SOLVANG ASA

ANNUAL REPORT 2017

Definitions

Ammonia / NH3
Used as raw material for fertilizer production.

Cbm
Cubic meter. The most common capacity nomination for gas vessels.

CoA
Contract of Affrightment. A CoA is an agreement between ship owner and customer for the transportation of a min-max volume of cargo at a given rate per ton, normally for one 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.

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.

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.

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

Nøkkeltall 2017

		2017	2016	2015	2014	2013
Operating revenues	mill. NOK	344,3	502,2	480,9	324,2	249,1
Op. exp. excl. depreciation	mill. NOK	210,6	203,7	199,4	161,3	146,9
Depreciation	mill. NOK	102,1	166,2	86,6	47,6	49,9
Operating profit/loss	mill. NOK	31,7	132,4	194,9	115,3	52,3
Net financial items	mill. NOK	-39,9	-24,2	-23,4	-7,0	11,5
Profit/loss before tax	mill. NOK	-8,2	108,2	171,6	108,4	63,8
Net profit/loss for the year	mill. NOK	-11,3	106,2	168,9	102,8	65,7
Net Cash flow	mill. NOK	-77,5	3,9	38,4	33,9	-3,9
Total capital joint venture accounting	mill. NOK	2 484,0	2 400,6	2 638,3	1 790,2	1 550,0
Equity	mill. NOK	1 132,8	1 192,5	1 164,8	849,8	626,1
Equity	%	45,60 %	49,68 %	44,15 %	47,47 %	40,40 %
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)		33,00	27,00	31,90	22,50	20,25
Yield per share		-0,33	4,42	7,02	4,44	2,62
Earnings per share		-0,46	4,34	6,91	4,21	2,69
Cash flow per share		-3,16	0,16	1,57	1,39	-0,16
Dividend per share		0,00	0,00	2,00	1,00	0,50
Price-Earnings Ratio per 31.12		-98,69	6,11	4,55	5,07	7,74
PRICE DEVELOPMENT						
Nominal value per share			5,00	5,00	5,00	5,00
Highest quoted price			34,50	34,00	26,00	24,00
Lowest quoted price			22,90	21,00	20,20	16,00
Weighted average no. of shares		**24 545 775**	**24 493 775**	**24 450 653**	**24 403 578**	**24 372 413**

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


SOLVANG

Annual Report 2017

1. INTRODUCTION

The result for 2017 shows a distinct decline from 2016, where a significantly poorer LPG and ammonia market from mid 2016 affected both new contracts and existing contracts based on floating market rates. The LPG market is in a recession with too many newbuilds, combined with no arbitration between West and East.

The Group recorded a loss before tax of NOK 8.2 million against a profit of NOK 108.2 million in 2016. Negative cash flow was NOK 77.5 million compared to positive NOK 3.8 million in 2016. Tax expense was NOK 3.1 million, and the Group had a loss after tax of NOK 11.3 million against a profit of NOK 106.2 million in 2016.

The board of directors proposes not to pay dividends for 2017 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 (MGC/LGC)
- 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 23 ships by year end. Furthermore, Solvang has ownership in four 21,000 cbm Ethylene ship, for delivery in 2019.

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, together with one MGC of 38,000 cbm delivered in fourth quarter 2015 that 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.

3.3 VLGC
This sub segment is defined as fully refrigerated LPG ships of 75,000 – 84,000 cbm. Solvang has a total of 7 ships in this sub segment. The group has two Panamax VLGC ships of 75,000 cbm, two Panamax VLGC ships of 78,700 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. All vessels are currently on contracts. The "Clipper Victory" is on TC to end of 2019, while the "Clipper Sirius" is on TC to end of 2018 with an option for further 1+1 year. The two newbuilds are on 10 years TC from delivery in 2017.

The 82,000 cbm VLGC "Clipper Sun" is on a TC until October 2018. "Clipper Quito" a 84,000 cbm vessel, is on TC to December 2019, and the "Clipper Posh", a 84,000 cbm vessel, is on TC to December 2018.

4. PROFIT
(Figures in parentheses refer to 2016)

Operating income increased from NOK 78 million to NOK 84 million, due to operational service of several vessels in 2017.

The group's result after tax was NOK -11.3 million (NOK 106.2 million). Earnings per share were NOK -0.46 (NOK 4.34). The result for the parent company was NOK 9.2 million (NOK 7.2 million).

4.1 Financial items
The group reported net financial items of NOK -6.0 million (NOK 11.7 million). The corresponding figure for the parent company was a result of NOK -1.6 million (NOK 0.1 million).

4.2 Liquidity and financial strength
At year-end, the group had liquidity consisting of cash totalling NOK 57.0 million (NOK 134.4 million). The corresponding figure for the parent company was NOK 28.4 million (NOK 53.9 million). Total current assets at year-end was NOK 125.9 million (NOK 156.1 million), while current liabilities totalled NOK 58.5 million (NOK 42.1 million). Long-term liabilities and obligations totalled NOK 11.8 million (NOK 12.9 million). For the parent company, total current assets at year-end amounted to NOK 86.1 million (NOK 65.2 million), while short-term liabilities totalled NOK 100.7 million (NOK 89.5 million). The parent company's long-term liabilities and obligations totalled NOK 11.8 million (NOK 12.9 million). The group's share of current assets and liabilities in ship owning companies totalled NOK 120.7 million and NOK 1,281.0 million respectively.

Net cash flow from operating activities was NOK 7.2 million, compared to an operating loss of NOK 2.2 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 1,132.8 million (NOK 1,192.5 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, 35% are women and 65% 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 42 onshore employees and around 760 sailing personnel. Working conditions on shore and on the ships are considered to be good. Sick leave on board the ships was 0.30%. The group had two incident that resulted in lost time in 2017, and have only had 7 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 2.83% in 2017. Of this, 1.8% is related to one persons long term sick leave throughout the year. There were no incidents resulting in personal injury at the office in 2017.

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 option elements. Salaries are adjusted once a year. The Managing Director's salary is evaluated correspondingly by the Board once a year. The company's previous pension plans (defined benefit and defined contribution) were terminated on 31 December 2016 and were 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 two incidents in 2017 and only seven incidents in the entire period from 2008-2017, 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 327 inspections on our 23 ships in 2017. Of these inspections, 154 were conducted by Solvang, while our customers, port authorities and classification companies conducted a total of 173 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 same as for 2016 the board proposes not to pay dividends for 2017.

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 2016. The power of attorney is valid until the Annual General Meeting in 2018, 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 with an incentive based bonus scheme. The incentive scheme is based on goal achievement within HSE, economy, and quality. The incentive scheme will be in the form of a share allocation with a maximum of 25% of the basic salary. No options 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 receive accurate and detailed information simultaneously and at the right time.

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 the following years. The fleet balance is as always a challenge, but with expected increased export from US, this segment is expected to be more in balance for the next years.

For the fully refrigerated vessels (VLGC and LGC), 2017 became a year in which the rates fluctuated between operating levels and up to operating including interest. 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 the price of LPG in US has remained at a high level and is driven by several factors such as inventory, internal consumption and other prospects. This imbalance must be corrected, which will take time, and it is expected that 2018 will see rates at challenging levels throughout the LPG segment.

The group had at year-end contract coverage of 87% for 2017 for the fleet, with two vessel operating in spot market and three vessels coming open later in 2018.

8. ALLOCATION OF THE PARENT COMPANY'S PROFIT

Solvang ASA posted a result of KNOK 9,173.

The Board of Directors proposes the following allocation:
To other equity: KNOK 9,173

At the year-end, the parent company's equity amounted to KNOK 532,148 (KNOK 521,616).

9. SUBSEQUENT EVENTS

In November 2017, Unity Invest AS, a consortium consisting of several of the largest shareholders in Solvang ASA, put in an offer for all shares in Solvang ASA. By the end of the acceptance deadline of January 5, 2018, it was clear that Unity Invest AS had gained acceptance for more than 97% of the shares. The purchase was thus completed and the process of foreclosing remaining shareholders was initiated. In connection to this, the company was also delisted with effect from 1 February 2018. Refer to note 20 in the consolidated financial statements and note 19 to the company accounts for further comments.

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, operation and quality. We would also like to thank our customers and suppliers for their good support and cooperation in 2017 and look forward to the same good cooperation in 2018.

Stavanger, 24th April 2018

Translation only, not to be signed

Michael Steensland Brun Chairman	Wenche Rettedal	Alf Andersen
Hans Petter Aas	Ellen Solstad	Edvin Endresen Managing Director

GROUP

2017

Profit & Loss | Solvang Group

Amounts in NOK 1 000

	Note	2017	2016
Management fee	12	83,913	78,438
Total operating income		**83,913**	**78,438**
Salaries and other personnel expenses	10,11	52,857	48,630
Depreciation	15	1,269	1,209
Other operating expenses	10	16,285	17,684
Total operating expenses		**70,411**	**67,523**
Ship owning companies equity method	3,4,5	-15,708	69,177
Loss sale of share in ship owning company	3,4,5	0	16,392
Operating result		**-2,206**	**96,484**
Financial income and cost			
Other affiliated companies equity method	6	20	85
Other financial income	7,12	9,440	26,724
Other financial expenses	8	-15,462	-15,140
Net financial items		**-6,002**	**11,669**
Ordinary result before tax		**-8,209**	**108,153**
Tax on ordinary result	9	3,063	1,958
Net profit / (loss) for the year		**-11,272**	**106,195**
Earnings per share (whole NOK)	14	-0.46	4.34
Diluted earnings per share (whole NOK)	14	-0.46	4.31
STATEMENT OF COMPREHENSIVE INCOME			
Earnings of the period		-11,272	106,195
Items that will not be reclassified to profit or loss			
Remeasurements pension liability		109	-1,293
Tax effects of remeasurements pension liability		-26	323
Items that may be reclassified to profit or loss			
Translation differences ship owning companies etc.	5,6,15	-49,842	-29,915
Tax effects of translation differences ship owning companies			
Comprehensive income to the shareholders of Solvang ASA		**-61,031**	**75,310**

Balance Sheet | Solvang Group

Amounts in NOK 1 000	Note	12/31/2017	12/31/2016
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	9	2,742	3,101
Total intangible fixed assets		**2,742**	**3,101**
Tangible fixed assets			
Office equipment, furniture etc.	15	3,167	3,118
Total tangible fixed assets		**3,167**	**3,118**
Financial fixed assets			
Investments ship owning companies equity method	3,4,5	1,030,524	1,055,218
Investments in affiliated companies	6	294	333
Loan to ship owning companies	12,16	40,329	29,604
Other shares		20	20
Total financial fixed assets		**1,071,167**	**1,085,175**
Total fixed assets		**1,077,075**	**1,091,393**
Current Assets			
Receivables			
Other short term receivables	12,13,16	68,969	21,680
Total receivables		**68,969**	**21,680**
Cash and bank deposits	13	56,963	134,426
Total current assets		**125,931**	**156,105**
TOTAL ASSETS		**1,203,007**	**1,247,499**

Amounts in NOK 1 000	Note	12/31/2017	12/31/2016
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	18	123,264	123,264
Treasury shares	19	-535	-795
Total paid-in capital		**122,729**	**122,469**
Retained earnings			
Other equity, unrecognized		208,014	257,773
Retained earnings		802,016	812,248
Total retained earnings		**1,010,029**	**1,070,021**
Total equity	**18**	**1,132,758**	**1,192,490**
Liabilities			
Provisions			
Pension liabilities	11	11,786	12,933
Total provisions		**11,786**	**12,933**
Long term liabilities			
Other long term liabilities	17	0	0
Total long term liabilities		**0**	**0**
Current liabilities			
Liabilities to financial institution	17	19,814	8,001
Tax payable	9	2,730	2,654
Public duties paytable		10,556	7,892
Other short term liabilities	12	25,362	23,529
Total current liabilities		**58,462**	**42,076**
Total liabilities		**70,248**	**55,009**
TOTAL EQUITY AND LIABILITIES		**1,203,007**	**1,247,499**

Stavanger, 24th April 2018

Translated, not to be signed

Changes in Equity | Group

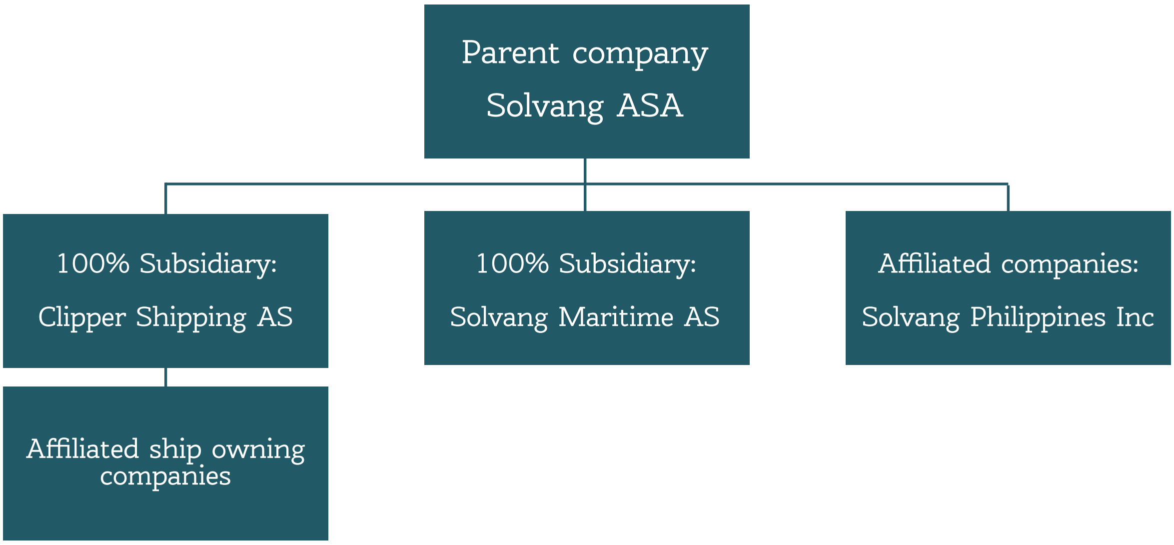
Amounts in NOK 1 000	Share capital	Treasury shares	Other reserves	Retained earnings	Total equity
2016					
Equity as of 31.12.2015	**123,264**	**-1,011**	**288,658**	**753,936**	**1,164,847**
Profit/(loss) of the year				106,195	106,195
Remeasurements pension liabilities			-970		-970
Translation differences 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**

	Share capital	Treasury shares	Other reserves	Retained earnings	Total equity
2017					
Equity as of 31.12.2016	**123,264**	**-795**	**257,773**	**812,248**	**1,192,490**
Profit/(loss) of the year				-11,272	-11,272
Remeasurements pension liabilities			83		83
Translation differences ship owning companies etc.			-49,842		-49,842
Total comprehensive income			**-49,759**	**-11,272**	**-61,031**
Paid dividend					
Buy back / Sale treasury shares		260		1,040	1,300
Total changes in equity for the year		**260**	**-49,759**	**-10,232**	**-59,731**
Equity as of 31.12.2017	**123,264**	**-535**	**208,014**	**802,016**	**1,132,758**

Cash Flow Statement | Group

Amounts in NOK 1 000	Note	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before tax		-8,209	108,153
Tax paid for the period	9	-2,654	-263
Loss/gain on sale of tangible fixed assets	15	0	324
Depreciation and amortisation	15	1,269	1,209
Difference between expensed pension and paid in/out	11	-1,038	-6,243
Result in affiliated ship owning companies	3,4,5	15,708	-85,569
Result in affiliated companies	6	-20	-85
Changes in other current balance sheet items		-5,432	-109,361
Financial income	7	-7,060	-26,225
Financial expenses	8	14,679	14,184
Net cash flow from operating activities		**7,244**	**-103,876**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale / purchase of tangible fixed assets	15	-1,319	-984
Payments newbuilding contracts		0	37,549
Net changes Investment affiliated companies	6	59	66
Payments from ship owning companies	5	0	121,483
Payments from sale / purchase of share in ship owning companies	5	0	62,416
Payments to ship owning companies	5,12	-90,423	-38,951
Net cash flow from investing activities		**-91,683**	**181,579**
CASH FLOW FROM FINANCING ACTIVITIES			
Changes in overdraft facility	17	11,813	-37,840
Purchase / sale of treasury shares	18	1,300	1,320
Dividend payment	18	0	-48,988
Net cash flow from financing activities		**13,113**	**-85,508**
Effect of exchange rate changes on cash and cash equivalents		-6,137	11,658
Net change in cash and cash equivalents		-77,463	3,853
Cash and cash equivalents 01.01		134,426	130,573
Cash and cash equivalents 31.12		**56,963**	**134,426**

NOTE 1 - CORPORATE INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES



CORPORATE INFORMATION

Solvang ASA is a public limited company incorporated and domiciled in Norway. The shares were previously publicly traded on Oslo Børs, but the company was delisted on 1st February 2018 due to Unity Invest AS purchase of the shares. For further comments see note 20 in the notes to the accounts. 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 23 ships that carry liquid petrochemical gases, liquefied petroleum gases and ammonia.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a historical cost basis, except for 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 in effect as of 31st of December 2017.

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 26 April 2018 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 2017, 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.

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
As of 01.01.2017 all employees are members of the newly established defined contribution hybrid pension scheme with investment choices. All employees are then member of the same pension scheme and the old general schemes were terminated. The company has no remaining obligations to the old schemes that have been settled. However, the non-funded schemes will continue as before and consist of defined benefit plans and defined contribution plans.

Defined benefit pension plan
The Company has 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.

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

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

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

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

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

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

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

Business areas/segments
Ship management and ship ownership are the business areas for Solvang. Ship ownership is further divided based on type and size of ship. Solvang has ownership interests in gas ships. These ships are divided into three types based on size, semi-ref ships from 12,000 – 17,000 cbm, 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 2017 financial statements, which is considered to have or expected to have a material impact on the Group. The following new / amended standards have come into force from 1 January 2017.

- Amendment to IAS 7 – Statement of cash flows
- Amendment to IAS 12 – Income taxes: Accounting for deferred tax assets related to unrealized losses
- Amendment to IFRS 12 – Disclosure of interests in other entities. Clarification of the scope of the disclosure requirements.

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 2017. For example

<u>IFRS 9 - Financial Instruments:</u>
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 will have no significant impact on the financial statements except for possible increased disclosure requirements.

<u>IFRS 15 – Revenue from contracts with customers:</u>
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. The group has reviewed the various types of contracts in place and concluded that there are only spot contracts that, with the new standard, may affect the consolidated financial statements compared to the current standard. However, these contracts are in participant-taxed companies that are incorporated into the group on one row in accordance with the equity method, and the effect will in fact only be a shift of period from one year to the next. As of 31.12, there was only one ship that sailed in spot and thus had to be assessed with effect to the consolidated accounts. Effect of the Group as at 31 December <MNOK 1. In addition to any increased disclosure requirements, the changes will have no significant impact to the consolidated financial statements.

<u>IFRS 16 – Leasing:</u>
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 2017.

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 31.12.2017 the liquidity reserves amount to 4.7 % of the total balance sheet. The liquidity reserves inclusiv short term receivables shipping companies amount to 9.3%. Current liabilities together with liability to pay equity to affiliated companies amount to 9.5 % 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	4,853
	10 % reduction of exchange rates	-4,853

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	-12,308
	100 basis points reduction of interest rates	12,308

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	**2017**	**2016**
Share of revenue on t/c-basis ships	260,431	407,412
Profit on sale of ships / interests in ship owning companies	0	16,392
Management fee	83,913	78,438
Total operating income	344,344	502,242
Share of operating expenses ships	141,420	137,366
Salaries and other personnel expenses	52,857	48,630
Other operating expenses	16,285	17,684
Depreciation ships including periodic maintenance	100,832	105,192
Write-down ships / reversal previous write-down	0	59,811
Depreciation	1,269	1,209
Total operating expenses	312,663	369,891
Operating result	31,681	132,350
FINANCIAL ITEMS		
Other affiliated companies equity method	20	85
Financial income	9,440	26,724
Share of financial expenses ships	-33,887	-35,867
Financial expenses	-15,462	-15,140
Net financial items	-39,889	-24,197
Ordinary result before tax	-8,209	108,153
Tax on ordinary result	-3,063	-1,958
Net profit or loss for the year	-11,272	106,195

BALANCE SHEET PROPORTIONATE CONSOLIDATION

ASSETS	12/31/2017	12/31/2016
Fixed Assets		
Deferred tax asset	2,742	3,101
Share of ships	2,066,540	2,005,585
Share of periodic maintenance ships	36,782	31,962
Share of new build contracts	87,511	76,684
Office equipment, furniture etc	3,167	3,118
Total	2,196,741	2,120,450
Financial fixed assets		
Investments in affiliated companies	294	333
Loan to ship owning companies	40,329	29,604
Other shares	20	20
Total	40,643	29,957
Total fixed assets	2,237,384	2,150,406
Receivables		
Share of current assets ship owning companies	120,711	94,071
Other short term receivables	68,969	21,680
Total receivables	189,680	115,750
Bank deposits		
Bank deposits	56,963	134,426
Total current assets	246,642	250,176
TOTAL ASSETS	2,484,026	2,400,582

EQUITY AND LIABILITIES		
Equity		
Paid-in capital		
Share capital (24 652 837 shares a NOK 5)	123,264	123,264
Treasury shares	-535	-795
Retained earnings		
Other equity, unrecognized	208,014	257,773
Retained earnings	802,016	812,248
Total equity	1,132,758	1,192,490
Long term liabilities		
Share of long term liabilities ship owning companies	1,158,152	1,113,276
Pension liabilities	11,786	12,933
Total long term liabilities	1,169,938	1,126,209
Current liabilities		
Liabilities to financial institution	19,814	8,001
Tax payable	2,730	2,654
Public duties payable	10,556	7,892
Share of current liabilities of ship owning companies	122,867	39,808
Other short term liabilities	25,362	23,529
Total current liabilities	181,329	81,884
TOTAL EQUITY AND LIABILITIES	2,484,026	2,400,582

AREAS OF OPERATION AND SEGMENTS

	SHIP OWNERSHIP		SHIP MANAGEMENT		TOTAL	
	2017	2016	2017	2016	2017	2016
Operating income			83,913	78,438	83,913	78,438
Share of profit ship owning companies						
Semi ref ships	90,913	105,574			90,913	105,574
LGC ships	114,863	202,916			114,863	202,916
VLGC ships	54,655	98,922			54,655	98,922
Operating expenses	-141,420	-137,366	-69,142	-66,314	-210,561	-203,680
Depreciation	-100,832	-165,002	-1,269	-1,209	-102,102	-166,212
Operating profit/loss	18,179	105,044	13,502	10,915	31,681	115,959
Net profit sale of share ship owning companies		16,392				16,392
Shares in affiliated companies			20	85	20	85
Financial items	-33,887	-35,867	-6,022	11,584	-39,909	-24,283
Profit/loss before tax	-15,708	85,569	7,499	22,585	-8,209	108,153
Deferred tax assets			2,742	3,101	2,742	3,101
Interest in ship owning companies equity method						
Semi ref ships	455,477	502,332			455,477	502,332
LGC ships	903,375	987,340			903,375	987,340
VLGC ships	707,688	515,913			707,688	515,913
New build	87,511	76,684			87,511	76,684
Total	2,154,051	2,082,269			2,154,051	2,082,269
Share periodic maintenance ships						
Semi ref ships	14,607	3,842			14,607	3,842
LGC ships	12,890	20,235			12,890	20,235
VLGC ships	9,285	7,885			9,285	7,885
Total	36,782	31,962			36,782	31,962
Share of current assets ships						
Semi ref ships	32,196	28,070			32,196	28,070
LGC ships	54,602	40,922			54,602	40,922
VLGC ships	33,913	25,078			33,913	25,078
Total	120,711	94,071			120,711	94,071
Other investments			3,460	3,450	3,460	3,450
Assets			166,281	185,729	166,281	185,729
Total assets	2,311,543	2,208,302	172,482	192,281	2,484,026	2,400,582
Share long term debt ships						
Semi ref ships	229,471	252,569			229,471	252,569
LGC ships	514,019	587,516			514,019	587,516
VLGC ships	414,663	273,191			414,663	273,191
Total	1,158,152	1,113,276			1,158,152	1,113,276
Share current liability ships						
Semi-ref skip	48,480	6,340			48,480	6,340
LGC skip	48,121	19,547			48,121	19,547
VLGC skip	26,268	13,923			26,268	13,923
Total	122,868	39,809			122,868	39,809
None Interest bearing debt			50,434	47,008	50,434	47,008
Interest-bearing debt			19,814	8,001	19,814	8,001
Total debts	1,281,020	1,153,085	70,248	55,009	1,351,269	1,208,094
Net investments in fixed assets in the period						
Interest in ship owning companies equity method						
Semi ref ships	87,511				87,511	
VLGC ship	166,578	39,135			166,578	39,135
Office equipment, furniture etc			1,319	984	1,319	984

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 31.12.2017	Net book value balance sheet at 31.12.2017
PR Etylen II DA	25.00%	0	0	138	0	0	5	-133	41,245	0	35	0	377	0	40,902
PR Etylen DA	27.48%	0	90,913	45,454	27,413	0	-9,339	8,707	501,743	14,607	32,161	229,471	48,102	0	270,938
PR Clipper Mars DA	15.00%	0	13,272	4,031	3,681	0	-351	5,208	72,534	535	2,906	18,542	313	0	57,118
PR Clipper Sirius DA	18.75%	0	17,398	12,530	8,886	0	-2,867	-6,885	324,329	5,855	13,153	241,358	23,206	0	78,773
PR Clipper Posh DA	20.00%	0	18,020	5,474	4,755	0	-2,245	5,546	119,472	581	6,358	59,724	1,475	0	65,212
Victory DIS	16.83%	0	13,179	9,283	8,226	0	-1,441	-5,771	171,507	1,534	9,352	64,217	482	55,479	117,695
PR Clipper Sun II DA	20.00%	0	6,057	5,399	5,256	0	-1,078	-5,676	92,380	1,314	5,051	49,364	1,104	0	48,276
PR LGC DA	23.33%	0	89,758	50,782	37,504	0	-14,975	-13,502	744,385	10,187	48,348	455,919	36,374	0	310,627
PR Clipper Odin DA	30.00%	0	11,834	8,329	5,111	0	-1,597	-3,203	86,456	2,168	3,348	39,557	11,433	0	40,981
Total 2017			260,431	141,420	100,832	0	-33,887	-15,708	2,154,051	36,782	120,711	1,158,152	122,868	55,479	1,030,524
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

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 7.9% (5 year) and 8.1% (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 have resulted in a write-down in the consolidated accounts by MNOK 8 - 43. If the income is reduced by 5% and 10%, this would result in impairment in the consolidated accounts of MNOK 38 - 105. On the other hand a reduction in the discount rate of 0.2% and 0.4% will give a reversal of previous write-downs in the consolidated financial statements of MNOK 17-24, and if income increases by 2% and 5%, previous year's write-down in the consolidated accounts will be reduced by MNOK 22 - 32.

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

		2016						2017					
Company	**Owner-ship in %**	**Balance 01.01.2016**	**Share profit of the year**	**Additions**	**Investments / repayments/ sale**	**Translation differences**	**Balance 31.12.2016**	**Balance 01.01.2017**	**Share profit of the year**	**Disposal/ sold**	**Investments/ repayments / sale**	**Translation differences**	**Balance 31.12.2017**
PR Etylen II DA	25.00%						0	0	-133		40,830	205	40,902
PR Clipper Viking DA	20.00%	37,661	1,299		-30,376	-8,584	0	0					0
PR Clipper Harald DA	20.00%	5,674	-1,786		-1,328	-2,560	0	0					0
PR Clipper Skagen DA	20.00%	5	-5				0	0					0
PR Etylen DA	27.48%	234,850	27,459	1,497	8,900	2,631	275,337	275,337	8,707			-13,105	270,939
PR Clipper Mars DA	15.00%	50,271	5,059			-761	54,568	54,568	5,208			-2,658	57,118
PR Clipper Sirius DA	30/18,75%	134,774	14,546	-46,025	-8,288	-5,484	89,523	89,523	-6,885			-3,865	78,773
PR Clipper Posh DA	20.00%	57,936	5,582			-792	62,725	62,725	5,546			-3,059	65,212
Victory DIS	16.83%	139,389	-6,810			-2,991	129,588	129,588	-5,771			-6,122	117,695
PR Clipper Sun II DA	20.00%	62,546	-4,633			-1,302	56,611	56,611	-5,676			-2,658	48,276
PR LGC DA	23.33%	415,648	16,665	-713	-81,491	-9,599	340,510	340,510	-13,502			-16,381	310,627
PR Clipper Odin DA	30.00%	34,740	11,801			-185	46,356	46,356	-3,203			-2,172	40,981
Total		1,173,492	69,177	-45,241	-112,583	-29,628	1,055,218	1,055,218	-15,708		40,830	-49,816	1,030,524

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.

NOTE 6 - OTHER AFFILIATED COMPANIES

SHARE IN AFFILIATED COMPANIES INCLUDED UNDER THE EQUITY METHOD OF ACCOUNTING

Company	Owner ship	Historical cost	Book equity at acquisition	Incoming balance 01.01.2017	Share profit of the year	Dividend	Translation	Outgoing balance 31.12.2017
Solvang Phillipines Inc	25%	102	102	333	20	-36	-23	294
Total		102	102	333	20	-36	-23	294

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 estimates.

NOTE 7 - FINANCIAL INCOME

	2017	2016
RECEIVABLES		
Interest income	2,335	499
Currency gain	7,060	26,225
Total receivables	9,395	26,724
Other financial income	45	0
Total	9,440	26,724

NOTE 8 - FINANCIAL EXPENSES

	2017	2016
LOANS		
Interest and banking expenses	73	313
Currency loss	14,679	14,184
Total loans	14,752	14,497
Other financial expenses	710	643
Total	15,462	15,140

NOTE 9 - TAX

TAX EXPENSES FOR THE YEAR	2017	2016
Payable tax	2,730	2,654
Gross changes in deferred tax / deferred tax assets	240	-119
Herof changes booked through other comprehensive income	-26	323
Effect of changed tax rate	119	129
Translation differences	0	-1,030
Tax previous years	0	0
Total tax on income for the year	3,063	1,958

SPECIFICATION OF TEMPORARY DIFFERENCES:	12/31/2017	12/31/2016
Long term temporary differences		
Tangible fixed asset	-134	12
Pension liabilities	-11,786	-12,933
Investment ship owning companies	0	0
Tax loss carry-forward	-38,786	-40,297
Total basis for deferred tax	-50,706	-53,218

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

			Changes	
	12/31/2017	12/31/2016	2017	2016
Temporary differences				
Tangible fixed asset	-31	3	-34	-64
Pension liabilities	-2,711	-3,104	393	1,367
Investment ship owning companies	0	0	0	-1,293
Tax loss carry-forward	-8,921	-9,671	750	-5,921
Total deferred tax / tax asset (23%/24%)	-11,662	-12,772	1,110	-5,910
Deferred tax asset not recognised (23/24%)	-8,921	-9,671	750	-5,921
Total recognised deferred tax (23%/24%)	-2,742	-3,101	360	10
Change deferred tax recognized through profit and loss account			333	334
Other changes deferred tax (recognized through OCI and equity)			26	-323
Total			360	10

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	2017	%	2016	%
24/25% of ordinary income/loss before tax	-1,970	24%	27,038	25%
24/25% effect of permanent differences related to shares	9	0%	11	0%
24/25% effect of other permanent differences	5,332	-65%	-25,221	-23%
Effect of changed tax rate	119	-1%	129	0%
Effect of deferred tax asset not recognised	-426	5%	0	0%
Tax cost according to Profit & Loss account	3,063	-37%	1,958	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 2017 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	2017	2016
Salary	39,121	37,858
Employers tax	6,439	6,929
Pension cost	4,505	820
Other benefits	2,792	3,022
Total personnel expenses	52,857	48,630
Number of employees	40	38

REMUNERATION (IN NOK 1000)	2017	2016
Managing Director (CEO)		
Salary	2,391	2,402
Bonuses		98
Pension cost	319	274
Other remuneration	140	107
Director Marine Operations (CTO)		
Salary	1,998	1,835
Bonuses		75
Pension cost	208	211
Other remuneration	136	128
Director Commercial Operations (CCO)		
Salary	2,012	1,957
Bonuses		241
Pension cost	317	344
Other remuneration	129	116
Total remuneration to key management personnel	7,649	7,790
Number of individuals included in key management personnel	3	3
Board of Directors		
Remuneration	650	650
Total remuneration to key management personnel and Board of Directors	8,299	8,440

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. The Company has not granted loans or guarantees to any of its employees.
In 2017, the company introduced an incentive scheme for senior executives based on achievement in HSE, finance and quality. The incentive scheme was set up as a share grant with a maximum of 25% of the basic salary. Settlement for the current year will be made during the first quarter of the following year. Due to the offer from Unity Invest AS (ref note 20), the settlement for the 2017 financial year will be a cash consideration.

Auditor

Remuneration to auditor consist of the following	2017	2016
Audit mandatory by law	426	441
Tax advisory services	0	73
Other non-audit services	0	10
Total	**426**	**524**

NOTE 11 - PENSION COST AND PENSION LIABILITIES

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.
As of 1.1.2017 all employees became members of the new defined contribution hybrid pension scheme with investment choices. All employees are now members of the same pension scheme. Deposits in the scheme for 2017 are 4,164,452, -.

Funded plans

The funded plans were closed and settled as of 2016 and replaced by a defined contribution hybrid scheme with investment choices as of 1/1-17. The company has no remaining obligations related to the old arrangements that have been settled.

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 for non-funded plans:

	2017	2016
Discount rate	2.40%	2.60%
Expected salary increases	2.50%	2.50%
Rate of pension increases	1.50%	0.00%
Increase of National Insurance Basic amount (G)	2.25%	2.00%
Expected return on plan assets	2.40%	2.60%
Social Security Tax	14.10%	14.10%
Disability tariff	KU	KU
Mortality tariff	K2013	K2013

Net periodic pension cost:	***Non-funded plans***		***Funded plans***	
	2017	**2016**	**2017**	**2016**
Current service cost	443	684		2,664
Net interest expense /(income)	246	279		277
Past service cost	-682	2,646		-7,429
Administrative expenses				39
Social Security Tax	1	509		-633
Net pension cost	7	4,119		-5,082
Actual return on plan assets				4.00%

Present value of benefit obligation	***Non-funded plans***		***Funded plans***	
	2017	**2016**	**2017**	**2016**
Present value of benefit obligation at January 1	11,335	8,459		39,889
Remeasurements	-95	-23		-1,748
Present value of the service cost	443	684		2,664
Net interest cost on benefit obligation	246	279		976
Past service cost	-682	2,646		-41,389
Pensions paid during the year	-1,058	-710		-392
Present value of benefit obligation at December 31	10,187	11,335	0	0

Fair value of plan assets	*Non-funded plans* 2017	2016	*Funded plans* 2017	2016
Fair value of plan assets at January 1				32,674
Remeasurements				-2,454
Actual return on plan assets				699
Company contributions				4,240
Administrative expenses				-484
Past service cost				-34,282
Pensions paid during the year				-392
Fair value of plan assets at December 31			0	0

Status of pension plans reconciled to the balance sheet

	Non-funded plans 2017	2016	*Funded plans* 2017	2016
Present value of pension obligations	-10,187	-11,335		
Fair value of plan assets				
Funded status of plans at December 31.	-10,187	-11,335		
Social Security Tax	-1,599	-1,598		
Net pension obligations as at December 31	-11,786	-12,933		

	2017	2016
Total net pension liability non-funded and funded plans recognised at Dec. 31	-11,786	-12,933

Expected payments related to the pension plans in 2018

The Group has no secured pension scheme. However, a payment of NOK 4 million is expected for the Defined-contribution Hybrid pension arrangement in 2018.

The Company's estimated payments for non-funded pension plans are NOK 1.6 million for the fiscal year 2018.

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.

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	
	2017	2016	12/31/2017	12/31/2016
Management fee and technical fee (income)	83,913	78,438		
Interest income ship owning companies	1,603	335		
Interest expenses other related parties				
Receivables ship owning companies			54,426	5,877
Liabilities ship owning companies			0	-130
Long term receivable ship owning companies			40,329	29,604
Total	85,516	78,773	94,755	35,351

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

	2017	2016
Restricted bank deposit payroll withholding tax	3,644	3,969
Restricted bank deposit rent guarantee (*)	0	473
Restricted bank deposit pension liability (*)	7,587	7,512

(*) 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:

	2017	2016
NOK	8,434	8,187
USD	48,528	126,239
Total	56,963	134,426

NOTE 14 - EARNINGS PER SHARE

	2017	2016
Profit / loss for the year (numerator)	-11,272	106,195
Average number of shares outstanding (denominator)	24,546	24,494
Total number of shares issued	24,653	24,653
Earnings per share (NOK)	-0.46	4.34
Diluted earnings per share (NOK)	-0.46	4.31

NOTE 15 - TANGIBLE FIXED ASSETS

	Software and office equipment	Furniture and fixtures	Non depreciable assets	2017	2016
Acquisition costs 01.01	5,561	3,515	240	**9,316**	8,849
Additions during the year	688	631		**1,319**	1,762
Disposals during the year				**0**	-1,296
Acquisition costs 31.12	6,249	4,146	240	**10,634**	9,316
Accumulated ordinary depreciation 01.01	3,134	3,065		**6,198**	5,183
Depreciation during the year	1,068	201		**1,269**	1,209
Accumulated depreciation sold/disposed asset				**0**	-194
Accumulated depreciation and write-off 31.12	4,202	3,266		**7,467**	6,198
Book value as of 31.12	2,047	880	240	**3,167**	3,118
Useful life	3-4 years	6 years	-		3 - 6 years
Depreciation plan	Linear	Linear	Linear		Linear
Depreciation percentage	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 4.9 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:

	2017	2016	
Receivables from shipping partnerships	94,755	35,481	*(ref note 12 - Related parties)*
Deposit and guarantees	7,587	7,984	*(ref note 13 - Bank deposit)*
Accruals	3,116	1,486	
Other receivables	3,840	6,332	
Total receivables	109,298	51,284	

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.

	2017	**2016**
Drawn amount overdraft facility	19,814	8,001
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.
There are covenant requirements for each loan agreements, all of which comply with the requirements at year end.

	2017	**2016**
The groups share of mortgage debt	1,230,792	1,121,388

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:

	2017	**2016**
År 1	3,840	3,895
År 2-5	15,361	15,083
År 6-10	14,821	18,320
Sum	34,022	37,298

The company recognized lease expenses of KNOK 4,260 for 2017 and KNOK 5,308 for 2016.
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 31.12.2017

	12/31/2017		12/31/2016	
Name of owner	**# of shares**	**Ownership**	**# of shares**	**Ownership**
Clipper AS	10,277,332	41.69%	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%	1,269,782	5.15%
Michael Steensland Brun	0	0.00%	981,201	3.98%
SEB Prime Solutions Skandinaviska	0	0.00%	956,346	3.88%
MP Pensjon PK	821,363	3.33%	821,363	3.33%
Skagenkaien Eiendom	0	0.00%	655,902	2.66%
Nye Skagenkaien Eiendom	597,200	2.42%	0	0.00%
Inge Steenslands Stiftelse	500,000	2.03%	500,000	2.03%
Myhre Leif Harald	0	0.00%	400,000	1.62%
Kontrari AS	0	0.00%	382,352	1.55%
Solvang ASA	107,062	0.43%	159,062	0.65%
Øvrige < 1%	2,085,927	8.46%	4,071,726	16.52%
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:

Wenche Rettedal	2,781
Edvin Endresen (CEO)	7,926

Both had accepted the offer that Unity Invest AS had submitted to all shareholders in Solvang ASA prior to the new year. Refer to the details of the offer from Unity Invest AS in note 20.

Proposed dividend
The Board of Directors has proposed no dividend for 2017. There was neither paid a dividend for 2016. The company has no other dividend limitations than those imposed by Norwegian law.

NOTE 19 - TREASURY SHARES

As of 31.12.2017 Solvang ASA had shareholdings of 107 062 treasury shares.
The purpose for buy back of own shares is to offer its employees shares in the company at a discounted pric

Please refer to Note 18 and Note 20 regarding the offer from Unity Invest AS of all shares in Solvang ASA.

NOTE 20 - SUBSEQUENT EVENTS

In November 2017, Unity Invest AS, a consortium consisting of several of the largest shareholders in Solvang ASA, put in an offer for all shares in Solvang ASA with expiry on 13 December. The acceptance due date for the offer was then extended to January 5, 2018. The offer was subject to a minimum acceptance level of more than 90% of the shares in Solvang ASA (including shares held by the members of the consortium).

By the end of the acceptance deadline of January 5, 2018, it was clear that Unity Invest AS had gained acceptance for more than 97% of the shares, thereby executing the purchase and initiating the process of foreclosing remaining shareholders. In connection to this, the company was also delisted with effect from 1 February 2018.

There are no other subsequent events of a material concern.

PARENT COMPANY 2017

Profit & Loss Account | Solvang ASA

Amounts in NOK 1 000	Note	2017	2016
Management fee	10	83,878	78,423
Total Operating income		**83,878**	**78,423**
Salaries and other personnel expenses	8	52,855	48,630
Depreciation	13	1,269	1,209
Other operating expenses	8,13	15,888	17,294
Total operating expenses		**70,012**	**67,133**
Operating result		**13,866**	**11,290**
Ship-owning companies equity method	2	0	66
Other affiliated companies equity method	3	20	85
Other financial income	4,10	7,487	15,930
Other financial expenses	5,10	-9,114	-16,026
Net financial items		**-1,607**	**55**
Ordinary result before tax		**12,258**	**11,345**
Tax on ordinary result	6	3,086	4,122
Net profit or loss for the year		**9,173**	**7,223**

Net profit or loss for the year is distributed as follows			
Dividend		0	
To/from other equity		-9,173	-7,223
Total distributed		**-9,173**	**-7,223**

Balance Sheet | Solvang ASA

Amounts in NOK 1 000	Note	12/31/2017	12/31/2016
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	6	2,742	3,101
Total intangible fixed assets		**2,742**	**3,101**
Tangible fixed assets			
Office equipment, furniture etc	13	3,167	3,118
Total tangible fixed assets		**3,167**	**3,118**
Financial fixed assets			
Investments in subsidiaries	7,15	552,372	552,302
Investments in affiliated companies	3	294	333
Total financial fixed assets		**552,666**	**552,635**
Total fixed assets		**558,574**	**558,854**
Current Assets			
Receivables			
Accounts receivables		483	0
Short term receivables group companies	10,14	0	0
Other short term receivables	10,11,14	57,198	11,275
Total receivables		**57,681**	**11,275**
Cash and bank deposits	11	28,398	53,917
Total current assets		**86,079**	**65,192**
TOTAL ASSETS		**644,653**	**624,046**

EQUITY AND LIABILITIES

Amounts in NOK 1 000	Note	12/31/2017	12/31/2016
Equity			
Paid-in capital			
Share capital	17	123,264	123,264
Treasury shares	18	-535	-795
Total paid-in capital		**122,729**	**122,469**
Retained earnings			
Other equity		409,419	399,147
Total retained earnings		**409,419**	**399,147**
Total equity	**17**	**532,148**	**521,616**
Liabilities			
Provisions			
Pension liabilities	9	11,786	12,933
Total provisions		**11,786**	**12,933**
Current liabilities			
Liabilities to financial institution	15	19,814	8,001
Trade creditors		2,162	2,352
Current liabilities Group companies	10	57,996	63,220
Tax payable	6	2,730	2,654
Public duties payable		9,244	6,016
Dividend	17	0	0
Other short term liabilities	10	8,773	7,253
Total current liabilities		**100,719**	**89,497**
Total liabilities		**112,505**	**102,430**
TOTAL EQUITY AND LIABILITIES		**644,653**	**624,046**

Stavanger, 24th April 2018

Translation only, not to be signed

Cash Flow Statement | Solvang ASA

Amounts in NOK 1 000	**2017**	**2016**
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	12,258	11,345
Taxes paid	-2,654	-1,059
Profit / (loss) on sale of fixed assets	0	324
Depreciation and amortisation	1,269	1,209
Difference between expensed pension and paid in/out	-1,038	-6,243
Result in other affiliated companies	-20	-85
Result in affiliated ship owning companies	0	-66
Changes in inventories, trade receivables and trade payables	-673	6,497
Changes in other current balance sheet items	-9,281	-79,209
Net cash flow from operating activities	**-138**	**-67,287**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale / purchase of tangible fixed assets	-1,319	36,565
Proceeds from subsidiary (Liquidation)	-92	0
Investment affiliated companies	36	40
Proceeds from ship owning companies	0	1,328
Payments to ship owning companies	-37,119	0
Net cash flow from investing activities	**-38,494**	**37,932**
CASH FLOW FROM FINANCING ACTIVITIES		
Changes in overdraft facility	11,813	-37,840
Purchase / sale of treasury shares	1,300	1,320
Change in outstanding accounts group companies	0	59,366
Dividends paid	0	-48,988
Net cash flow from financing activities	**13,113**	**-26,142**
Net change in cash and cash equivalents	**-25,519**	**-55,496**
Cash and cash equivalents 01.01	53,917	12,069
Cash and cash equivalents 01.01 from merger		97,344
Cash and cash equivalents 31.12	**28,398**	**53,917**

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 2017.

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 capitalized at the date of drawdown of the loan and amortized over the loan period.

Pension liability and pension cost

As of 01.01.2017 all employees are members of the newly established defined contribution hybrid pension scheme with investment choices. All employees are then member of the same pension scheme and the old general schemes were terminated. The company has no remaining obligations to the old schemes that have been settled. However, the non-funded schemes will continue as before and consist of defined benefit plans and defined contribution plans.

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.

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 - FINANCIAL MARKET RISK

The company's operations expose the company for low currency risk because income and the majority of cost are normally in the same currency (NOK). However, there is some exposure to currency related to foreign currency bank accounts as well as interim accounts with group companies and other shipping companies that Solvang is the managing director of, but the risk is considered low. The company only have a very limited exposure to credit risk and market risk.

CURRENCY RISK AND INTEREST RISK

Investment in ship owning companies (owned through subsidiary Clipper Shipping AS)

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 3 - AFFILIATED COMPANIES

AFFILIATED COMPANIES INCLUDED UNDER THE EQUITY METHOD OF ACCOUNTING

Company	**Owner -ship**	**Acquisition cost**	**Equity at acquisition**	**Opening balance 01.01.2017**	**Share of net profit**	**Dividend received**	**Translation differences**	**Closing balance 31.12.2017**
Solvang Phillipines Inc	25%	102	102	333	20	-36	-23	294
Total		102	102	333	20	-36	-23	294

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

	2017	2016
Interest income	382	61
Interest received from group companies	0	0
Currency gain	7,060	15,869
Other financial income	45	0
Total	**7,487**	**15,930**

NOTE 5 - FINANCIAL EXPENSES

	2017	2016
Interest and banking expenses	73	312
Interest group companies	1,950	903
Currency loss	6,398	14,184
Other financial expenses	694	627
Total	**9,114**	**16,026**

NOTE 6 - TAX

		2017	2016
Ordinary income/loss before tax		12,258	11,345
Permanent differences related to shares		36	40
Permanent differences		85	219
Permanent differences ship owning companies		0	5,208
Differences related to equity method		-20	-85
Group contribution		-92	-124
Changes in temporary differences		-892	-5,989
Applied loss carried forward		0	0
Net taxable income/loss		**11,375**	**10,614**
Tax Payable	**24/25%**	**2,730**	**2,654**
Tax expenses for the year			
Tax Payable		2,730	2,654
Gross changes in deferred tax / deferred tax assets		240	985
Deferred tax of remeasurement pensions recognized in equity		-26	323
Tax on group contribution		22	31
Effect Change in tax rate		119	129
Total tax on income for the year		**3,086**	**4,122**
Specification of temporary differences:			
Long term temporary differences			
Tangible fixed asset		-134	12
Pension liabilities		-11,786	-12,933
Total		**-11,920**	**-12,921**
Deferred tax / deferred tax assets	**23/24%**	**-2,742**	**-3,101**
Reconciliation tax expenses for the year			
24/25% of ordinary income/loss before tax		2,942	2,836
Changes related to equity method		-5	1,087
24/25% effect of permanent differences related to shares		9	10
24/25% effect of other permanent differences		20	60
Effect of change in tax rate		119	129
Tax cost according to Profit & Loss account		**3,086**	**4,122**

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	268,667
Total Subsidiaries						**552,372,338**

Clipper Shipping AS and Solvang Maritime AS are located in Stavanger.

Solvang ASA has granted a group contribution of 92 101,- to the subsidiary Solvang Maritime AS in 2017, which has been recognized as book value excluding tax.

NOTE 8 - PAYROLL EXPENSES

	2017	**2016**
Personnel expenses		
Salary	39,121	37,858
Employers tax	6,439	6,929
Pension cost	4,505	820
Other benefits	2,790	3,022
Total personnel expenses	52,855	48,630
Number of employees	40	38

Remuneration (in NOK) 2017

	Director's fees	Salary	Bonuses	Pension costs	Other remuneration	Total remuneration
MANAGERS						
Edvin Endresen, CEO		2,390,703	0	319,030	139,709	2,849,442
Tor Øyvind Ask, Dir. Marine Operations		1,998,200	0	207,690	135,991	2,341,881
Tor Augdal, Chief Commercial Director (CCO)		2,011,963	0	317,063	128,788	2,457,814
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**	**6,400,866**	**0**	**843,783**	**404,488**	**8,299,137**

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. The Company has not granted loans or guarantees to any of its employees.
In 2017, the company introduced an incentive scheme for senior executives based on achievement in HSE, finance and quality. The incentive scheme was set up as a share grant with a maximum of 25% of the basic salary. Settlement for the current year will be made during the first quarter of the following year. Due to the offer from Unity Invest AS (ref note 19), the settlement for the 2017 financial year will be a cash consideration.

AUDITOR
The fee to the auditors for 2017 amounts to NOK 320 000, whereof NOK 320 000 relates to audit required by law and NOK 0 for tax advisory. The amounts are reported exclusive of VAT.

NOTE 9 - PENSION COST AND PENSION LIABILITIES

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.
As of 1.1.2017 all employees became members of the new defined contribution hybrid pension scheme with investment choices. All employees are now members of the same pension scheme. Deposits in the scheme for 2017 are 4,164,452, -.

Funded plans
The funded plans were closed and settled as of 2016 and replaced by a defined contribution hybrid scheme with investment choices as of 1/1-17. The company has no remaining obligations related to the old arrangements that have been settled.

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 for non-funded plans:

	2017	**2016**
Discount rate	2.40%	2.60%
Expected salary increases	2.50%	2.50%
Rate of pension increases	1.50%	1.50%
Increase of National Insurance Basic amount (G)	2.25%	2.25%
Expected return on plan assets	2.40%	2.60%
Social Security Tax	14.10%	14.10%

Net periodic pension cost:	**Non-funded plans**		**Funded plans**	
	2017	**2016**	**2017**	**2016**
Benefits earned during the year	443	684		2,664
Interest cost	246	279		277
Past service costs	-682	2,646		-7,429
Administrative expenses	0	0		39
Social Security Tax	1	509		-633
Net periodic pension cost	**7**	**4,119**		**-5,082**
Actual return on plan assets				4.00%

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

	2017	2016
Net actuarial gains/losses 01.01	-4,883	-3,913
Current year actuarial gains/losses	109	-1,293
Tax	-26	323
Net actuarial gains/losses 31.12	**-4,801**	**-4,883**

Status of pension plans reconciled to the balance sheet

	Non-funded plans		Funded plans	
	2017	2016	2017	2016
Present value of pension obligations	-10,187	-11,335		
Fair value of plan assets	0	0		
Funded status of plans at December 31.	-10,187	-11,335		
Social Security Tax	-1,599	-1,598		
Net pension liability recognised at December 31.	**-11,786**	**-12,933**		

	2017	2016
Total net pension liability non-funded and funded plans as of 31.12	-11,786	-12,933

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	
	2017	**2016**	**12/31/2017**	**12/31/2016**
Management fee (income)	83,878	78,423		
Net interest subsidiaries	-1,950	-903		
Interest expenses other related parties	34	0		
Liabilities group companies			-57,996	-63,220
Net receivables ship owning companies			43,148	3,535
Net receivables other related parties			483	692
Liabilities other related parties			0	-17
Total	**81,962**	**77,520**	**-14,365**	**-59,010**

NOTE 11 - RESTRICTED BANK DEPOSIT

In connection with payment of payroll withholding tax, the company has a restricted bank deposit of NOK 2 999 949,-.

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 7 586 938,-
The account is included in other short term receivables.

NOTE 12 - EARNINGS PER SHARE

	2017	2016
Profit / loss for the year (numerator)	9,172,909	7,222,674
Average number of shares outstanding (denominator	24,545,775	24,493,775
Total number of shares issued	24,652,837	24,652,837
Earnings per share (NOK)	0.37	0.29
Diluted earnings per share (NOK)	0.37	0.29

NOTE 13 - TANGIBLE FIXED ASSETS

	Software and office equipment	Furniture and fixtures	Non depreciable assets	2017	2016
Acquisition costs 01.01	5,561	3,515	240	9,316	7,367
Added through merger subsidiary 01.01					1,483
Additions during the year	688	631	0	1,319	1,762
Disposals during the year	0	0	0	0	-1,296
Acquisition costs 31.12	6,249	4,146	240	**10,634**	9,316
Accumulated ordinary depreciation 01.01	3,134	3,065	0	6,198	4,932
Added through merger subsidiary 01.01			0		251
Depreciation during the year	1,068	201	0	1,269	1,209
Accumulated depreciation sold/disposed assets	0	0	0	0	-194
Accumulated depreciation and write-off 31.12	4,202	3,266	0	7,467	6,198
Book value as of 31.12	2,047	880	240	**3,167**	3,117
Useful life	3-4 years	6 years	-		3 - 6 years
Depreciation plan	Linear	Linear	Linear		Linear
Depreciation percentage	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 31.12.2017 there was drawn NOK 19,8 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 31.12.2017.

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 31.12.2016	**123,264**	**-795**	**399,147**	**521,616**
Profit / loss of the year			9,173	9,173
Translation differences *(note 3)*			-23	-23
Remeasurement pension liability (net after tax)			83	83
Treasury shares		260	1,040	1,300
Equity as of 31.12.2017	**123,264**	**-535**	**409,419**	**532,148**

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 31.12.2017

Name of owner	**# of shares**	**Ownership**
Clipper AS	10,277,332	41.69%
Straen AS	5,405,157	21.93%
Audley AS	3,589,014	14.56%
Mertoun Capital AS	1,269,782	5.15%
MP Pensjon PK	821,363	3.33%
Nye Skagenkaien Eiendom	597,200	2.42%
Inge Steenslands Stiftelse	500,000	2.03%
Solvang ASA	107,062	0.43%
Others < 1%	2,085,927	8.46%
Totalt	**24,652,837**	**100.00%**

The board of directors and CEO own or control shares in the company as of 31.12.2017 as follows:

Wenche Rettedal	2,781
Edvin Endresen (CEO)	7,926

Both had accepted the offer that Unity Invest AS had submitted to all shareholders in Solvang ASA prior to the new year. Refer to the details of the offer from Unity Invest AS in note 19.

NOTE 18 - TREASURY SHARES

As of 31.12.2017 Solvang ASA had shareholdings of 107 062 treasury sahares.
The purpose for buy back of own shares is to offer its employees shares in the company at a discounted price.

Please refer to Note 17 and Note 19 regarding the offer from Unity Invest AS of all shares in Solvang ASA.

NOTE 19 - SUBSEQUENT EVENTS

In November 2017, Unity Invest AS, a consortium consisting of several of the largest shareholders in Solvang ASA, put in an offer for all shares in Solvang ASA with expiry on 13 December. The acceptance due date for the offer was then extended to January 5, 2018. The offer was subject to a minimum acceptance level of more than 90% of the shares in Solvang ASA (including shares held by the members of the consortium).

By the end of the acceptance deadline of January 5, 2018, it was clear that Unity Invest AS had gained acceptance for more than 97% of the shares, thereby executing the purchase and initiating the process of foreclosing remaining shareholders. In connection to this, the company was also delisted with effect from 1 February 2018.

There are no other subsequent events of a significant nature.

Fleet

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 Freeport	18,75	TC	NIS	78 700 cbm	LPG/Ammonia	2017
Clipper Vanguard	18,75	TC	NIS	78 700 cbm	LPG/Ammonia	2017
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 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 2017, 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 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

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

- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, 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 present fairly, in all material respects, the financial position of the group as at 31 December 2017, 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.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report which includes the statements on Corporate Governance and Corporate Social Responsibility, 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.

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Independent Auditor's Report - Solvang ASA

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.

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 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 and 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 or the Group'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

Independent Auditor's Report - Solvang ASA

date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 24 April 2018
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant

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

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