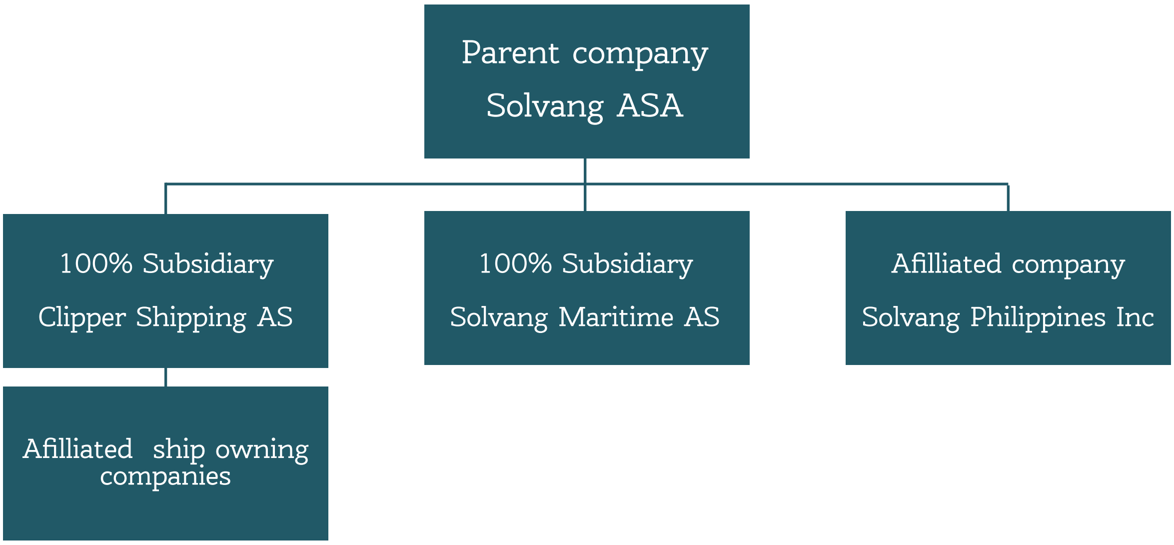
Amounts in NOK 1 000	Share capital	Treasury shares	Other reserves	Retained earnings	Total equity
2015					
Equity as of 31.12.2014	**123 264**	**-1 246**	**119 032**	**608 719**	**849 769**
Profit/(loss) of the year				168 853	168 853
Remeasurements pension liabilities			8 481		8 481
Translation differences ship owning companies etc.			161 145		161 145
Total comprehensive income			**169 626**	**168 853**	**338 479**
Paid dividend				-24 451	-24 451
Buy back / Sale treasury shares		235		815	1 050
Total changes in equity for the year		**235**	**169 626**	**145 217**	**315 078**
Equity as of 31.12.2015	**123 264**	**-1 011**	**288 658**	**753 936**	**1 164 847**

	Share capital	Treasury shares	Other reserves	Retained earnings	Total equity
2016					
Equity as of 31.12.2015	**123 264**	**-1 011**	**288 658**	**753 936**	**1 164 847**
Profit/(loss) of the year				106 195	106 195
Remeasurements pension liabilities			-970		-970
Translation differences ship owning companies etc.			-29 915		-29 915
Total comprehensive income			**-30 885**	**106 195**	**75 310**
Paid dividend				-48 988	-48 988
Buy back / Sale treasury shares		216		1 104	1 320
Total changes in equity for the year		**216**	**-30 885**	**58 312**	**27 643**
Equity as of 31.12.2016	**123 264**	**-795**	**257 773**	**812 248**	**1 192 490**

Cash Flow Statement | Group

Amounts in NOK 1 000	Note	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before tax		108 153	171 559
Tax paid for the period	9	-263	-2 729
Loss/gain on sale of tangible fixed assets	15	324	-144
Depreciation and amortisation	15	1 209	1 036
Difference between expensed pension and paid in/out	11	-6 243	-973
Result in affiliated ship owning companies	3,4,5	-85 569	-166 564
Result in affiliated companies	6	-85	688
Changes in other current balance sheet items		-109 361	92 600
Financial income	7	-26 225	-8 623
Financial expenses	8	14 184	8 459
Net cash flow from operating activities		**-103 876**	**95 310**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale / purchase of tangible fixed assets	15	-984	-2 240
Payments newbuilding contracts	20	37 549	-37 549
Net changes Investment affiliated companies	6	66	17
Payments from ship owning companies	5	121 483	39 789
Payments from sale / purchase of share in ship owning companies	5	62 416	-26 000
Payments to ship owning companies	5	-38 951	-55 645
Net cash flow from investing activities		**181 579**	**-81 628**
CASH FLOW FROM FINANCING ACTIVITIES			
Changes in overdraft facility	17	-37 840	45 842
Purchase / sale of treasury shares	18	1 320	1 050
Dividend payment	18	-48 988	-24 451
Net cash flow from financing activities		**-85 508**	**22 441**
Effect of exchange rate changes on cash and cash equivalents		11 658	2 316
Net change in cash and cash equivalents		3 853	38 439
Cash and cash equivalents 01.01		130 573	92 134
Cash and cash equivalents 31.12		**134 426**	**130 573**

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, Strandkaien 36, 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 shipping partnerships. The investments in shipping partnerships are accounted for using the equity method.

As of 31.12, Solvang's fleet consists of 21 ships that carry liquid petrochemical gases, liquefied petroleum gases and ammonia.

With effect as of 01.01.2016, the company merged with the wholly-owned subsidiary International Gas Carriers AS. The merger has been implemented as a simplified mother / daughter merger without compensation. Since the transferring company was wholly owned subsidiary of the acquiring company, the merger has been accounted for in accordance with the regulations of group continuity.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a historical cost basis, except for ownership in ship owning companies which are valued according to equity method of accounting.

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

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the EU-adopted 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 2016.

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 15 May 2017 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 2016, Solvang ASA has two fully-owned subsidiaries: Clipper Shipping AS and Solvang Maritime AS.

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 Clipper Shipping AS and Solvang Maritime AS have Norwegian kroner as their functional currency. However, 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 is recognized as a separate item through other comprehensive income, 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 and pension liabilities. 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 tangible fixed asset

The company invests in ships through 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.

All tangible fixed assets 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 through 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.

Pensions

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 11.

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 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. Periodical 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.

Financial assets at fair value through profit or loss

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

In 2016 the company had 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 was included in the contribution based pension plan. As of 31.12.2016, the old schemes for both defined benefit pension and defined contribution pension have been closed and settled in favour of a new hybrid pension arrangement that apply to all employees as of 01.01.2017. Non-funded plans will continue as before

<u>Defined benefit pension plan</u>

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.

Gains and losses resulting from the remeasurements of the pension liability based on experience variances and changes in actuarial assumptions are recognized in equity through other comprehensive income in the period they occur..

<u>Contribution based pension plan</u>

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, MGC/LGC ships from 38,000 - 60,000 cbm and VLGC ships above 75,000 cbm. Accounting information based on business area and ship types are given in note 3 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 2016 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 2016. For example

IFRS 9 - Financial Instruments:

IFRS 9 will replace IAS 39 and was approved for use by the EU in December 2016. IFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018. The new standard is not expected to have significant impact on the financial statements except for possible increased disclosure requirements.

IFRS 15 – Revenue from contracts with customers:

This is a new common standard for revenue recognition effective for annual reporting periods beginning on or after 1st January 2018. The standard replaces all existing IFRS requirements for revenue recognition. The core principle of IFRS 15 is that revenue is recognized to reflect the transfer of the contracted goods or services to customers, and then to an amount that reflects the consideration the company expects to be entitled in exchange for those goods or services. Management is still assessing the impact of the new standard, but except for increased disclosure requirements, it is not expected that the changes will affect the financial statement significantly. However, the impact of the new standard will depend on assessments and conclusions made at industry level in the year to come.

IFRS 16 – Leasing:

IFRS 16 will replace IAS 17 and expect to become effective for annual reporting periods beginning on or after 1st January 2019. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties in a lease. The new standard requires that the lessee recognizes the assets and liabilities of most leases, which is a significant change from current policies. For the lessor IFRS 16 continues essentially all existing principles in IAS 17. Except for increased disclosure requirements, balance may be affected by the leases listed under other "leases" in note 17. It is not expected that the changes will affect the financial statement significantly.

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 2016.

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. 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.

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 significant cash position. As of 31.12.2016 the liquidity reserves amount to 10.8 % of the total balance sheet, while current liabilities together with liability to pay equity to affiliated companies amount to 8 % 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 bank deposits (exchange rate) and 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 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. The Board considers any investments in financial instruments continuously. The Group currently has no investments in financial instruments with the exception of treasury shares. Capital return is monitored by the board. The group trade in its own shares on a limited basis. The purpose is to offer its employees shares in the company at a discounted rate. 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.

SENSITIVITY ANALYSIS

Change in exchange rates		**Value change**
Bank deposits	10 % increase of exchange rates	12 624
	10 % reduction of exchange rates	-12 624

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	-11 214
	100 basis points reduction of interest rates	11 214

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	**2016**	**2015**
Share of revenue on t/c-basis ships	407 412	396 896
Profit on sale of ships / interests in ship owning companies	16 392	0
Management fee	78 438	83 994
Total operating income	502 242	480 890
Share of operating expenses ships	137 366	122 430
Salaries and other personnel expenses	48 630	61 009
Other operating expenses	17 684	15 965
Depreciation ships including periodic maintenance	105 192	85 525
Write-down ships / reversal previous write-down	59 811	0
Depreciation	1 209	1 036
Total operating expenses	369 891	285 965
Operating result	132 350	194 925
FINANCIAL ITEMS		
Other affiliated companies equity method	85	-688
Financial income	26 724	9 049
Share of financial expenses ships	-35 867	-22 377
Financial expenses	-15 140	-9 350
Net financial items	-24 197	-23 366
Ordinary result before tax	108 153	171 559
Tax on ordinary result	-1 958	-2 706
Net profit or loss for the year	106 195	168 853

NOTE 3 - AREAS OF OPERATION

BALANCE SHEET PROPORTIONATE CONSOLIDATION

ASSETS	31.12.16	31.12.15
Fixed Assets		
Deferred tax asset	3 101	3 111
Share of ships	2 005 585	2 211 936
Share of periodic maintenance ships	31 962	59 313
Share of new build contracts	76 684	37 549
Office equipment, furniture etc	3 118	3 666
Total	2 120 450	2 315 575
Financial fixed assets		
Investments in affiliated companies	333	314
Loan to ship owning companies	29 604	0
Other shares	20	20
Total	29 957	334
Total fixed assets	2 150 406	2 315 909
Current Assets		
Receivables		
Share of current assets ship owning companies	94 071	163 082
Other short term receivables	21 680	28 767
Total receivables	115 750	191 849
Bank deposits		
Bank deposits	134 426	130 573
Total current assets	250 176	322 422
TOTAL ASSETS	2 400 582	2 638 331

EQUITY AND LIABILITIES		
Equity		
Paid-in capital		
Share capital (24 652 837 shares a NOK 5)	123 264	123 264
Treasury shares	-795	-1 011
Retained earnings		
Other equity, unrecognized	257 773	288 658
Retained earnings	812 248	753 936
Total equity	1 192 490	1 164 847
Long term liabilities		
Share of long term liabilities ship owning companies	1 113 276	1 205 034
Pension liabilities	12 933	17 883
Total long term liabilities	1 126 209	1 222 917
Current liabilities		
Liabilities to financial institution	8 001	45 842
Tax payable	2 654	1 292
Public duties payable	7 892	9 363
Share of current liabilities of ship owning companies	39 808	55 805
Other short term liabilities	23 529	138 265
Total current liabilities	81 884	250 567
TOTAL EQUITY AND LIABILITIES	2 400 582	2 638 331

NOTE 3 - AREAS OF OPERATION

AREAS OF OPERATION AND SEGMENTS

	SHIP OWNERSHIP		SHIP MANAGEMENT		TOTAL	
	2016	2015	2016	2015	2016	2015
Operating income			78 438	83 994	78 438	83 994
Share of profit ship owning companies						
Semi ref ships	105 574	72 305			105 574	72 305
LGC ships	202 916	165 110			202 916	165 110
VLGC ships	98 922	159 481			98 922	159 481
Operating expenses	-137 366	-122 430	-66 314	-76 974	-203 680	-199 404
Depreciation	-165 002	-85 525	-1 209	-1 036	-166 212	-86 562
Operating profit/loss	105 044	188 941	10 915	5 983	115 959	194 925
Net profit sale of share ship owning companies	16 392				16 392	
Shares in affiliated companies			85	-688	85	-688
Financial items	-35 867	-22 377	11 584	-301	-24 283	-22 678
Profit/loss before tax	85 569	166 564	22 585	4 995	108 153	171 559
Deferred tax assets			3 101	3 111	3 101	3 111
Interest in ship owning companies equity method						
Semi ref ships	502 332	478 719			502 332	478 719
LGC ships	987 340	1 096 927			987 340	1 096 927
VLGC ships	515 913	636 290			515 913	636 290
New build	76 684	37 549			76 684	37 549
Total	2 082 269	2 249 485			2 082 269	2 249 485
Share periodic maintenance ships						
Semi ref ships	3 842	18 224			3 842	18 224
LGC ships	20 235	29 711			20 235	29 711
VLGC ships	7 885	11 378			7 885	11 378
Total	31 962	59 313			31 962	59 313
Share of current assets ships						
Semi ref ships	28 070	26 686			28 070	26 686
LGC ships	40 922	59 760			40 922	59 760
VLGC ships	25 078	76 636			25 078	76 636
Total	94 071	163 082			94 071	163 082
Other investments			3 450	3 980	3 450	3 980
Assets			185 729	159 360	185 729	159 360
Total assets	2 208 302	2 471 880	192 281	166 451	2 400 582	2 638 331
Share long term debt ships						
Semi ref ships	252 569	235 464			252 569	235 464
LGC ships	587 516	647 943			587 516	647 943
VLGC ships	273 191	321 627			273 191	321 627
Total	1 113 276	1 205 034			1 113 276	1 205 034
Share current liability ships						
Semi-ref skip	6 340	9 965			6 340	9 965
LGC skip	19 547	37 796			19 547	37 796
VLGC skip	13 923	8 031			13 923	8 031
Total	39 809	55 792			39 809	55 792
None Interest bearing debt			47 008	166 804	47 008	166 804
Interest-bearing debt			8 001	45 842	8 001	45 842
Total debts	1 153 085	1 260 826	55 009	212 645	1 208 094	1 473 471
Net investments in fixed assets in the period						
Interest in ship owning companies equity method						
LGC ships		336 940				336 940
VLGC ship	39 135	37 549			39 135	37 549
Office equipment, furniture etc			984	2 240	984	2 240

NOTE 4 - SHIPPING ACTIVITY

SHARE IN SHIP OWNING COMPANIES UNDER THE EQUITY METHOD OF ACCOUNTING, SHARE OF P&L AND BALANCE SHEET ITEMS

Company	Owner-ship %	Profit on sale of vessels	Freight earnings on T/C base	Operating expenses	Depreciation	Write-off / reversal	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 31.12.2016	Net book value balance sheet at 31.12.2016
PR Clipper Skagen DA	20,00 %	0		5		0		-5	0	0	0	0	0	0	0
PR Clipper Viking DA	20,00 %	0	9 245	4 113	3 810	0	-23	1 299	0	0	0	0	0	0	0
PR Clipper Harald DA	20,00 %	0	4 020	2 726	3 026	0	-54	-1 786	0	0	23	0	23	0	0
PR Etylen DA	27,48 %	0	92 309	36 123	23 381	0	-5 346	27 459	502 332	3 842	28 047	252 569	6 317	0	275 336
PR Clipper Mars DA	15,00 %	0	13 738	4 380	3 810	0	-489	5 059	79 387	1 025	4 882	29 210	1 515	0	54 568
PR Clipper Sirius DA	30/18,75%	16 392	38 095	7 069	5 947	2 888	-7 644	14 546	174 933	1 769	5 687	82 716	10 151	0	89 523
PR Clipper Posh DA	20,00 %	0	18 701	5 506	4 922	0	-2 691	5 582	129 712	1 200	4 941	71 199	1 928	0	62 725
Victory DIS	16,83 %	0	27 771	9 440	8 861	14 854	-1 426	-6 810	186 851	3 108	7 936	67 489	818	58 202	129 588
PR Clipper Sun II DA	20,00 %	0	14 356	5 694	5 665	6 640	-991	-4 633	101 100	1 808	6 515	51 787	1 026	0	56 611
PR LGC DA	23,33 %	0	162 149	54 019	40 466	35 428	-15 571	16 665	812 760	16 083	30 092	506 432	11 993	0	340 510
PR Clipper Odin DA	30,00 %	0	27 029	8 291	5 305	0	-1 632	11 801	95 194	3 127	5 948	51 874	6 039	0	46 356
Total 2016		16 392	407 412	137 366	105 192	59 811	-35 867	69 177	2 082 269	31 962	94 071	1 113 276	39 809	58 202	1 055 216
Total 2015			396 896	122 430	85 525	0	-22 377	166 564	2 211 936	59 313	163 082	1 205 034	55 792	59 232	1 173 492

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 by comparing the carrying values against valuations obtained from brokers and the estimated value of us calculation. There are indications of impairment for several of the vessels. Estimated value of use are calculated for the vessels that hava an indication of impairment. 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 is calculated based on each vessel's remaining economic life, and the first year's cash-flow based on approved budgets. Any impairement write off of the vessels in the ship owning companies are then measured between book value and estimated value in use. Discount rate 7.0% (5 year) and 7.5% (10 year) is based on the companies weighted cost of capital (WACC). When estimating income, market outlook and average historical rates for own as well as comparable ships have been considered. Cost is based on budget and is index regulated going forward.

The estimated value in use for the vessels are analyzed for sensitivity by changing the most important assumptions; Discount rate (WACC) and income. An increase in WACC of 0.2% and 1% would increase the total impairment in the consolidated accounts by MNOK 15 - 83. If the income is reduced by 2% and 5%, the total impairment in the consolidated accounts would increase by MNOK 27 - 75.

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

		2015						2016						
Company	**Owner-ship in %**	**Balance 01.01.2015**	**Share profit of the year**	**Additions**	**Investments/ repayments/ sale**	**Translation differences**	**Balance 31.12.2015**	**Merger**	**Balance 01.01.2016**	**Share profit of the year**	**Disposal/ sold**	**Investments/ repayments/ sale**	**Translation differences**	**Balance 31.12.2016**
PR Clipper Skagen DA	20,00 %	1 739	-18		-1 760	45	5		5	-5				0
PR Clipper Viking DA	20,00 %	35 826	676		-4 918	6 076	37 661		37 661	1 299		-30 376	-8 584	0
PR Clipper Harald DA	20,00 %	4 789	-77			962	5 674		5 674	-1 786		-1 328	-2 560	0
PR Clipper Star DA	22,00 %	95 288	29 131	9 500	-7 271	19 581	146 229	-146 229						0
PR Clipper Sky DA	23,00 %	64 330	21 562	9 700	-6 020	13 902	103 474	-103 474						0
PR Etylen DA	25/27,48%	100 487	1 673		-3 853	17 470	115 777	119 072	234 850	27 459	1 497	8 900	-3 980	268 726
PR Clipper Mars DA	15,00 %	37 893	4 921			7 457	50 271		50 271	5 059			-761	54 568
PR Clipper Hermes DA	30,00 %	102 133	3 881		-4 624	17 683	119 072	-119 072						0
PR Clipper Sirius DA	30/18,75%	60 994	37 587		21 056	15 138	134 774		134 774	14 546	-46 025	-8 288	-5 484	89 523
PR Clipper Posh DA	20,00 %	44 267	5 027			8 641	57 936		57 936	5 582			-792	62 725
Victory DIS	16,83 %	72 285	42 477	6 800		17 827	139 389		139 389	-6 810			-2 991	129 588
PR Clipper Sun II DA	20,00 %	50 636	12 609		-9 970	9 271	62 546		62 546	-4 633			-1 302	56 611
PR LGC DA	25/23,33%	133 927	8 377			23 641	165 945	249 703	415 648	16 665	-713	-81 491	-2 988	347 121
PR Clipper Odin DA	30,00 %		-1 261		34 589	1 412	34 740		34 740	11 801			-185	46 356
Total		804 593	166 564	26 000	17 228	159 107	1 173 492	0	1 173 492	69 177	-45 241	-112 583	-29 628	1 055 218

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.

There has been reorganization in the form of mergers between som of the ship owning companies in 2016. The mergers have been carried out to accounting and tax continuity as of 01.01.2016, and book values are thus transferred to the acquiring company's book values as of 01.01.2016.

The group, together with the other partners in PR Clipper Sirius, has reduced its ownership of the company by 37.5%, which in its entirety was transferred to the new partner.

NOTE 6 - OTHER AFFILIATED COMPANIES

SHARE IN AFFILIATED COMPANIES INCLUDED UNDER THE EQUITY METHOD OF ACCOUNTING

Company	Ownership	Historical cost	Book equity at acquisition	Incoming balance 01.01.2016	Share profit of the year	Dividend	Translation	Outgoing balance 31.12.2016
Solvang Phillipines Inc	25 %	102	102	314	85	-40	-26	333
Total		102	102	314	85	-40	-26	333

Solvang Philippines Inc. is located in Manila, Philippines.
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

NOTE 7 - FINANCIAL INCOME

	2016	2015
RECEIVABLES		
Interest income	499	352
Currency gain	26 225	8 623
Total receivables	26 724	8 976
Other financial income	0	73
Total	26 724	9 049

NOTE 8 - FINANCIAL EXPENSES

	2016	2015
LOANS		
Interest and banking expenses	313	279
Currency loss	14 184	8 459
Total loans	14 497	8 738
Other financial expenses	643	611
Total	15 140	9 350

NOTE 9 - TAX

TAX EXPENSES FOR THE YEAR	**2016**	**2015**
Payable tax	2 654	1 059
Tonnage tax		234
Gross changes in deferred tax / deferred tax assets	-119	4 553
Herof changes booked through other comprehensive inco	323	-3 137
Effect of changed tax rate	129	249
Translation differences	-1 030	-251
Tax previous years	0	0
Total tax on income for the year	1 958	2 706

SPECIFICATION OF TEMPORARY DIFFERENCES:	**31.12.16**	**31.12.15**
Long term temporary differences		
Tangible fixed asset	12	267
Pension liabilities	-12 933	-17 883
Investment ship owning companies		5 171
Tax loss carry-forward	-40 297	-15 003
Total basis for deferred tax	-53 218	-27 448

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

			Changes	
	31.12.16	**31.12.15**	**2016**	**2015**
Temporary differences				
Tangible fixed asset	3	67	-64	115
Pension liabilities	-3 104	-4 471	1 367	3 757
Investment ship owning companies	0	1 293	-1 293	231
Tax loss carry-forward	-9 671	-3 751	-5 921	998
Total deferred tax / tax asset (24%/25%)	-12 772	-6 862	-5 910	5 102
Deferred tax asset not recognised (24/25%)	-9 671	-3 751	-5 921	300
Total recognised deferred tax (24%/25%)	-3 101	-3 111	10	4 802
Change deferred tax recognized through profit and loss account			334	1 665
Other changes deferred tax (recognized through OCI and equity)			-323	3 137
Total			10	4 802

Changes in deferred tax recognized through other comprehensive income consist of tax effect related to remeasurements of pension liabilities.

Reconciliation tax expenses for the year	**2016**	**%**	**2015**	**%**
25/27% of ordinary income/loss before tax	27 038	25 %	46 321	27 %
25/27% effect of permanent differences related to shares	11	0 %	10	0 %
25/27% effect of other permanent differences	-25 221	-23 %	-44 718	-26 %
Withholding tax		0 %	234	0 %
Translation differences		0 %	611	0 %
Effect of changed tax rate	129	0 %	249	0 %
Effect of deferred tax asset not recognised	0	0 %		0 %
Tax cost according to Profit & Loss account	1 958	2 %	2 706	2 %

The Group's subsidiary, Clipper Shipping AS enters into the tonnage tax scheme in 2013, and is therefore only assigned tax on financial records in accordance with the tonnage tax regulations. Clipper Shipping AS is the owner of the investments in ship owning companies which result will then also be taxed under the tonnage tax regime.

There is no tax payable for 2016 under the tonnage tax regime, except for the tonnage tax itself which is reported as other operating expences from 2016.
It is not recognized deferred tax assets related to finance deficits within the tonnage tax regime.

NOTE 10 - PAYROLL EXPENSES

PERSONNEL EXPENSES	2016	2015
Salary	37 858	41 547
Employers tax	6 929	7 024
Pension cost	820	5 039
Other benefits	3 022	7 399
Total personnel expenses	48 630	61 009
Number of employees	38	40

REMUNERATION (IN NOK 1000)	2016	2015
Managing Director (CEO)		
Salary	2 402	2 387
Bonuses	98	196
Pension cost	274	282
Other remuneration	107	133
Director Marine Operations (CTO)		
Salary	1 835	2 000
Bonuses	75	145
Pension cost	211	249
Other remuneration	128	152
Director Commercial Operations (CCO)		
Salary	1 957	
Bonuses	241	
Pension cost	344	
Other remuneration	116	
Total remuneration to key management personnel	7 790	5 543
Number of individuals included in key management personnel	3	2
Board of Directors		
Remuneration	650	650
Total remuneration to key management personnel and Board of Directors	8 440	6 193

The Managing Director and Director Commercial Operations have an additional contribution based pension of 15% of salary above 12G. The Managing Director has additional agreement of one year pay after termination of employment.

The company's senior executives are employed on a fixed salary. There are no related share-based payments or fixed bonuses to the salary agreements. It is also not granted loans or guarantees from the Company to any of its employees.
The amounts stated are exclusive of social security contributions.

All employees were paid bonuses in 2016. The total bonus payment for 2016 was 1 706 567,-.

Auditor

Remuneration to auditor consist of the following	2016	2015
Audit mandatory by law	441	511
Tax advisory services	73	7
Other non-audit services	10	14
Total	**524**	**532**

NOTE 11 - PENSION COST AND PENSION LIABILITIES

Funded plans (Closed and settled as of 31.12.2016 - Replaced by hybrid arrangement from 01.01.2017)
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 28 members.

This pension plan together with the defined contribution 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 Directors and Director of Commercial operations, which are not covered by the general pension plan. The pension obligations for the Managing Director and Director of Commercial Operations 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 are valued according to Revised IAS 19. Changes in pension liabilities due to actuarial assumptions and differences between actual and expected return on plan a assets are recognized in other comprehensive income. The following Assumptions were used:

	2016	2015
Discount rate	2,60 %	2,70 %
Expected salary increases	2,50 %	2,50 %
Rate of pension increases	0,00 %	0,00 %
Increase of National Insurance Basic amount (G)	2,00 %	2,25 %
Expected return on plan assets	2,60 %	2,70 %
Social Security Tax	14,10 %	14,10 %
Disability tariff	KU	KU
Mortality tariff	K2013	K2013

Net periodic pension cost:	***Non-funded plans***		***Funded plans***	
	2016	**2015**	**2016**	**2015**
Current service cost	684	282	2 664	3 423
Net interest expense /(income)	279	192	277	261
Past service cost	2 646		-7 429	
Administrative expenses			39	47
Social Security Tax	509	67	-633	519
Net pension cost	4 119	542	-5 082	4 250
Actual return on plan assets			4,00 %	4,00 %

Present value of benefit obligation	***Non-funded plans***		***Funded plans***	
	2016	**2015**	**2016**	**2015**
Present value of benefit obligation at January 1	8 459	8 952	39 889	41 271
Remeasurements	-23	-161	-1 748	-5 357
Present value of the service cost	684	282	2 664	3 423
Net interest cost on benefit obligation	279	192	976	945
Past service cost	2 646		-41 389	
Pensions paid during the year	-710	-807	-392	-392
Present value of benefit obligation at December 31	11 335	8 459	0	39 889

Fair value of plan assets	***Non-funded plans***		***Funded plans***	
	2016	**2015**	**2016**	**2015**
Fair value of plan assets at January 1			32 674	23 515
Remeasurements			-2 454	4 965
Actual return on plan assets			699	684
Company contributions			4 240	4 245
Administrative expenses			-484	-342
Past service cost			-34 282	
Pensions paid during the year			-392	-392
Fair value of plan assets at December 31			0	32 674

NOTE 11 - PENSION COST AND PENSION LIABILITIES

Status of pension plans reconciled to the balance sheet

	Non-funded plans		Funded plans	
	2016	**2015**	**2016**	**2015**
Present value of pension obligations	-11 335	-8 459		-39 889
Fair value of plan assets				32 674
Funded status of plans at December 31.	-11 335	-8 459		-7 215
Social Security Tax	-1 598	-1 193		-1 017
Net pension obligations as at December 31	-12 933	-9 651		-8 232

	2016	2015
Total net pension liability non-funded and funded plans recognised at Dec. 31	-12 933	-17 883

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:

	2016	**2015**
Shares and other equity instruments	8,40 %	9,10 %
Bonds	54,00 %	39,90 %
Money market and similar	22,20 %	34,40 %
Properties and real estate	12,10 %	13,80 %
Other	3,30 %	2,80 %
Total	100,00 %	100,00 %

Expected payments related to the pension plans in 2015
The Group does not expect any payment to the secured pension scheme for the calendar year 2017 as it is closed and settled as of 31.12.2016. However, a payment of NOK 2 874 048 is expected for the new Hybrid pension arrangement in 2017.
The Company's estimated payments for non-funded pension plans are NOK 711 090 for the fiscal year 2017.

The value adjusted return on plan assets (secured pension plan) was estimated at 4% per 31.12.2016, and for 2015 the value adjusted return was 4%.

Sensitivity
The sensitivity of the gross defined benefit obligation to changes in the weighted principal assumptions is:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0,50 %	Decrease 10.51 %	Increase 12.19 %
Salary growth rate	0,50 %	Increase 4.75 %	Decrease 5.26 %
Changes in pension from the Norwegian National Insurance	0,50 %	Decrease 0.62 %	Decrease 0.29 %
Pension growth rate	0,50 %	Increase 6.92 %	Decrease 0 %

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

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 31.12.2016 this plan had 16 members. Paid contributions in 2016 was NOK 749 218.

Pension liability from subsidiary, Solvang Maritime AS
Solvang Maritime´s pension liabilities are charged to the shipping companies and therefore represents no cost to the Group. A receivable towards the shipping companies matching the pension liability is therefore recognized in the balance sheet making the net pension liability zero out. Pension obligations from Solvang Maritime is thus not included in the figures above.

Settlement old arrangements and establishment of new
As of 31.12.2016, the old schemes for both defined benefit pension and defined contribution pension have been closed and settled in favour of a new hybrid pension arrangement that apply to all employees as of 01.01.2017. The company has no remaining obligations related to the old arrangements that are settled. Non-funded plans will continue as before.

NOTE 12 - RELATED PARTIES

The shipping companies where Solvang has an ownership share of more than 15% 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.

	Profit & Loss Account		Balance Sheet	
	2016	**2015**	**31.12.16**	**31.12.15**
Management fee and technical fee (income)	78 438	79 395		
Interest income ship owning companies	335	188		
Interest expenses other related parties				
Receivables ship owning companies			5 877	16 495
Receivables other related parties			0	0
Liabilities ship owning companies			-130	-114 608
Liabilities other related parties			0	0
Long term receivable ship owning companies			29 604	0
Total	78 773	79 583	35 351	-98 113

Liabilities related parties are priced at 3 months LIBOR + margin of 2% for foreign exchange loans, and 3 months NIBOR + margin 2% for NOK loans.
Long term receivable related parties are foreign exchange loan and are priced at 3 months LIBOR + margin of 2.5%.

NOTE 13 - BANK DEPOSIT

The group has the following restricted bank deposits

	2016	**2015**
Restricted bank deposit payroll withholding tax	3 969	5 376
Restricted bank deposit rent guarantee (*)	473	473
Restricted bank deposit pension liability (*)	7 512	6 729

(*) The items are classified together with other receivables in the balance sheet.

The groups bank deposits at 31.12 are divided on different currencies as follows:

	2016	**2015**
NOK	8 187	8 778
USD	126 239	121 795
Total	134 426	130 573

NOTE 14 - EARNINGS PER SHARE

	2016	2015
Profit / loss for the year (numerator)	106 195	168 853
Average number of shares outstanding (denominator)	24 494	24 451
Total number of shares issued	24 653	24 653
Earnings per share (NOK)	4,34	6,91
Diluted earnings per share (NOK)	4,31	6,85

NOTE 15 - TANGIBLE FIXED ASSETS

	Car	Software and office equipment	Furniture and fixtures	Non depreciable assets	2016	2015
Acquisition costs 01.01	1 296	4 159	3 155	240	**8 849**	7 483
Translation differences						266
Additions during the year		1 402	360		**1 762**	2 625
Disposals during the year	-1 296				**-1 296**	-1 525
Acquisition costs 31.12	0	5 561	3 515	240	**9 316**	8 849
Accumulated ordinary depreciation 01.01	194	2 071	2 918		**5 183**	5 165
Depreciation during the year		1 063	147		**1 209**	1 036
Accumulated depreciation sold/disposed assets	-194				**-194**	-1 224
Translation differences						206
Accumulated depreciation and write-off 31.12		3 134	3 065		**6 198**	5 183
Book value as of 31.12	0	2 427	451	240	**3 118**	3 666
Useful life	5 years	3-4 years	6 years	-		3 - 6 years
Depreciation plan	Linear	Linear	Linear	Linear		Linear
Depreciation percentage	20 %	25 - 30%	15 %	0 %		15 - 30%

NOTE 16 - RECEIVABLES

Recivables consist mainly of trade debtors, prepaid voyage costs and receivables from shipping partnerships. The Group has a long term receivable shipping partnership of USD 3.4 million which falls due i 2019. Other than this, 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.

Receivables at 31.12 can be divided as follows:

	2016	**2015**	
Receivables from shipping partnerships	35 481	16 495	*(ref note 12 - Related parties)*
Deposit and guarantees	7 984	7 202	*(ref note 13 - Bank deposit)*
Accruals	1 486	1 432	
Other receivables	6 332	3 638	
Total receivables	51 284	28 767	

All the groups trade debtors at 31.12 are nominated in USD and are less than 30 days old.

NOTE 17 - LIABILITIES

Security
Solvang ASA has a credit facility of NOK 60 million. The facility provides the ability to draw in both USD and NOK, unless the equivalent of the total drawdown does not exceed NOK 60 million.

As security for this the company has furnished the shares of Clipper Shipping AS as collateral.

	2016	2015
Drawn amount overdraft facility	8 001	45 842
Security overdraft facility (Book value Clipping Shipping AS)	552 104	552 104

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.

	2016	2015
The groups share of mortgage debt	1 121 388	1 232 053

Leasing
The group has operating lease commitments for office space that expires at 20.06.2026 and 31.12.2026.

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

	2016	2015
År 1	3 895	3 297
År 2-5	15 083	2 906
År 6-10	18 320	0
Sum	37 298	6 203

The company recognized lease expenses of KNOK 5 308 for 2016 and KNOK 3 763 for 2015.
The lease expenses for 2016 include cost related to cancellation of previous lease agreement.

A bank guarantee of NOK 1.7 million has been provided for the rent of office space in Oslo.

NOTE 18 - EQUITY

The company's main shareholders as of 31.12.2016

	31.12.16		31.12.15	
Name of owner	**# of shares**	**Ownership**	**# of shares**	**Ownership**
Clipper AS	5 460 932	22,15 %	5 460 932	22,15 %
Straen AS	5 405 157	21,93 %	5 405 157	21,93 %
Audley AS	3 589 014	14,56 %	3 589 014	14,56 %
Mertoun Capital AS	1 269 782	5,15 %	1 182 000	4,79 %
Michael Steensland Brun	981 201	3,98 %	981 201	3,98 %
SEB Prime Solutions Skandinaviska	956 346	3,88 %	860 893	3,49 %
MP Pensjon PK	821 363	3,33 %	821 363	3,33 %
Skagenkaien Eiendom	655 902	2,66 %	655 902	2,66 %
Inge Steenslands Stiftelse	500 000	2,03 %	500 000	2,03 %
Myhre Leif Harald	400 000	1,62 %	400 000	1,62 %
Kontrari AS	382 352	1,55 %	445 870	1,81 %
Solvang ASA	159 062	0,65 %	202 184	0,82 %
Øvrige < 1%	4 071 726	16,52 %	4 148 321	16,83 %
Totalt	24 652 837	100,00 %	24 652 837	100,00 %

The board of directors and managing director own or control shares in the company as of 31.12.2016 as follows:

Michael Steensland Brun	981 201
Wenche Rettedal	2 781
Edvin Endresen (CEO)	6 726

Proposed dividend
The Board of Directors has proposed no dividend for 2016. There was paid a dividend of NOK 2,- per share for 2015. The company has no other dividend limitations than those imposed by Norwegian law.

NOTE 19 - TREASURY SHARES

As of 31.12.2016 Solvang ASA had shareholdings of 159 062 treasury shares.
The purpose for buy back of own shares is to offer its employees shares in the company at a discounted price.

NOTE 20 - SHARE OF NEWBUILD CONTRACT

In 2015 Solvang ASA signed two shipbuilding contracts with Hyundai Heavy Industries with a total value of MUSD 153.4. The contracts covered two Panamax newbuildings with delivery in 2017. The contracts was from the beginning intended for Partrederiet Clipper Sirius DA, but due to limited time in connection with the signing of contracts, they were temporarily placed in Solvang ASA. When the final bank financing was agreed upon, they were transferred to the shipowning company, Partrederiet Clipper Sirius DA, owned by Clipper Shipping AS (subsidiary of Solvang ASA). The newbuilding contracts were finally transferred to the company in the form of a Novation agreement in April 2016.

The contracts was to be regarded as jointly owned asset between Solvang (30%) and other co-partners via Audley Shipholding AS (70%). In connection with the payment of the first installment to the shipyard, Solvang received a transfer from Audley Shipholding AS of KUSD 10,738 and paid a total of KUSD 15,340 to the shipyard. Carrying deposit of newbuilding contract were thus netted with KUSD 4,602 (KNOK 37,549) and represents Solvang's share of the deposit.

NOTE 21 - SUBSEQUENT EVENTS

In March 2017 the Group signed shipbuilding contracts for four 21k cbm ethylene carriers for delivery in 2019.

There are no other subsequent events of a material concern.

PARENT COMPANY

2016

Profit & Loss Account | Solvang ASA

Amounts in NOK 1 000	Note	2016	2015
Management fee	10	78 423	57 126
Total Operating income		**78 423**	**57 126**
Salaries and other personnel expenses	8	48 630	41 808
Depreciation	13	1 209	742
Other operating expenses	8,13	17 294	12 371
Total operating expenses		**67 133**	**54 921**
Operating result		**11 290**	**2 205**
Recieved group contributions		0	2 400
Ship-owning companies equity method	2	66	-320
Other affiliated companies equity method	3	85	81
Other financial income	4,10	15 930	5 715
Other financial expenses	5,10	-16 026	-8 748
Net financial items		**55**	**-871**
Ordinary result before tax		**11 345**	**1 334**
Tax on ordinary result	6	4 122	752
Net profit or loss for the year		**7 223**	**582**
Net profit or loss for the year is distributed as follows			
Dividend		0	-48 988
To/from other equity		-7 223	48 406
Total distributed		**-7 223**	**-582**

Balance Sheet | Solvang ASA

Amounts in NOK 1 000	Note	31.12.2016	31.12.2015
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	6	3 101	1 636
Total intangible fixed assets		**3 101**	**1 636**
Tangible fixed assets			
Share of newbuild contract	20	0	37 549
Office equipment, furniture etc	13	3 118	2 434
Total tangible fixed assets		**3 118**	**39 983**
Financial fixed assets			
Investments in subsidiaries	7,15	552 302	554 196
Investments ship-owning companies equity method	2	0	1 262
Investments in affiliated companies	3	333	314
Total financial fixed assets		**552 635**	**555 772**
Total fixed assets		**558 854**	**597 391**
Current Assets			
Receivables			
Short term receivables group companies	10,14	0	2 822
Other short term receivables	10,14	11 275	8 200
Total receivables		**11 275**	**11 022**
Cash and bank deposits	11	53 917	12 069
Total current assets		**65 192**	**23 091**
TOTAL ASSETS		**624 046**	**620 482**

Balance Sheet | Solvang ASA

Amounts in NOK 1 000	Note	31.12.2016	31.12.2015
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	17	123 264	123 264
Treasury shares	18	-795	-1 011
Total paid-in capital		**122 469**	**122 253**
Retained earnings			
Other equity		399 147	380 915
Total retained earnings		**399 147**	**380 915**
Total equity	**17**	**521 616**	**503 168**
Liabilities			
Provisions			
Pension liabilities	9	12 933	7 294
Total provisions		**12 933**	**7 294**
Current liabilities			
Liabilities to financial institution	15	8 001	45 842
Trade creditors		2 352	2 340
Current liabilities Group companies	10	63 220	3 127
Tax payable	6	2 654	209
Public duties payable		6 016	5 274
Dividend	17	0	48 988
Other short term liabilities	10	7 253	4 243
Total current liabilities		**89 497**	**110 020**
Total liabilities		**102 430**	**117 314**
TOTAL EQUITY AND LIABILITIES		**624 046**	**620 482**

Stavanger, 24th April 2017

Translated version, not to be signed.

Cash Flow Statement | Solvang ASA

Amounts in NOK 1 000	**2016**	**2015**
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	11 345	1 334
Taxes paid	-1 059	0
Profit / (loss) on sale of fixed assets	324	0
Depreciation and amortisation	1 209	742
Difference between expensed pension and paid in/out	-6 243	-450
Result in other affiliated companies	-85	688
Result in affiliated ship owning companies	-66	320
Changes in inventories, trade receivables and trade payables	6 497	-1 484
Changes in other current balance sheet items	-79 209	3 233
Net cash flow from operating activities	**-67 287**	**4 384**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale / purchase of tangible fixed assets	36 565	-38 878
Proceeds from subsidiary (Liquidation)	0	4 698
Investment affiliated companies	40	39
Proceeds from ship owning companies	1 328	1 748
Purchase share of ship owning companies	0	-94
Payments to ship owning companies	0	0
Net cash flow from investing activities	**37 932**	**-32 486**
CASH FLOW FROM FINANCING ACTIVITIES		
Changes in overdraft facility	-37 840	45 842
Purchase / sale of treasury shares	1 320	1 050
Change in outstanding accounts group companies	59 366	-1 108
Dividends paid	-48 988	-24 451
Net cash flow from financing activities	**-26 142**	**21 333**
Net change in cash and cash equivalents	**-55 496**	**-6 768**
Cash and cash equivalents 01.01	12 069	18 837
Cash and cash equivalents 01.01 from merger	97 344	
Cash and cash equivalents 31.12	**53 917**	**12 069**

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 2016.

With effect from 01.01.2016, the company merged with the wholly-owned subsidiary International Gas Carriers AS. The merger has been implemented as a simplified mother / daughter merger without compensation. Since the transferring company was wholly owned subsidiary of the acquiring company, the merger has been accounted for in accordance with the regulations of group continuity.

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 share is recognized through the general tax cost of the Group.

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

In 2016, the Company had 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 was included in the contribution based pension plan. As of 31.12.2016, the old schemes for both defined benefit pension and defined contribution pension have been closed and settled in favour of a new hybrid pension arrangement that apply to all employees as of 01.01.2017. Non-funded plans will continue as before.

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 Revised IAS 19 Employee Benefits as a basis for accounting for pension.

Gains and losses arising from recalculation of the obligation due to experience variances and changes in actuarial assumptions are recorded against equity and deferred tax in the period when they occur.

Cost related to closing and settlement of the scheme is reflected in the settlement calculation used for the financial statements.

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 are 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 arise 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. 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	Acquisition cost	Opening balance 01.01.2016	Share of net profit	Additions/ disposals	Incoming payments/ repayments	Closing balance 31.12.2016
PR Clipper Harald DA	20 %	6 188	2 885	-1 557		-1 328	0
PR Clipper Skagen DA	20 %	94	-1 623	-5	1 628		0
Total		6 282	1 262	-1 562	1 628	-1 328	0

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.

Both companies have been discontinued and deleted from the Brønnøysund Register during the autumn of 2016.

NOTE 3 - AFFILIATED COMPANIES

AFFILIATED COMPANIES INCLUDED UNDER THE EQUITY METHOD OF ACCOUNTING

Company	Owner-ship	Acquisition cost	Equity at acquisition	Opening balance 01.01.2016	Share of net profit	Dividend received	Translation differences	Closing balance 31.12.2016
Solvang Phillipines Inc	25 %	102	102	314	85	-40	-26	333
Total		102	102	314	85	-40	-26	333

Solvang Phillipines Inc is located in Manila, Phillipines.
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

	2016	2015
Interest income	61	80
Interest received from group companies	0	0
Currency gain	15 869	5 562
Other financial income	0	73
Total	**15 930**	**5 715**

NOTE 5 - FINANCIAL EXPENSES

	2016	2015
Interest and banking expenses	312	255
Interest group companies	903	0
Loss on sale of shares	0	769
Currency loss	14 184	7 144
Other financial expenses	627	580
Total	**16 026**	**8 748**

NOTE 6 - TAX

		2016	2015
Ordinary income/loss before tax		11 345	1 334
Permanent differences related to shares		40	805
Permanent differences		219	176
Permanent differences ship owning companies		5 208	1 692
Differences related to equity method		-85	-81
Group contribution		-124	0
Changes in temporary differences		-5 989	-567
Applied loss carried forward		0	-2 587
Net taxable income/loss		**10 614**	**772**
Tax Payable	**25/27%**	**2 654**	**209**
Tax expenses for the year			
Tax Payable		2 654	209
Gross changes in deferred tax / deferred tax assets		985	3 278
Deferred tax of remeasurement pensions recognized in equity		323	-2 865
Tax on group contribution		31	0
Effect Change in tax rate		129	131
Total tax on income for the year		**4 122**	**752**
Specification of temporary differences:			
Long term temporary differences			
Tangible fixed asset		12	-3
Pension liabilities		-12 933	-7 294
Investment ship owning companies		0	754
Tax loss carry-forward		0	0
Total		**-12 921**	**-6 543**
Deferred tax / deferred tax assets	**24/25%**	**-3 101**	**-1 636**
Reconciliation tax expenses for the year			
25/27% of ordinary income/loss before tax		2 836	360
Changes related to equity method		1 087	-22
25/27% effect of permanent differences related to shares		10	217
25/27% effect of other permanent differences		60	66
Effect of change in tax rate		129	131
Tax cost according to Profit & Loss account		**4 122**	**752**

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
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	198 670
Total Subsidiaries						**552 302 341**

Clipper Shipping AS and Solvang Maritime AS are located in Stavanger.
With effect from 01.01.2016, the company merged with the wholly-owned subsidiary International Gas Carriers AS. The merger has been implemented as a simplified mother / daughter merger without compensation. Since the transferring company was wholly owned subsidiary of the acquiring company, the merger has been accounted for in accordance with the regulations of group continuity.

Solvang ASA has granted a group contribution of 123 560,- to the subsidiary Solvang Maritime AS in 2016, which has been recognized as book value excluding tax.

NOTE 8 - PAYROLL EXPENSES

	2016	2015
Personnel expenses		
Salary	37 858	30 305
Employers tax	6 929	5 104
Pension cost	820	3 364
Other benefits	3 022	3 034
Total personnel expenses	48 630	41 808
Number of employees	38	34

Remuneration (in NOK) 2016

	Director's fees	Salary	Bonuses	Pension costs	Other remuneration	Total remuneration
MANAGERS						
Edvin Endresen, CEO		2 402 419	97 916	274 381	106 822	2 881 538
Tor Øyvind Ask, Dir. Marine Operations		1 834 978	74 529	211 483	128 261	2 249 251
Tor Augdal, Chief Commercial Director (CCO)		1 957 157	241 249	344 496	116 231	2 659 133
BOARD OF DIRECTORS						
Michael Steensland Brun, Chairman	150 000	0	0	0	0	150 000
Alf Andersen, Board member	125 000	0	0	0	0	125 000
Wenche Rettedal, Board member	125 000	0	0	0	0	125 000
Ellen Solstad, Board member	125 000	0	0	0	0	125 000
Hans Petter Aas, Board member	125 000	0	0	0	0	125 000
Total remuneration	**650 000**	**6 194 554**	**413 694**	**830 360**	**351 314**	**8 439 922**

CEO and CCO have an additional contribution based pension of 15% of salary above 12G. In additon to this, Managing Director has an agreement of one year pay after termination of employment.
The company's senior executives are employed on a fixed salary. No share-based payments or fixed bonuses are related to the salary agreements. The Company has not granted loans or guarantees to any of its employees.
All employees got paid a bonus in 2016. Total bonus of 2016 amounted to NOK 1 706 567,-.

AUDITOR
The fee to the auditors for 2016 amounts to NOK 408 002, whereof NOK 335 101 relates to audit required by law and NOK 72 901 for tax advisory. The amounts are reported exclusive of VAT.

NOTE 9 - PENSION COST AND PENSION LIABILITIES

Funded plans (closed and settled as of 31.12.2016 - Replaced by hybrid arrangement from 01.01.2017)
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 28 members (2015: 22 members).

Non-funded plans
The company also has non-funded pension obligations for 2 pensioners and an additional defined contribution plan for CEO and CCO, which are not covered by the general pension plan.

Assumptions
Pension liabilities and pension costs are calculated by a third party independent actuary, and has been evaluated according to revised IAS 19. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited through Equity. The following assumptions were used:

	2016	**2015**
Discount rate	2,60 %	2,70 %
Expected salary increases	2,50 %	2,50 %
Rate of pension increases	0,00 %	0,00 %
Increase of National Insurance Basic amount (G)	2,00 %	2,25 %
Expected return on plan assets	2,60 %	2,70 %
Social Security Tax	14,10 %	14,10 %

Net periodic pension cost:	**Non-funded plans**		**Funded plans**	
	2016	**2015**	**2016**	**2015**
Benefits earned during the year	684	191	2 664	2 151
Interest cost	279	13	277	218
Past service costs	2 646	0	-7 429	0
Administrative expenses	0	0	39	39
Social Security Tax	509	29	-633	334
Net periodic pension cost	**4 119**	**234**	**-5 082**	**2 742**
Actual return on plan assets			4,00 %	4,00 %

Overview of actuarial gains and losses recognized directly through other equity:

	2016	**2015**
Net actuarial gains/losses 01.01	-3 913	-11 660
Current year actuarial gains/losses	-1 293	10 612
Tax	323	-2 865
Net actuarial gains/losses 31.12	**-4 883**	**-3 913**

Status of pension plans reconciled to the balance sheet

	Non-funded plans		Funded plans	
	2016	**2015**	**2016**	**2015**
Present value of pension obligations	-11 335	-909		-31 689
Fair value of plan assets	0	0		26 206
Funded status of plans at December 31.	-11 335	-909		-5 483
Social Security Tax	-1 598	-128		-773
Net pension liability recognised at December 3	**-12 933**	**-1 037**		**-6 256**

	2016	2015
Total net pension liability non-funded and funded plans as of 31.12	-12 933	-7 294

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:

	2016	**2015**
Shares and other equity instruments	8,40 %	9,10 %
Bonds	54,00 %	39,90 %
Money market and similar	22,20 %	34,40 %
Properties and real estate	12,10 %	13,80 %
Other	3,30 %	2,80 %
Total	**100,00 %**	**100,00 %**

Defined-contribution pension plan

The defined benefit pension plan for Solvang ASA has been closed for new employees. New employees became members of a defined-contribution pension plan. Per 31.12.2016 this plan had 16 members. Paid contributions in 2016 was NOK 749 218.

Settlement old arrangements and establishment of new

As of 31.12.2016, the old schemes for both defined benefit pension and defined contribution pension have been closed and settled in favour of a new hybrid pension arrangement that apply to all employees as of 01.01.2017. The company has no remaining obligations related to the old arrangements that are settled. Non-funded plans will continue as before.

NOTE 10 - RELATED PARTIES

The shipping companies where Solvang has an ownership share of more than 15% 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.

	Profit & Loss Account		Balance Sheet	
	2016	**2015**	**31.12.16**	**31.12.15**
Management fee (income)	78 423	57 126		
Net interest subsidiaries	-903	0		
Interest expenses other related parties	0	18		
Receivables group companies			0	2 822
Liabilities group companies			-63 220	-3 127
Net receivables ship owning companies			3 535	505
Net receivables other related parties			692	0
Liabilities other related parties			-17 207	0
Total	**77 520**	**57 145**	**-59 010**	**200**

NOTE 11 - RESTRICTED BANK DEPOSIT

In connection with payment of payroll withholding tax, the company has a restricted bank deposit of NOK 3 240 358,-.
In addition to above, NOK 472 500,- is restricted to office lease guarantee. This office lease guarantee was settled and transferred to ordinary bank account in 2017.
Total bank deposit also includes provision on a restricted account related to pension for former managing director of the merged subsidiary. Restricted bank deposit as of 31.12 amounts to NOK 7 511 737,-

NOTE 12 - EARNINGS PER SHARE

	2016	**2015**
Profit / loss for the year (numerator)	7 222 674	581 613
Average number of shares outstanding (denominator)	24 493 775	24 450 653
Total number of shares issued	24 652 837	24 652 837
Earnings per share (NOK)	0,29	0,02
Diluted earnings per share (NOK)	0,29	0,02

NOTE 13 - TANGIBLE FIXED ASSETS

	Car	Software and office equipment	Furniture and fixtures	Non depreciable assets	2016	2015
Acquisition costs 01.01		4 159	2 968	240	7 367	6 038
Added through merger subsidiary 01.01	1 296	50	136	0	1 483	
Additions during the year		1 352	411	0	1 762	1 329
Disposals during the year	-1 296	0	0	0	-1 296	0
Acquisition costs 31.12	0	5 561	3 515	240	**9 316**	7 367
Accumulated ordinary depreciation 01.01		2 071	2 862	0	4 932	4 190
Added through merger subsidiary 01.01	194	18	38	0	251	
Depreciation during the year		1 044	165	0	1 209	742
Accumulated depreciation sold/disposed assets	-194	0	0	0	-194	0
Accumulated depreciation and write-off 31.12		3 134	3 065	0	6 198	4 932
Book value as of 31.12	0	2 427	451	240	**3 117**	2 434
Useful life	5 years	3-4 years	6 years	-		3 - 6 years
Depreciation plan	Linear	Linear	Linear	Linear		Linear
Depreciation percentage	20 %	25 - 30%	15 %	0 %		15 - 30%

NOTE 14 - 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 15 - LIABILITIES

Solvang ASA has a credit facility of NOK 60 million. The facility provides the ability to draw in both USD and NOK, unless the equivalent of the total drawdown does not exceed NOK 60 million. As of 31.12.2016 there was drawn NOK 8 million on the revolving credit facility.
As security for this the company has furnished the shares of Clipper Shipping AS as collateral. Book value of the shares in Clipper Shipping AS is NOK 552 million as of 31.12.2016.

Solvang ASA has otherwise given a guarantee for the share of debt that its subsidiary Clipper Shipping AS is committed to through its ownership in shipowning companies. This is limited to ownership of the individual shipping partnerships. Share of the debt as of 31.12. amounts to MNOK 1 121.

Solvang ASA has provided a bank guarantee of NOK 1.7 million regarding the lease of office space in Oslo.

NOTE 16 - 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 17 - EQUITY

Solvang ASA	Share capital	Treasury shares	Other Equity	Total equity
Equity as of 31.12.2015	**123 264**	**-1 011**	**380 915**	**503 168**
Profit / loss of the year			7 223	7 223
Translation differences *(note 3)*			-26	-26
Remeasurement pension liability (net after tax)			-970	-970
Additons through merger subsidiary			10 902	10 902
Treasury shares		216	1 104	1 320
Equity as of 31.12.2016	**123 264**	**-795**	**399 147**	**521 616**

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 31.12.2016

Name of owner	# of shares	Ownership
Clipper AS	5 460 932	22,15 %
Straen AS	5 405 157	21,93 %
Audley AS	3 589 014	14,56 %
Mertoun Capital AS	1 269 782	5,15 %
Michael Steensland Brun	981 201	3,98 %
SEB Prime Solutions Skandinaviska	956 346	3,88 %
MP Pensjon PK	821 363	3,33 %
Skagenkaien Eiendom	655 902	2,66 %
Inge Steenslands Stiftelse	500 000	2,03 %
Myhre Leif Harald	400 000	1,62 %
Kontrari AS	382 352	1,55 %
Solvang ASA	159 062	0,65 %
Others < 1%	4 071 726	16,52 %
Totalt	**24 652 837**	**100,00 %**

The board of directors and CEO own or control shares in the company as of 31.12.2016 as follows:

Michael Steensland Brun (Chairman)	981 201
Wenche Rettedal	2 781
Edvin Endresen (CEO)	6 726

NOTE 18 - TREASURY SHARES

As of 31.12.2016 Solvang ASA had shareholdings of 159 062 treasury sahares.
The purpose for buy back of own shares is to offer its employees shares in the company at a discounted price.

NOTE 19 - FINANCIAL MARKET RISK

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

NOTE 20 - SHARE NEWBUILD CONTRACT

In 2015 Solvang ASA signed two shipbuilding contracts with Hyundai Heavy Industries with a total value of MUSD 153.4. The contracts covered two Panamax newbuildings with delivery in 2017. The contracts was intended for Partrederiet Clipper Sirius DA, but due to limited time in connection with the signing of contracts, they were temporarily placed in Solvang ASA. When the final bank financing was agreed upon, they were transferred to the shipowning company, Partrederiet Clipper Sirius DA, owned by Clipper Shipping AS (subsidiary of Solvang ASA). The newbuilding contracts was finally transferred to the company in the form of a Novation agreement in April 2016.

STATEMENT OF COMPLIANCE

BOARD AND GENERAL MANAGER'S STATEMENT OF COMPLIANCE

We confirm that the annual accounts for the period 1 January 2016 to 31 December 2016 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, 24th April 2017

Michael Steensland Brun
Chairman

Alf Andersen

Wenche Rettedal

Hans Petter Aas

Ellen Solstad

Edvin Endresen
Managing Director

Fleet list

Ship	Owner share in %	Employment	Register	Load capasity	Type of ship	Year built
Clipper Viking	27,48	TC	NIS	12 500 cbm	LPG/Ethylene	1998
Clipper Harald	27,48	TC	NIS	12 500 cbm	LPG/Ethylene	1999
Clipper Hebe	27,48	CVC	NIS	17 200 cbm	LPG/Ethylene	2007
Clipper Helen	27,48	Spot	NIS	17 200 cbm	LPG/Ethylene	2007
Clipper Hermes	27,48	TC	NIS	17 200 cbm	LPG/Ethylene	2008
Clipper Hermod	27,48	CVC	NIS	17 200 cbm	LPG/Ethylene	2008
Clipper Odin	30,00	TC	NIS	38 400 cbm	LPG/Ammonia	2005
Clipper Star	23,33	Spot	NIS	59 200 cbm	LPG/Ammonia	2003
Clipper Moon	23,33	TC	NIS	59 200 cbm	LPG/Ammonia	2003
Clipper Sky	23,33	TC	NIS	59 200 cbm	LPG/Ammonia	2004
Clipper Orion	23,33	TC	NIS	60 000 cbm	LPG/Ammonia	2008
Clipper Neptun	23,33	TC	NIS	60 000 cbm	LPG/Ammonia	2008
Clipper Mars	15,00	TC	NIS	60 000 cbm	LPG/Ammonia	2008
Clipper Jupiter	23,33	TC	NIS	60 000 cbm	LPG/Ammonia	2015
Clipper Saturn	23,33	TC	NIS	60 000 cbm	LPG/Ammonia	2015
Clipper Venus	23,33	TC	NIS	60 000 cbm	LPG/Ammonia	2015
Clipper Sirius	18,75	TC	NIS	75 000 cbm	LPG/Ammonia	2008
Clipper Victory	16,83	TC	NIS	75 000 cbm	LPG/Ammonia	2009
Clipper Sun	20,00	TC	NIS	82 000 cbm	LPG/Ammonia	2008
Clipper Quito	16,83	TC	NIS	84 000 cbm	LPG/Ammonia	2013
Clipper Posh	20,00	TC	NIS	84 000 cbm	LPG/Ammonia	2013
Newbuildings						
Hyundai Heavy Industries Hull No. 2888	18,75	TC	NIS	78 700 cbm	LPG/Ammonia	2017
Hyundai Heavy Industries Hull No. 2889	18,75	TC	NIS	78 700 cbm	LPG/Ammonia	2017
Hyundai Mipo Dockyard Hull No. 8258	27,48		NIS	21 000 cbm	LPG/Ethylene	2019
Hyundai Mipo Dockyard Hull No. 8259	27,48		NIS	21 000 cbm	LPG/Ethylene	2019
Hyundai Mipo Dockyard Hull No. 8260	25,00		NIS	21 000 cbm	LPG/Ethylene	2019
Hyundai Mipo Dockyard Hull No. 8261	25,00		NIS	21 000 cbm	LPG/Ethylene	2019

To the General Meeting of Solvang ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Solvang ASA. The financial statements comprise:

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

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

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

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

- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report - Solvang ASA

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment testing of ships	
(Please also refer to notes 1 and 4 for a description of the impairment process) Management's impairment testing of ships was an area of focus in our audit. Management needs to exercise judgment in their impairment testing of ships. The exercise of judgment pertain mainly to identifying impairment indicators, forecasting future cash flows and in selecting the discount rate. Ships and new builds are owned by associated entities that are recognised in accordance with the equity method of accounting in the accounts. The Company's stake in the associated entities amount in total to NOK 1 055 million and comprise a significant part of the balance sheet. Recognized impairments for the year 2016 amounted to NOK 60 million. The Group has considered whether there were any impairment indicators by assessing factors such as broker valuations and expected future ship rates. In the event of impairment indications, the recoverable amount, which is the highest of the value-in-use and the fair value less cost of sale, was estimated. An impairment loss was recognised if the carrying amount exceeded the recoverable amount. Management's exercise of judgement has a bearing on the profit for the year and the carrying amount of the Company's ships in the balance sheet. In our audit, we have focused on: • Management's process for identifying impairment indicators	We have assessed and tested the controls over management's process for impairment testing of ships and new builds. This includes controls aimed at identifying impairment indicators, and controls over the calculation of recoverable amounts. Our conclusion is that we could rely on these controls as part of our audit. We have obtained management's impairment testing for the Group and estimated recoverable amounts for all ships and new builds for which impairment indicators were identified, sensitivity tests, and management's assessment of cash generating units. Management's impairment testing and assumptions were challenged and tested against supporting documentation; including broker valuations used by management as best estimate of fair value adjusted for estimated cost to sell. For the ships and new builds, where estimated fair value less cost to sell was lower than the carrying amount, we obtained management's value-in-use estimates. Key assumptions in the value in-use estimates, like discount rate and future cash flows, were challenged. The discount rate was assessed by comparing against market data from our valuations experts and other external sources of information. In order to challenge the estimated future cash flows, we assessed the fleet's contract backlog, probability of option periods being exercised, external data on ship rates and market supply/ demand balance; and our understanding of the market. As part of our work, we concluded that the assumptions used appeared reasonable and have been consistently applied. Operating expenditure and docking costs were consistent with cost levels seen historically. We have challenged management's sensitivity tests and the assumptions they stress tested. We agree with management that the forecasted ship rates over the

Independent Auditor's Report - Solvang ASA

- The assumptions utilized by management in estimating the recoverable amounts.

remaining useful lives of the ships and the discount rate are the assumptions most sensitive to change in the value-in-use calculation.

We have assessed the broker valuations as these impact management's assessment of impairment indicators and support management's value-in-use calculations. We have interviewed the brokers to assess their objectivity, competence and methodology that form the basis for the broker valuations.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, which includes statements on Corporate Governance and Corporate Social Responsibility and information from the CEO, definitions, key figures, market analysis, statement of compliance and fleet overview, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the 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 the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report - Solvang ASA

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

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

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

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

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

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

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We also provide the Board of Directors with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that 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, 24 April 2017
PricewaterhouseCoopers AS

Henrik Zetlitz Nessler
State Authorised Public Accountant

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

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