

Annual Report

Umoe Gruppen AS



2016



Umoe Gruppen AS

DIRECTOR'S REPORT 2016

Umoe regards climate change as the main threat for mankind. Umoe is also well aware of the risk of economic losses caused by climate change as we have already seen for the coal industry and certain utility companies. Umoe therefore invests in the renewable energy segment and in companies where the results are independent of the prices for non-renewable energy. The operational results of the Group continue to improve compared to 2014 and 2015, and are record high for some segments but still not acceptable for others. In 2016 the improved operational results were offset by the investment in REC Silicon ASA where the share price decline resulted in a NOK 389 million charge to the income statement.

Umoe invests mainly counter cyclically in companies with weak results in mature businesses aiming to create value through active ownership. These values will normally not be visible until we sell. In 2016 Umoe sold its share in two LNG-ships, resulting in a gain of NOK 174 million. In 2015 Umoe sold its shares in Eltel Sønnico AS with a gain of NOK 193 million.

The operational and financial improvements we experienced in our Brazil operations in 2015 continued in 2016. Umoe Bioenergy S.A. is on the right track. However, further improvements are required before the turnaround is completed. Umoe Restaurants group achieved improvement in earnings in most segments in 2016, despite the disappointment of not being allowed by the Competition Authority to merge Peppes and Dolly. The process of preparing for a merger and appealing the refusal to merge, resulted in additional costs of NOK 9 million, expensed in 2016. For REC Silicon ASA, the unsolved trade dispute between USA and China continues to be a problem. During 2016, REC Silicon has operated below full capacity, made write downs and worked hard to gain market shares in new markets to reduce the impact of the import duties imposed on import into China. The share price has declined from NOK 1.79 at the end of 2015 to NOK 1.14 at the end of 2016. Despite the development in REC Silicon ASA, the Board considers the financial result and the underlying value creation for the Group as satisfactory.

Umoe is a Norwegian group, with large investments in sugarcane ethanol in Brazil, and through Umoe Restaurants Umoe owns one of Scandinavia's leading restaurant companies. Umoe is the largest shareholder in the polysilicon company REC Silicon ASA, and through Umoe Gas Carriers the group is a co-owner in a fleet of large specialized tankers of liquefied natural gas (LNG). Umoe is also the majority owner in several medium sized companies. Umoe has one controlling shareholder. Despite this, the Board of Umoe has responsibility and authority as is the case in companies with dispersed ownership. The main owner is both CEO and a Member of the Board, but not the Chairman. Three of the board's five members are external. Umoe follows the Norwegian Code of Conduct for Corporate Governance where it is relevant and useful. This includes, for example, guidelines for equal treatment of shareholders and transactions with related parties.

Umoe has a small staff of highly qualified employees who exercise ownership of the Group's assets. The operational companies have their own management and with few exceptions they are also financed by their own earnings and independent of the Umoe Group. There are few synergies between the various investments in the

portfolio. Value drivers and market conditions for each company are different. This provides flexibility and risk diversification in the portfolio as a whole.

Umoe focuses mainly on counter-cyclical investments in mature industries, with the aim of active ownership leading to strong value creation. In recent years, oil dependent investments have been sold and Umoe has reinvested in renewable energy. The investments in Brazil and in shares in REC Silicon are consequences of this strategy. Umoe's strategy has room for value fluctuations in the underlying assets and the Group's equity is large enough both to invest during weak and falling markets, and to avoid forced sale of assets. Umoe has since the start in 1984 invested in the maritime industry and since the purchase of Umoe Restaurants in 2002, also in Norwegian sheltered industries. Umoe sells businesses when we consider that we no longer are the owner who can add the most value.

Our investments are primarily recorded in the books at historical cost and several of the engagements have a market value that is far in excess of book value. Engagements where the value has decreased during the year are recorded at the lower of cost and their estimated fair value at year end. Umoe puts emphasis on maintaining a sound capital base. The real financial strength is substantially higher than the book equity.

Research and development takes place in the operating companies.

THE OPERATIONS DURING 2016

The group's turnover in 2016 was NOK 4 924 million (NOK 4 572 million). Operating profit before depreciation and amortization was NOK 480 million (NOK 326 million). Profit before tax was NOK -9 million (NOK 54 million). Last year's figures are in parentheses. The profit before tax was impacted by the sale of the ownership in two LNG's, which resulted in a gain of NOK 174 million. In 2015, the gain from selling Eltel Sønnico AS was NOK 193 million.

Total assets amounted to NOK 4 529 million (NOK 4 828 million). Book equity amounted to NOK 1 464 million as of December 31st (NOK 1 267 million), corresponding to an equity ratio of 32.3% (26.3%). Cash flow from operating activities in 2016 was respectively NOK 232 million (NOK 190 million) and NOK -7 million (NOK -183 million) for Umoe Gruppen AS-Group and Umoe Gruppen AS. Total investments amounted to NOK 441 million (NOK 434 million). The non-group debt in Umoe Gruppen AS and Umoe AS at year end 2016 has been reduced to NOK 55 million, and the Board considers the Group's liquidity to be prudent.

OUR MAIN BUSINESS AREAS

Umoe Bioenergy S.A.

Umoe Bioenergy S.A. (UBE) is a 100 % owned subsidiary of UBE Gruppen AS, which produces clean and renewable ethanol from sugar cane. UBE cultivates and harvests almost all of the sugarcane on about 40.000 hectares of owned and leased land in the southwest region, Paranapanema, in the state of São Paulo, Brazil. The company's industrial plant has a crushing capacity of 2.6 million tons of sugar cane per year. UBE owns and operates its own equipment for harvesting operations that are close to 100% mechanized. UBE Group, which includes the holding company UBE Gruppen AS, had a turnover of NOK 782 million (NOK 703 million). Operating profit before depreciation and amortization was NOK 234 million (NOK 391 thousand), after a reversed write-down of the agricultural produce (sugarcane) with NOK 44 million, and the profit before tax was NOK 61 million (NOK -232 million). The Brazilian real has strengthened its position against Norwegian kroner to NOK/BRL 2.64 at the end of 2016, from NOK/BRL 2.00 in September 2015.

In 2016 UBE harvested 2.23 million (2.09 million) tons of sugar cane. This resulted in a production of 172 million (154 million) liters of regular ethanol. Of this, 85 million (87 million) liters was converted to water-free ethanol (anhydrous) that can be blended into gasoline and command a higher price than regular ethanol. The biological warehouse has had a positive development in 2016 due to better productivity in the form of tons cane per hectare. The productivity, partly dependent on climate, is still below expectations and is the main focus of UBE. During 2016 the Group has supported UBE with a loan of BRL 19 million. No major transfers of funds are expected for 2017.

At the end of November UBE Gruppen AS received a formal letter from the Central Tax Office for Large Enterprises stating that they had concluded that UBE Gruppen AS should not be allowed to deduct a loss of NOK 1.2 billion in the taxable income for 2010. Umoe is still of the opinion that the loss is deductible, and has appealed this ruling. UBE Gruppen AS has been permitted to postpone the tax settlement, which – in case the final ruling goes against UBE Gruppen AS – will be sought offset against other deferred tax losses and therefore not result in payable tax.

Umoe Restaurants AS

Umoe Restaurants AS (UR) is one of Scandinavia's leading restaurant groups with 208 self-owned and 194 franchise restaurants in Norway, Sweden and Denmark. The company operates the chains Burger King, Peppes Pizza, TGI Friday's, Starbucks and Blender. Blender consists of several different concepts which are located at airports and shopping centers, as well as some concept restaurants in city centers. UR also owns 50% of Rail Gourmet Togservice Norway AS and 49% of HMSHost-UMOE F&B Company AS. The revenue from self-owned restaurants and franchise income for 2016 was NOK 2 918 million (NOK 2 724 million). Operating profit before depreciation and amortization was NOK 217 million (NOK 214 million) and profit before tax was NOK 45 million (NOK 43 million). The 2016 profit includes costs of NOK 9 million connected to the stranded attempt to merge Peppes with Dolly and a gain of NOK 7 million from purchasing and selling a property in Denmark. Also, the high number of new self-owned restaurants compared to last year, as expected put some initial strain on the earnings.

The main focus in Umoe Restaurants in 2016 has been to ensure that the expansion continues according to plan and within the franchise agreements which were entered into with Burger King Corporation and Starbucks at the end of 2012. The Burger King agreement gives Umoe Restaurant the responsibility to monitor the operations of Burger King in Norway, Sweden and Denmark. Resulting from this agreement, 38 (17) new Burger King restaurants were opened in 2016 in these 3 countries (whereof 19 are owned by Umoe Restaurants). The goal is to continue this growth in 2017. The Starbucks agreement gives Umoe Restaurants an equivalent responsibility for Starbucks in Norway and Sweden, where six new Starbuck restaurants were opened, one in Norway and five in Sweden. The same rate is planned for 2017. In Peppes Pizza, much focus has been on the attempt to merge Peppes Pizza with Dolly Dimples. However, the merger was refused by the Norwegian Competition Authority in 2016. With a new management team in Peppes and a right sized organization that takes into account that the merger did not come through, Peppes aims to ensure that the Peppes-brand continues to set the standard in the restaurant and takeout/home delivery markets for pizza. TGI has not developed according to expectation, reporting a declined turnover in 2016, despite opening one new restaurant in Sweden late in 2016. The reduced operating profit in TGI to a large extent offset the gains achieved in the other segments for 2016. Measures has been taken to stop the negative trend, however it is still too early to conclude on the effectiveness of these measures. Blender has continued to focus the portfolio of brands during 2016, reducing the number of restaurants with five, resulting in somewhat lower revenue, but maintaining the earnings. From January the 1st, 2017, the responsibility for the Gardermoen airport-restaurants have been transferred to the HMSHost – Umoe joint venture, where Umoe is a 49% owner. The joint venture is responsible for 10 different restaurants/concepts at the Gardermoen main airport, where the last one will open in April 2017. As a consequence of Umoe owning 49%, the income and profit from these restaurants will be reported as an associated company from 2017. The remaining airport-restaurants are planned transferred to the joint venture when the different contracts are renewed in the coming years. Westend Bakeri has produced results in line with 2015, despite some mechanical challenges. The products are continually improved through close collaboration with the largest customers.

UR is continuing its growth throughout Scandinavia in 2017. As in 2016, the growth will be particularly strong for the Starbucks and Burger King brands.

Umoe Gas Carriers AS

Umoe Gas Carriers AS (UGC) is the group's holding company for the group's LNG-ships. The company is part owner of a modern fleet of large specialized tankers for transport of liquefied natural gas (LNG). The Group's vessels are chartered on time charter contracts with first class energy companies. Knutsen OAS Shipping in Haugesund is responsible for the operational management of the vessels. Since the ownership interest is below 50%, they are reported as associated companies in the income statement. The company had a satisfying year in 2016 and had no off-hire due to unplanned events. The LNG business resulted in a profit of NOK 112 million (NOK 32 million). Profit after tax was NOK 491 million (NOK 37 million). The 2016-profit is partly affected by the purchase of half of the ownership interests held by our Spanish partner early 2016 and partly by the sale of the ownership in "Iberica" and "Ribera del Duero" at the end of 2016, where the sales resulted in a gain of NOK 174 million and a release of tax accruals with NOK 145 million. The proceeds from the sale have been converted into NOK reducing the currency exposure.

UGC is affected by fluctuations in currency and interest rate markets. The currency risk is significant, since 2/3 of the revenues are in USD and the rest is in EUR, while operating expenses are essentially in European currencies. UGC uses active strategies and financial instruments to mitigate this risk, especially in the ship owning companies. The long term USD and EUR-loans also represent a natural hedge. In addition, a significant portion of the debt is hedged through long-term interest rate contracts. In February 2017, "Bilbao" was refinanced, leaving only one more vessel to be refinanced during 2017. The second refinancing is expected completed within June 2017.

REC Silicon ASA

REC Silicon ASA (REC) is a leading global producer of advanced silicon materials with high quality. The company has a production capacity of approximately 20 000 tons of polysilicon annually from two US-based manufacturing plants and has a 49% ownership interest in a Joint Venture in Yulin, China which will have a yearly capacity of approximately 19 000 tons of polysilicon. REC Silicon is listed on the Oslo Stock Exchange (ticker: REC).

Two persons from Umoe AS' management are members of the company's board, and Umoe AS has an ownership interest of 23.28%, including shares on forward contracts. Umoe's investment in REC is treated as an associated company.

REC's revenues in 2016 ended at NOK 2 295 million (NOK 2 662 million), while the operating profit before depreciation and amortization was NOK -259 million (NOK -105 million) and profit before tax was NOK -2 084 million (NOK -1 534 million), after impairment write-downs of NOK 782 million. These impairment write-downs come in addition to the NOK 1 223 million in write-downs made in 2015. The earnings in 2015 and 2016 were strongly influenced by excessive global polysilicon inventories worldwide at the start of 2015 combined with a new custom duty on export of polysilicon from USA into China which reduced REC's access to the Chinese market. To meet this overcapacity outside China, the company has reduced the production at the Moses Lake plant. This situation has continued for most of the 2016. Umoe participated in a share issue in the summer of 2015. The capital from this issue enabled REC to meet its debt obligations in 2016.

In the group-accounts of Umoe Gruppen the ownership of REC is booked to the lower of market price at the stock exchange and the purchase cost adjusted for Umoe's share of historic earnings. With a share price of NOK 1.14 per share at year-end, this has led to an accumulated write-down of NOK 748 million at year-end. The market value as of the 13th of June 2017 was NOK 16 mill. lower than the book value at year-end 2016. It is expected that the price of polysilicon achieved by REC will continue to stay low until the custom duty has been removed.

Other companies

These companies have an estimated market value of about NOK 900 million, where the Umoe Eiendom group (real estate) amounts to NOK 280 million. The companies consist of Sønnico AS, Umoe Consulting AS, Umoe Eiendom AS, Umoe Forestry AS, Umoe Industries AS (former Umoe Alu Services AS), Umoe Mandal AS and the Umoe Wind group. These companies reported a combined revenue in 2016 of NOK 1 248 million (NOK 1 251 million). Operating profit before depreciation and amortization amounted to NOK 84 million (NOK 158 million) and profit before tax of NOK 44 million (NOK 103 million). The 2015-profit includes different one-time effects in Umoe Mandal AS of in total NOK 85 million.

Umoe's goal with the ownership in these companies is to create value by ensuring that they have competent boards and have the necessary funding. It is also desirable that management has minority positions in the companies that they manage, to ensure that Umoe and management interests are aligned and that management can take part in the value creation achieved.

Sønnico AS is an electro contractor firm with more than 300 employees, and eight offices in Norway. Sønnico had a major turnaround in 2014, and now has had two years with positive earnings, where 2016 exceeded the 2015-earnings. The focus in the coming years will be to improve sales and increase the utilization of the network, especially by being awarded larger long term contracts. The prospects for 2017 are promising for the company.

Umoe Consulting (UC) is a Bergen-based consultant firm with more than 30 employees that offers expert advice, development and management of computer systems, with focus on Business Intelligence, systems development and project management. After a very weak 2015, the 2016-numbers were positive, mainly due to the shutdown of the Oslo-department. Umoe Consulting operates in a very competitive market, where many large projects has

been outsourced abroad. Despite the foreign competition, Umoe Consulting manages to be an attractive business partner to large companies. The success of UC is dependent on continuing to serve these customers in a professional manner also in the future.

In Umoe Eiendom, the property portfolio consist of yards, housing sites and offices, and covers an area of approximately 600 000 square meters of land in eight different locations in Norway. The earnings in 2016 were in line with 2015. For Røyken Sentrumsutvikling, Umoe is now testing the market for housing sites, while the property in Haugesund, which is rented out on a long term rental to Aibel, is likely to be renewed at improved terms before the option in the current contract expires in 2018. The earnings for 2017 are expected to be in line with 2016.

Umoe Forestry AS manages the ownership in Fornebu Lumber Company Inc. (FLC), which produces building materials that are mainly exported to the US property market and administers large forests in New Brunswick on behalf of the state. Yearly production in the sawmill is approximately 375 000 m³. The development in FLC has been very positive over several years, and FLC exceeded prior year's record earning once more in 2016. Even though the prospects for 2017 are promising, there is some uncertainty about how the Softwood Lumber Agreement with the US will be replaced.

Umoe Industries AS (UIN), with its close to 30 employees, are primarily working with mechanical production for customers within the Oil, Gas and Alu-industries, partly in own yards and partly through subcontractors in Poland and China. To improve communication and increase the attractiveness towards customers within the Oil & Gas industry, UIN changed its name from Umoe Alu Services at the end of 2016. In 2016 UIN had another good and profitable year, despite the continued low activity in the Oil & Gas industry. At the beginning of 2017 UIN purchased the shares of Skude Industries, a company with around 50 employees, to be able to meet the expected increase in demand from both the Oil & Gas industry as well as the Alu-industry.

Umoe Mandal AS (UM) and its subsidiary Umoe Advanced Composites AS (UAC) has more than 160 employees and is an international leader in advanced composite applications for the maritime, Oil & Gas and naval industries. During the last years UM has invested heavily in developing a new composite vessel concept which will serve offshore windmills; the Wavecraft-vessel. UM is currently producing vessel number three in the series, which has been contracted by Umoe Cautus AS, a company owned 100% by Umoe AS. The advantages of these vessels is the high speed, the ability to operate in high waves and light weight. UM expects these vessels to be competitive on wind farms far out from the coast line, and new vessels can be redesigned to fit to different operational environments and use. UM is also investigating the market for transporting oil workers to their offshore oil platforms as well as civil passenger transport, where this concept could be advantageous. In addition to the Wavecraft vessels and maintenance work for The Royal Norwegian Navy, UM has developed and produced prototype parts for Textron Marine and Land. This work has resulted in a new contract for components to eight ships. During 2016, UAC strengthened its position by increasing the customer base, after losing most of the Oil & Gas customers in 2015 due to the drop in the Oil & Gas sector. Both UM and UAC, are dependent on improving the long term order book to be able to deliver healthy profitable results in coming years.

Umoe Wind II AS and Umoe Unda AS (Wind) are companies owned by Umoe AS, which purpose is to own and operate Umoe Firmus, the group's Wavecraft vessel. Two new companies have been established in 2017, which will own and operate Umoe Rapid delivered from Umoe Mandal in the second quarter of 2017. At the time being there is some overcapacity within the sector. However Umoe expects the long term prospects for the sector to be positive, with a lot of new offshore windmill-parks in the pipeline. Many of these windmill-parks will be further from the coastline, improving the competitiveness of our vessels. Umoe is securing the Wind operation with a bridge loan and operational loans.

FINANCIAL MARKET RISK

The Group is exposed to various risks such as market risk, credit risk and liquidity risk. Unwanted risk is reduced, respectively, by entering into long-term contracts, prepayments, natural hedging, receiving guarantees and credit lines in reputable banks or investing surplus liquidity. For a more detailed overview of the various risks, see note 2 to the accounts.

PROFIT FOR THE YEAR

The parent company, Umoe Gruppen AS, had a profit in 2016 of NOK 188 234 000. The Board of Directors proposes the profit to be allocated as follow:

Proposed dividend	-20 000 000
Transferred to Other equity	-168 234 000
<hr/> Total transfers and allocations	<hr/> -188 234 000

In accordance with the requirements placed by the Norwegian accounting legislation §3-3, the Board of Directors confirms that the accounts have been prepared on the assumption that the Group is a going concern.

PERSONNEL AND ENVIRONMENT

Umoe Gruppen AS has no employees. The group had 5 371 employees, 3 824 full-time equivalents (4 070). The absence rate due to sickness for the group was 2.8% (3.2%). There have been 22 injuries resulting in absence the following day in 2016, compared to 19 injuries last year. All of the Umoe companies work with the intention to reduce accidents and thereby also personal injuries.

Also in 2016, the group conducted a survey of the work environment in most of the Norwegian companies. The study shows positive feedback regarding the working environment. There are still areas for improvement in individual companies, which each individual company addresses locally. A similar survey is planned for the autumn of 2017.

Umoe does not discriminate between genders. This happens through equal pay for equal work and when hiring new people competence, experience, and qualifications to meet the requirements of the position are emphasized. The company strives to be an attractive employer for all employees, regardless of gender, disability, religion, creed, ethnic or national origin. For Umoe Restaurants in particular it is very important to be a good first employer for a large number of very young employees with diverse backgrounds. At the end of 2016, the Umoe Group had 35.9% female and 64.1% male employees. The Board consists of four men and one woman.

To the Board's knowledge the various group companies have aligned their operations according to company-specific environmental regulations and directives in the respective sectors and countries they operate in. In addition to the various regulations from authorities, Umoe has invested heavily in renewable energy and reduction of CO² emissions through its sugarcane-ethanol project in Brazil and the investment in REC Silicon.

FUTURE PROSPECTS

There seems to be an increased conflict between the largest economies in the world, each country simultaneously aims to increase its exports of goods and services, while at the same time attempting to increase domestic production and reduce imports to further reduce unemployment. The stated objectives of the new US administration has increased the level of uncertainty as regards the future of international trade. Also confidence in international institutions has declined and some important decision makers are denying or ignoring the threat of global warming.

Despite this Umoe maintains its strategy. Mainly located in Norway, an open economy, with a reduced contribution from the Oil & Gas industry, the need to stay competitive, always delivering high quality and good customer experiences is critically important, whether the product is a pizza or high technology product as a ship. Umoe believes that while some major decision makers around the world do not care about the CO²-emission now, eventually they will have to do something about it. The air quality in most major cities, especially in China and India, already results in thousands of premature deaths, low life quality, and a new type of refugees. For many of these cities, an obvious solution should be electrical cars, machines and factories, fueled by clean electric renewable energy from the sun or other clean renewable energy sources. Umoe's activities outside of Norway are well positioned to benefit from efforts to combat pollution and climate change.

For our Norwegian sheltered entities, Umoe is dependent on a normal economic growth, while for the exporting companies the development of the Norwegian kroner and market access is important. For the ethanol production in Brazil, where the prices of ethanol are increasingly correlated with the oil price and the purchasing power of the domestic market, Umoe expects the situation to improve during 2017. For REC Silicon, it appears as if prices have started to improve, and with new Indian and African markets opening up, together with increased public awareness of the global warming and local air-pollution, the prospects are somewhat more positive.

Umoe follows the development in the markets closely to ensure that our subsidiaries adapt to the economic realities and also allow room for new initiatives. The focus from owners and management is to ensure that measures are taken as soon as it is necessary to ensure profitability and a secure financial development. At the same time great importance is placed on following the various segments carefully so that the group can be an active participant in restructuring and industry consolidation.

Fornebu, 13th of June 2017

Sign.
Johan Fr. Odfjell
Chairman of the board

Sign.
Ragnhild Kierulf Ulltveit-Moe
Board member

Sign.
Harald Norvik
Board member

Sign.
Victor D. Norman
Board member

Sign.
Jens Ulltveit-Moe
Board member and CEO

Umoe Gruppen AS

Income Statement	Notes	Umoe Gruppen AS		Consolidated	
		2016	2015	2016	2015
Amount in NOK 1 000					
Revenue		0	0	4 822 269	4 510 129
Other operating income		0	0	101 620	61 393
Total revenue	3	0	0	4 923 889	4 571 522
Cost of goods sold		0	0	-1 773 346	-1 708 435
Payroll and social expenses	4, 16	-799	-799	-1 324 758	-1 304 832
Depreciation of fixed- and intangible assets	7	0	0	-330 334	-363 069
Write-down/reversed write-d. of fixed assets	7	0	0	30 938	53 996
Other operating expenses	5, 6, 8	-1 797	-1 375	-1 346 176	-1 231 881
Operating profit		-2 596	-2 174	180 213	17 301
Gain/loss/write-down/dividend subsidiaries		193 281	0	0	0
Share of profit/loss from associated companies		0	0	-103 789	232 875
Financial income		8 219	4 759	16 314	29 611
Currency gain/loss		-1 960	6 118	61 497	-50 160
Financial expenses		-10 364	-6 746	-163 168	-175 162
Net financial items	12	189 176	4 131	-189 146	37 164
Ordinary profit / (loss) before tax		186 580	1 957	-8 933	54 465
Tax income (+) / tax cost (-)	17	1 653	-437	179 586	12 058
Net profit / (loss) of the year	15	188 233	1 520	170 653	66 523
Minority's share of the profit/loss	15	0	0	-185	-10 108
Profit/loss for the year after minority	15	188 233	1 520	170 468	56 415
Attributable to:					
Proposed dividend		-20 000	-20 000		
Transfer to (-) / from (+) other equity		-168 233	18 480		
Total transfers and allocations		-188 233	-1 520		

Umoe Gruppen AS

Balance Sheet

Amount as of 31.12. in NOK 1 000

	Notes	Umoe Gruppen AS		Consolidated	
		2016	2015	2016	2015
Assets					
Research and development	7	0	0	2 498	2 989
Dev. software, trademarks, other rights etc.	7	0	0	33 366	31 833
Deferred tax asset	17	517	0	2 825	849
Goodwill	7	0	0	36 374	47 927
Total intangible assets		517	0	75 063	83 598
Grounds, buildings and other real estate		0	0	553 539	463 251
Rental contracts		0	0	341 971	282 709
Equipment		0	0	830 360	767 651
Ships, rigs, etc.		0	0	76 686	80 000
Fixtures and fittings, tools, etc.		0	0	155 523	98 849
Total fixed assets	7	0	0	1 958 079	1 692 460
Investments in subsidiaries	9	3 365 474	3 365 174	0	0
Loans to group companies	18	534 682	97 647	0	0
Investments in associated companies	9, 10	0	0	876 439	1 501 678
Loans to associated companies		0	0	50 915	0
Other shares	11	0	0	23 305	17 517
Other long-term receivables		1 814	1 725	60 037	63 754
Total financial assets		3 901 970	3 464 546	1 010 696	1 582 949
Total non current assets		3 902 487	3 464 546	3 043 838	3 359 007
Inventories					
Inventories	13	0	0	688 490	517 507
Accounts receivable		253	0	315 563	264 520
Construction contracts	14	0	0	44 947	38 039
Short-term intercompany receivables		193 281	176	0	0
Other short-term receivables		211	92	181 744	294 197
Total receivables		193 745	268	542 254	596 756
Cash and cash equivalents - non-restricted		173	207	239 135	339 173
Cash and cash equivalents - restricted		38	77	15 210	15 920
Total cash and cash equivalents		211	284	254 345	355 093
Total current assets		193 956	552	1 485 089	1 469 356
Total assets		4 096 443	3 465 098	4 528 927	4 828 363

Umoe Gruppen AS

Balance Sheet

Amount as of 31.12. in NOK 1 000

	Notes	Umoe Gruppen AS		Consolidated	
		2016	2015	2016	2015
Equity and debt					
Share capital		375 000	375 000	375 000	375 000
Share premium		250 375	250 375	250 375	250 375
Total paid-in capital	15	625 375	625 375	625 375	625 375
Other equity		2 661 316	2 493 081	804 450	592 828
Minority interests		0	0	34 152	49 267
Total equity	15	3 286 691	3 118 456	1 463 977	1 267 470
Liabilities					
Pension liabilities	16	0	0	3 997	7 205
Deferred tax	17	0	1 136	159 400	360 938
Accrual regarding associated companies	10	0	0	28 263	29 614
Other non-current liabilities		0	0	61 799	43 144
Total provisions for liabilities and charges		0	1 136	253 459	440 902
Debt					
Long-term debt to credit institutions	18	0	0	1 302 324	1 604 745
Long-term intercompany debt		525 498	41 183	75 498	41 183
Other long-term debt	18	28 215	27 636	29 250	71 609
Total long-term debt		553 713	68 819	1 407 072	1 717 537
Current liabilities					
Short-term debt to credit institutions	18	0	0	364 267	374 071
Accounts payable		459	207	425 067	460 190
Tax payable	17	0	0	8 957	2 565
Accruals for public duties		63	62	210 445	191 381
Dividend and group contributions		20 300	20 200	21 745	20 613
Advance payments from customers		0	0	41 659	15 238
Short-term intercompany interest-bearing debt		235 123	256 116	0	0
Other short-term debt		94	102	332 279	338 396
Total current liabilities		256 039	276 687	1 404 419	1 402 454
Total equity and debt		4 096 443	3 465 098	4 528 927	4 828 363

Fornebu, 13th of June 2017

Sign.

Johan Fr. Odfjell
Chairman of the board

Sign.

Ragnhild Kierulf Ulltveit-Moe
Board member

Sign.

Harald Norvik
Board member

Sign.

Victor D. Norman
Board member

Sign.

Jens Ulltveit-Moe
Board member and CEO

Umoe Gruppen AS

Statement of cash flows	Notes	Umoe Gruppen AS		Consolidated	
		2016	2015	2016	2015
Amount in NOK 1 000					
Cash flow from operating activities:					
Profit before tax		186 580	1 957	-15 872	54 465
Paid taxes	17	0	0	-36 713	-31 984
Share of profit(-)/(+)loss of associated companies/ subsidiaries		0	0	-55 889	-183 437
Gain(-)/loss(+) from sale of fixed assets		0	0	-15 188	-782
Depreciation of fixed- and intangible assets	7	0	0	330 334	363 069
Write-down of fixed- and intangible assets		0	0	135 680	-103 414
Effect of currency changes		0	0	42 347	-6 638
Difference between expensed and net paid pensions		0	0	-3 237	1 115
Changes to inventory, accounts payable and receivable		-1	-31	-248 712	125 303
Other changes		-193 129	-184 910	99 546	-27 241
Net cash flow from operational activities		-6 550	-182 984	232 296	190 456
Cash flow from investing activities:					
Cash inflow from sale of fixed/intangible assets	7	0	0	47 122	85 566
Cash outflow from purchase of fixed/int. assets	7	0	0	-441 419	-433 895
Net proceeds from sale of shares etc. in other companies		-300	-7 696	538 316	153 102
Net proceeds from sale of other investments		-437 124	-16 339	20 492	173 261
Net cash flow from investment activities		-437 424	-24 035	164 511	-21 966
Cash flow from financing activities:					
Cash inflow from raising interest-bearing debt		484 894	19 168	271 816	487 572
Cash outflow from repayment of interest-bearing debt		-20 993	207 475	-752 838	-644 462
Net payments to/from minority interests		0	0	-15 044	-1 706
Change in equity - majority		-20 000	-20 000	-1 489	-19 192
Net cash flow from financing activities		443 901	206 643	-497 555	-177 788
Net change in cash and cash equivalents		-73	-376	-100 748	-9 298
Cash and cash equivalents at the 1 st of January		284	660	355 093	364 391
Cash and cash equivalents at the 31st of December		211	284	254 345	355 093
Unutilized overdraft/credit facility		0	0	584 845	219 740
Liquid reserves		211	284	839 190	574 833

Umoe Gruppen AS

ACCOUNTING PRINCIPLES

The accounts have been prepared in accordance with the Norwegian Accounting Act of 1998 and Norwegian generally accepted accounting practices (NGAAP).

The Group presents its financial statement in Norwegian kroner (NOK), which is the group's functional currency.

Consolidation principles

The consolidated accounts include the holding company and all subsidiaries in which the holding company directly or indirectly owns more than 50 per cent of the voting capital and/or has a controlling interest. The subsidiaries are specified in a separate note to the accounts. All significant intercompany transactions and balances have been eliminated. Acquired companies are consolidated in the accounts using the acquisition method. The difference between the cost price assigned to the individual assets and the book value of net assets at the time of acquisition is added to/deducted from the assets to which the added value/shortfall in value is related to. Excess value is allocated to goodwill. Companies acquired during the year are consolidated in the profit and loss from the date of acquisition. Companies that are sold during the year are consolidated in the profit and loss up to the date of the sale. Goodwill is amortized over its economic life.

Minority interests are shown as a separate item under equity in the balance sheet. In the profit and loss account, the minority interest's share of the profit/loss is calculated on the profit/loss after tax.

Associated companies are entities where the group has significant influence, but not control. Significant influence normally exists where the Group has ownership between 20% and 50%. Investments in associated companies are recognised using the equity method in the consolidated accounts. The Group's share of the income is presented as a part of the net financial items in the income statement. Shares in associated companies are classified as financial assets in the balance sheet.

Ownership interests, that are neither subsidiaries nor associated companies, are booked to acquisition method in the Group accounts.

In the enterprise's annual accounts, all investments are valued to acquisition cost and are written down to fair value if the decrease in value is not temporary.

Foreign subsidiaries' balance sheet items are translated at the balance sheet date rate, while profit and loss items are translated at the average exchange rate for the year in question. Any differences in rates are recognized directly to equity as translation differences.

Revenue recognition and cost accounting

Sales of goods and services are recorded as operating revenue stated at fair value. Sale of goods is considered at the time of delivery and when most of the risk and reward is transferred. Sale of services is recognised in time with the performance. In the case of long-term manufacturing contracts and construction contracts, revenue is recognized on the basis of percentage of completion method. Costs are recorded in the same period that related income is recognized.

Construction contracts/long-term manufacturing contracts

Earned income on construction contracts is for the constructor considered as earned rights against the customer and is classified as operating revenue in the income statement. The income is allocated to net income proportionally with the project's degree of completion and the progress is normally calculated as a present of incurred cost on total cost. When the transaction's outcome cannot be estimated reliably, only the income, corresponding to the project expenses, will be allocated to net income. In the period it is identified that a project will give negative outcome, the estimated loss on that contract will be accounted for in its entirety. Bonuses on contracts are included as income only when the amount is determined with reasonable certainty and when it is determined that the bonus will be obtained.

Construction contracts under construction are recorded in the balance sheet to its calculated value with deduction of invoiced amount. Invoicing in excess of calculated earned income is classified as advance from costumers. Construction contracts in foreign currency which is not forward covered, is valued to the exchange rate at balance sheet date.

Goodwill and other intangible assets

Goodwill is the deviation between the acquisition cost and the fair value of the Group's share of net identified assets in the bought entity at the time of purchase. The time of depreciation is five years if not a longer period is justified. Costs of other intangible asset are recognised in the balance sheet as long as it can be identified future economic benefits that are attributable to the asset and the costs can be measured reliable. Otherwise, the costs will be expensed as they incurs. Intangible assets with limited economic life are depreciated according to their plan. When there are indications of impairment, capitalised goodwill and intangible assets will be tested for decrease in value and if the fair value is lower than booked value, they will be written down.

Fixed assets

Operating equipment is recorded in the balance sheet at historical cost less straight-line depreciation over the expected technical/economic life of the asset. Land, artworks, etc., are not depreciated. Fixed assets are valued at the lower of the book value and fair value unless a fall in value is considered to be of a temporary nature. Gains on the sale of operating equipment are recorded as operating revenue and losses from other operating expenses, while gains and losses on the sale of long-term shareholdings are recorded as financial items.

Biological assets

Biological assets are divided into bearer plant (the root of the cane or trees, etc.) and agricultural produce (standing cane, log, etc.). Bearer plants are classified as fixed assets, and are booked at cost, which includes all cost related up to planting (e.g. soilpreparation) and the planting itself. The cost is depreciated under a useful life of normally 5 cuts (one cut a year). Bearerplants are written down to fair value, if this value is lower than book value. Agricultural produces are classified as inventory and are booked at full production cost, which includes salary, fertilizers, correctives, pesticides, herbicides, etc. The cost is transferred to finished goods inventory when harvested and if fair value is lower than the book-value, a write-down is made.

Inventories

Inventory is recorded to full production cost, and are valued to the lowest of fair value and cost.

Receivables

Accounts receivable and other receivables are booked to face value deducted for expected loss. Losses on receivables are based on individual estimations of the respective receivables.

Other current assets

Other current assets, including shares and securities, are recorded at the lower of their fair value and cost. Market-based short-term investments are recorded at their fair value.

Receivables and liabilities in foreign currencies

Cash, current and long-term receivables and liabilities denominated in foreign currencies are recorded in the balance sheet at the exchange rate applicable on the date when the accounts are closed. Realized and estimated foreign exchange losses are recorded as financial expenses. When the receivable or liability is hedged by way of a forward contract or other contracts, the contract's exchange rate is applied. Exchange rate differences which arises on monetary items is posted to the income statement as a main rule. If the monetary item is neither planned nor in substance is likely to occur in the foreseeable future, it is considered as a part of the entity's net investment in that foreign subsidiary and it is posted directly to the equity.

Latent liabilities and provisions for warranties

Provisions for estimated losses are made for latent liabilities and conditional outcomes. Provisions are made for warranty obligations and for special circumstances that exist when the accounts are presented. The warranty period is normally one year.

Leasing

Operating equipment financed by means of a financial lease is capitalized and depreciated. The purchase price, less any advance rent paid, is presented as debt and the rent paid for the lease is treated as interest on and repayment of debt. Lease expenses related to operational leasing agreements, where the risk and return is not transferred, is treated as operating expenses and recognized over the contract period.

Research and development costs

All cost connected to development is capitalized if a future benefit it can be reliably measured for an identifiable asset. Until the criteria's are met, the costs will not be capitalized. Capitalized development is depreciated over the expected technical/economic lifetime. All cost connected to research is expensed.

Public subsidies

Subsidies received are classified as either operating subsidies or investment subsidies. Operating subsidies are recorded in the profit and loss account together with the income they are intended to increase or the costs they are intended to reduce. Investment subsidies are recorded gross in that the asset is stated at its gross cost and depreciated over its economic life. The subsidies are dealt with as deferred income and recorded in the profit and loss account as a correction to the depreciation, in line with the depreciation period of the asset.

Pension liabilities

Net pension costs, together with the effect of changes in estimates/assumptions, are in their entirety classified as payroll expenses in the profit and loss statement. In the balance sheet, net pension assets in the funded schemes are classified as fixed assets, while net unfunded pension liabilities are classified under provisions. The amount for unfunded pension liabilities/net pension assets also includes the social security tax that will accrue/have actually been paid at the prevailing rates.

Deviations between the estimated pension liabilities/ estimated value of pension assets at the end of the previous financial year and the actuarially calculated pension liabilities/actual value of pension assets at the beginning of the year are considered in a corridor, and any deviation in excess of 10% is amortized over the average remaining earnings period.

Payments regarding contribution-based schemes is booked as expenses continuously or when due.

Taxes

The profit and loss account shows taxes payable and deferred tax together as the tax charge. The balance sheet shows the tax calculated on the basis of the taxable profit for the year as tax payable under current liabilities. Deferred tax/deferred tax assets are calculated on the basis of the temporary differences that exist at the year-end between values for taxation purposes and values for accounting purposes, as well as carry-forward losses for tax purposes. Tax calculated on net positive temporary differences is shown as deferred tax under provisions. The remaining part of the net deferred tax assets, within the different tax regimes, to the extent that it also meets the requirements for recognition in the balance sheet, is shown as a deferred tax asset under fixed assets.

Statement of cash flow

The cash flow statement is presented using the indirect method.

Notes

Amounts in NOK 1 000, if not stated other vice

Note 1 Major events

2016

15th of February 2016, Umoe Gas Carriers, together with our Norwegian partner, bought our Spanish partners share of the LNG-activity. After the purchase, Umoe Gas Carriers owns close to 50% of the LNG-activity.

On the 25th of February 2016, Kagra IX AS purchased 5.5% of the shares in Sønnico Tele AS. The purchased value was NOK 12.7 million.

On the 26th of April 2015 Umoe AS sold 4.08% of the shares in Sønnico AS. The gain amounts to NOK 1 million before tax.

Umoe Gas Carriers Group sold its ownership interests in the LNG ships "Iberica" and "Ribera del Duero" on 9th of November. The gain in the group accounts was NOK 174 million. For more information, see note 12.

2015

The 4th of February 2015, Umoe founded Umoe Unda AS and Umoe Wind II AS, both companies owned 100% by Umoe AS.

The 22nd of October 2015 Umoe Restaurants AS founded Umoe F&B Company AS, where Umoe Restaurants AS owns 49%. The company later changed its name to HMSHost-UMOE F&B Company AS.

The 10th of August 2015, Sønnico Tele AS sold its 50% share of Eltel Sønnico AS. The gain was NOK 193 million in the Group.

During 2015. Umoe AS increased its ownership in REC Silicon ASA, including forward contracts, from 23.00% to 23.28%

In December 2015 Umoe Bioenergy S.A. converted debt to equity, totaling NOK 261 million.

Note 2 Financial market risk

Credit risk:

Umoe Gruppen AS mainly consist of the following business areas;

- Strategic and long term investments, through its ownership in Umoe AS
- Shipping, through its ownership in Umoe Gas Carriers AS

The Umoe Group's restaurant chain has low credit-risk since most of the sale is cash. Sale of ethanol in Brazil is also considered to have low credit-risk, since Umoe receives a major part of the sales price as part-payments as production take place. Also for the rest of the sale, a major part is work in progress, with agreed pre-payments.

The fleet of ships in Umoe Gas Carriers, which in the accounts is treated as associated companies, is rented out on long term time charters to solid energy companies.

	Umoe Gruppen AS		Consolidated	
	2016	2015	2016	2015
Loans, receivables and other credits to group companies	728 214	97 823	0	0
External trade receivables	0	0	320 387	267 792
External loans	1 814	1 725	10 955	84 959
Work in progress	0	0	44 947	38 039
Other receivables	0	0	52 132	141 258
Gross credit risk	730 028	99 548	428 421	532 048
Provision for bad debt	0	0	-4 890	-3 663
Net credit risk	730 028	99 548	423 531	528 385

Currency risk:

The Group has activities within and outside Norway that naturally includes a foreign exchange risk due to the purchase and sale of goods, services and securities. The Group utilizes normally natural hedging by borrowing in the same currencies as the revenues are in. In addition, the Group uses derivatives for hedging purposes.

The Group uses market values for all its foreign currency positions, with the exception of long-term debt which is hedged through contractually agreed revenues in foreign currencies. In such cases, the part of the loan that is considered to be hedged is recorded at the rate which applied on the date when the loan was raised. For the UBE Gruppen Group, which has its main operation in Brazil, there has not been made any hedging of the currency risk, except that it is attempted funded locally in BRL

Exchange rates used in the accounts:	P&L/average rates		Balance/closing rates	
	2016	2015	2016	2015
NOK/BRL	2,42	2,45	2,64	2,26
NOK/CAD	6,34	6,31	6,40	6,37
NOK/SEK	0,98	0,96	0,95	1,05
NOK/USD	8,40	8,07	8,65	8,80

Interest rate risk:

The Group has various interest-rate clauses linked to its loan portfolio, with lock-in periods varying from a floating rate to a three months fixed rate. In some cases, the Group uses interest rate hedging against large fluctuations in the interest costs. Gain and loss on the hedged instrument is allocated to net income in time with the hedged cash flow which also effects the net income.

Refinancing risk:

At the end of the year the Group has liabilities against credit institutions and group companies/related parties of respectively NOK 1 696 millions and NOK 75 millions. The agreed installments for 2017 is NOK 444 million, where NOK 198 million is short term credit lines towards the cooperative Copersucar in Brazil, which normally are renewed by selling ethanol on forward contracts. For more information about debt, see note 18.

Risk relating to the prices of raw materials:

Risk of fluctuations in the prices of raw materials is attempted hedged through long-term purchase agreements and by entering into strategic agreements with suppliers and other market players. It is mainly Umoe Bioenergy in Brazil that is exposed towards the fluctuations in the commodity markets through sale of ethanol. No hedging of this risk has been carried out. Through the membership in the cooperative Copersucar Umoe is secured market price (price index of Esalq).

Note 3 Revenue

	Umoe Gruppen AS		Consolidated	
	2016	2015	2016	2015
Sales revenue	0	0	4 800 938	4 523 796
Change work in progress	0	0	21 331	-13 667
Gain from disposals of fixed and immaterial assets	0	0	15 494	7 025
Other income	0	0	86 126	54 368
Total revenue	0	0	4 923 889	4 571 522

Revenue divided into geographical areas:

	2016	2015
Norway	2 876 518	2 892 389
Sweden, Denmark, Iceland and Finland	674 596	475 203
Remaining Europe	25 565	10 089
America	1 346 499	1 189 099
Africa	0	0
Asia and Australia	711	4 742

Revenue divided into main areas:

	2016	2015
Restaurants	2 918 396	2 723 505
Ethanol	782 204	702 799
Forestry	524 564	442 560
Manufacturing and electro installation	631 007	728 778
Property, IT consultancy, etc.	93 471	92 256
Eliminations	-25 753	-118 376
Total	4 923 889	4 571 522

Note 4 Payroll costs, number of work-years, remuneration, loans, etc. to employees

	Umoe Gruppen AS		Consolidated	
	2016	2015	2016	2015
Salaries	0	0	1 130 477	1 128 504
Social security tax	99	99	174 782	163 492
Pension cost	0	0	20 070	26 521
Other employee benefit cost	700	700	46 841	44 324
Salary-cost capitalized as inventory	0	0	-47 412	-58 009
Total payroll and social expenses	799	799	1 324 758	1 304 832

Full time employee equivalents	0	0	3 824	4 070
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Remuneration to the board and the CEO (figures in NOK):

	CEO	The board
Salaries/remuneration	555 088	700 000
Pensions	0	0
Other benefits	9 928	0
Total	565 016	700 000

The remuneration to the board reported above, is paid by and recognized in the accents of Umoe Gruppen AS, which is Umoe AS' holding company, while the salary and other benefits to the CEO is paid and recognized in the accounts of Umoe AS. There are no agreements regarding bonuses toward the board or the CEO. For loans between related parties, see the note "Transactions with related parties". In addition, a board member has been given a loan of total NOK 1 million, secured sufficiently. It has not been given any loans to any other senior management. Espen Klitzing and Hans Aasnæs (senior management) owns 0.16% of the shares in Umoe AS each through the companies NCV Invest AS and Øra Industrier AS. The shares was purchased at fair value. Espen Klitzing and Hans Aasnæs has termination payment agreement of 9 months, if the company terminates the employment contract.

Note 5 Auditor's fee	Umoe Gruppen AS		Consolidated	
	2016	2015	2016	2015
Agreed fee for audit	379	398	5 656	6 255
Fee for tax services	210	205	210	1 248
Other services	637	110	2 961	676

Audit fees reported above are exclusive of value added tax.

Note 6 Other operating expenses	Umoe Gruppen AS		Consolidated	
	2016	2015	2016	2015
Rent of premises, etc.	0	0	593 861	567 164
Repairs and maintenance	0	0	167 859	154 805
External services/fees	1 226	755	110 965	104 413
Cost related to means of transport	0	0	52 072	49 761
Selling cost	0	0	78 938	79 593
Royalties and licenses cost	0	0	203 495	133 435
Other operating expenses	571	620	138 986	142 710
Total operating expenses	1 797	1 375	1 346 176	1 231 881

Note 7 Property, plant, equipment and goodwill

	Operative equipment	Machinery and ships	Rented premises	Biological assets	Land, real estate	Goodwill	Other intangible assets	Total
Acquisition cost 1.1.	578 523	1 630 707	783 340	529 498	795 274	402 690	136 778	4 856 811
Additions	83 493	38 456	156 420	124 812	29 266	0	8 972	441 419
Sale/disposals	-54 902	-51 981	-60 590	-239 293	-35 337	-10 766	-185	-453 054
Acquisition cost 31.12.	607 114	1 617 181	879 170	415 017	789 203	391 924	145 566	4 845 175
Accumulated depr./write-down 1.1.	-470 451	-681 585	-506 607	-289 730	-528 197	-356 635	-103 151	-2 936 356
Depreciation of the year	-31 563	-82 159	-89 113	-100 456	-12 011	-8 296	-6 735	-330 334
Write-down/reversed in the year*	0	-53	0	30 991	0	0	0	30 938
Sale/disposals	50 423	53 662	58 521	239 294	9 428	9 380	185	420 893
Net book value 31.12.	155 523	907 046	341 971	295 116	258 423	36 374	35 864	2 030 317

*The reversed write-down of NOK 31 million is related to bearer plants in Umoe Bioenergy S.A.

Economic life	3-10 years	5-20 years	1-10 years	0-50 years	7 years	5-20 years	5-10 years
Depreciation scheme	Linear	Linear	Linear	Linear	Linear	Linear	Linear

Goodwill in the Group:	Acqu. cost 31.12.16	Goodwill 1.1.16	Add./disp. 2016	Depr/WD 2016	Goodwill 31.12.16
Sønnico AS	1 670	1 252	0	-334	918
Umoe Consulting AS	23 514	0	0	0	0
Umoe Restaurants AS	234 553	-290	-1 385	816	-859
King Food Danmark AS	44 569	37 336	0	-6 572	30 764
Westend Bakeri AS	6 938	6 245	0	-694	5 551
Umoe AS	76 409	1 287	0	-1 287	0
Umoe Gas Carriers AS	4 271	225	0	-225	0
Sum goodwill	391 924	46 055	-1 385	-8 296	36 374

Note 8 Lease agreements**Obligations of financial leases recognized in the balance sheet - group figures:**

	Operative equipment	Machinery	Rented premises	Land, real estate and ships	Total
Cost current year	2 366	4 216	0	0	6 582
Cost next year	2 170	0	0	0	2 170
Total costs 2-5 years	3 031	0	0	0	3 031
Total costs in year 6 and onward	0	0	0	0	0
Total future leasing costs	5 201	0	0	0	5 201
Discounted effect	-255	0	0	0	-255
Net present value leasing costs	4 947	0	0	0	4 947

The assets associated with these liabilities are included in note 7.

Minimum rent of off-balance, non-cancelled leases - group figures:

	Operative equipment	Machinery	Rented premises	Land, real estate and ships	Total
Cost current year	30 781	17 333	225 178	107 915	381 208
Cost next year	36 431	4 957	212 580	105 065	359 034
Total costs 2-5 years	20 837	2 043	569 941	212 491	805 312
Total costs in year 6 and onward	0	0	713 482	192 894	906 376
Total future leasing costs	57 268	7 001	1 496 003	510 450	2 070 722

Note 9 Shares in group companies and associated companies with the corresponding book value in the company accounts:

Shares in subsidiary and associated companies owned by Umoe Gruppen AS;

Company:	Registered office	Owner share	Voting share	Book value
Umoe AS	Fornebuveien 84, 1366 Lysaker, Norway	99,1 %	99,1 %	2 682 144
Umoe Gas Carriers AS	Smedasundet 40, 5529 Haugesund, Norway	99,4 %	99,4 %	682 730
Umoe Invest AS	Fornebuveien 84, 1366 Lysaker, Norway	100,0 %	100,0 %	600
Total shares in subsidiary and associated companies owned by Umoe Gruppen AS				3 365 474

Shares in subsidiary and associated companies owned by other group companies:

Company:	Registered office	Owner share	Voting share	Book value
American Bistro Karl Johan AS	Lysaker Torg 35, 1326 Lysaker, Norway	100,0 %	100,0 %	100
American Bistro Scandinavia AS	Lysaker Torg 35, 1326 Lysaker, Norway	100,0 %	100,0 %	154 490
American Bistro Sweden AB	Skeppsbron 46, 11130 Stockholm, Sweden	100,0 %	100,0 %	42 329
BK Ejendom Middelfart ApS	Kometvej 5, 6200 Aabenraa, Denmark	90,0 %	90,0 %	55
BK Ejendom Rødovre ApS	Kometvej 5, 6200 Aabenraa, Denmark	90,0 %	90,0 %	55
Blender AS	Lysaker Torg 35, 1326 Lysaker, Norway	100,0 %	100,0 %	265 829
Fornebu Lumber Company Inc	Miramichi, NB E1V 2L3, Canada	100,0 %	100,0 %	32 545
Kagra IX AS - in liquidation	Fornebuveien 84, 1366 Lysaker, Norway	100,0 %	100,0 %	113 750
King Food AB	Skeppsbron 46, 11130 Stockholm, Sweden	100,0 %	100,0 %	29 346
King Food AS	Lysaker Torg 35, 1326 Lysaker, Norway	100,0 %	100,0 %	95 772
King Food Danmark AS	Kometvej 5, 6230 Rødokro, Denmark	100,0 %	100,0 %	12 483
Peppes Pizza AS	Lysaker Torg 35, 1326 Lysaker, Norway	100,0 %	100,0 %	539 071
Peppes Pizza Holding AS	Lysaker Torg 35, 1326 Lysaker, Norway	100,0 %	100,0 %	30
Røyken Sentrumsutvikling AS	Fornebuveien 84, 1366 Lysaker, Norway	100,0 %	100,0 %	72 816
Sønnico AS	Brynsveien 12, 0667 Oslo, Norway	95,5 %	95,5 %	25 698
Sønnico Tele AS - in liquidation	Fornebuveien 84, 1366 Lysaker, Norway	100,0 %	100,0 %	14 417
UBE Gruppen AS	Fornebuveien 84, 1366 Lysaker, Norway	100,0 %	100,0 %	943 500
Umoe Advanced Composites AS	Gismerøyveien 205, 4515 Mandal, Norway	94,0 %	94,0 %	7 569
Umoe Alu Iceland hf.	Jarnhalsi 2, 110 Reykjavik, Island	96,0 %	96,0 %	0
Umoe Bioenergy SA	19015-150 Presidente Prudente, Brazil	100,0 %	100,0 %	900 048
Umoe Consulting AS	Nygårdsgaten 114, 5008 Bergen, Norway	60,8 %	60,8 %	16 500
Umoe Eiendom AS	Fornebuveien 84, 1366 Lysaker, Norway	100,0 %	100,0 %	243 343
Umoe Eiendom Hovedgård AS	Fornebuveien 84, 1366 Lysaker, Norway	100,0 %	100,0 %	43 716
Umoe Eiendom Vest AS	Fornebuveien 84, 1366 Lysaker, Norway	100,0 %	100,0 %	76 200
Umoe Forestry AS	Fornebuveien 84, 1366 Lysaker, Norway	100,0 %	100,0 %	140 054
Umoe Industries AS (form. Umoe Alu Services A	Smidjebergvegen 2, 4265 Håvik, Norway	80,0 %	80,0 %	9 906
Umoe Karmsund AS	Husøyvegen 1, 4262 Avaldsnes, Norway	100,0 %	100,0 %	10 763
Umoe LNG AS	Smedasundet 40, 5529 Haugesund, Norway	100,0 %	100,0 %	1 061 366

Umoe Mandal AS	Gismerøyveien 2015, Mandal, Norway	100,0 %	100,0 %	96 000
Umoe Mandal Eiendom AS	Gismerøyveien 205, 4515 Mandal, Norway	100,0 %	100,0 %	22 471
Umoe Restaurant Group Coffee AB	Skeppsbron 46, 11130 Stockholm, Sweden	100,0 %	100,0 %	9 653
Umoe Restaurant Group Coffee AS	Lysaker Torg 35, 1326 Lysaker, Norway	100,0 %	100,0 %	13 558
Umoe Restaurants AS	Lysaker Torg 35, 1366 Lysaker, Norway	91,0 %	91,0 %	790 258
Umoe Restaurants AB	Skeppsbron 46, 11130 Stockholm, Sweden	100,0 %	100,0 %	1 020
Umoe Sterkoder AS	Dalegata 137, 6518 Kristiansund, Norway	98,3 %	98,3 %	12 380
Umoe Unda AS	Fornebuveien 84, 1366 Lysaker, Norway	100,0 %	100,0 %	5 100
Umoe Wind AS	Fornebuveien 84, 1366 Lysaker, Norway	100,0 %	100,0 %	21 797
Umoe Wind II AS	Fornebuveien 84, 1366 Lysaker, Norway	100,0 %	100,0 %	26 000
Westend Bakeri AS	Lysaker Torg 35, 1326 Lysaker, Norway	100,0 %	100,0 %	3 414

Burger Venture AS	Wilhelm Frøshaugs vei 10, 1410 Kolbotn, N.	20,0 %	20,0 %	625
Crispy Food Narvik AS	Bolagsgata 1, 8514 Narvik, Norway	30,0 %	30,0 %	600
Flamefood AS	Skilleveien 4, 9411 Harstad, Norway	30,0 %	30,0 %	1 000
HMSHOST-Umoe F&B Company AS	Lysaker Torg 35, 1326 Lysaker, Norway	49,0 %	49,0 %	6 469
Juniorfood AS	Storgata 7, 9300 Finnsnes, Norway	30,0 %	30,0 %	600
Knutsen LNG 2 AS	Smedasundet 40, 5529 Haugesund, Norway	50,0 %	50,0 %	59
Norspan LNG AS	Smedasundet 40, 5529 Haugesund, Norway	49,9 %	49,9 %	1 404
Norspan LNG IS	Smedasundet 40, 5529 Haugesund, Norway	48,4 %	48,4 %	135 315
Norspan LNG II AS	Smedasundet 40, 5529 Haugesund, Norway	49,9 %	49,9 %	2 808
Norspan LNG II IS	Smedasundet 40, 5529 Haugesund, Norway	35,9 %	35,9 %	45 231
Norspan LNG IV AS	Smedasundet 40, 5529 Haugesund, Norway	49,9 %	49,9 %	73
Norspan LNG IV IS	Smedasundet 40, 5529 Haugesund, Norway	40,9 %	40,9 %	-28 278
Norspan LNG V AS	Smedasundet 40, 5529 Haugesund, Norway	49,9 %	49,9 %	0
Norspan LNG V IS	Smedasundet 40, 5529 Haugesund, Norway	43,4 %	43,4 %	69 008
Norspan LNG VI AS	Smedasundet 40, 5529 Haugesund, Norway	49,9 %	49,9 %	0
Norspan LNG VI IS	Smedasundet 40, 5529 Haugesund, Norway	43,4 %	43,4 %	48 924
Norspan LNG VII AS	Smedasundet 40, 5529 Haugesund, Norway	49,9 %	49,9 %	0
Norspan LNG VII IS	Smedasundet 40, 5529 Haugesund, Norway	43,4 %	43,4 %	74 574
Rail Gourmet Togservice Norge AS	Tøyenbekken 21, 0188 Oslo, Norway	50,0 %	50,0 %	29 292
REC Silicon ASA	Fornebuveien 84, 1366 Lysaker, Norway	23,3 %	21,2 %	609 626

Umoe LNG AS' ownerships in Norspan LNG II IS, Norspan LNG IV IS, Norspan LNG V IS, Norspan LNG VI IS and Norspan VII IS is shown in the overview above. These companies are also owned by Knutsen LNG AS by 10-25 % , which is owned 50 % by Umoe LNG AS. The ownerships and voting rights of Knutsen LNG AS is not shown above, but the booked value shows the total on Umoe Group level.

Note 10 Book value of shares in associated companies

	Opening balance	Addition/ disposal	Share of profit/depr.	Gain/loss	Write d./ rev.write.d	Translation diff. etc.	Closing balance
HMSHOST-Umoe F&B Company AS	15	6 454	-1 185	0	0	0	5 284
Knutsen LNG 2 AS	0	57	1 705	0	0	48	1 810
Norspan LNG AS and IS	106 973	-58 257	25 983	0	0	-9 483	65 216
Norspan LNG II AS and IS	23 592	-94	-2 542	76	0	-2 785	18 247
Norspan LNG III AS and IS	16 050	-57 838	2 930	40 497	0	-1 639	0
Norspan LNG IV AS and IS	-29 614	-18	938	85	0	346	-28 263
Norspan LNG V AS and IS	49 827	-110	13 563	4	0	-4 085	59 199
Norspan LNG VI AS and IS	32 672	-121	14 751	52	0	-3 070	44 284
Norspan LNG VII AS and IS	59 993	-126	10 984	-1	0	-4 300	66 550
Norspan LNG VIII AS and IS	233 352	-401 243	43 319	133 433	0	-8 861	0
Rail Gourmet Togservice Norge AS	5 708	-3 272	1 964	0	0	0	4 400
REC Silicon ASA*	973 496	25 487	-197 253	-25 487	-166 617	0	609 626
Other	0	2 825	-1 213	225	0	-14	1 823
Total net book value	1 472 064	-486 256	-86 056	148 884	-166 617	-33 843	848 176
Hereof classified as liability	29 614						28 263
Total gross book value associated comp.:	1 501 678						876 439

* The balance, but not the voting share, includes 53.9 million shares on a forward contract.

Note 11 Book value of other long term shares

Company:	Registered office	Owner share	Voting share	Book value
Alliance Venture Spring AS	Parkveien 41B, 0258 Oslo, Norway	4,5 %	4,5 %	6 000
Copersucar S.A.	São Paulo, Brazil	2,2 %	2,2 %	17 195
Other				110
Total				23 305

Note 12 Financial income and expenses

	Umoe Gruppen AS		Consolidated	
	2016	2015	2016	2015
Gross group contribution from group comp. *)	193 281	0		
Total financial income from subsidiaries	193 281	0		
Consolidation profit/loss from associated comp.	0	0	-86 056	2 793
Gain/loss sale of investment in associated comp.	0	0	148 884	180 643
Write-down/rev. write-down of associated comp. **)	0	0	-166 617	49 439
Total financial income from associated companies	0	0	-103 789	232 875
Income from other shares and bonds	0	0	57	5 056
Interest income from group companies	8 129	4 755	0	0
Interest income others	90	4	13 907	16 773
Other financial income	0	0	2 350	7 782
Currency gain/loss ***)	-1 960	6 118	61 497	-50 160
Interest cost from group companies	-9 785	-6 059	-2 776	-1 043
Interest cost others	-579	-687	-123 889	-127 979
Other financial cost	0	0	-36 503	-46 140
Net finance, including finance from subsidiaries and associated comp.	189 176	4 131	-189 146	37 164

*) Umoe Gruppen got group contribution from Umoe Gas Carriers in 2016.

**) Write-down of associated companies is related to REC Silicon ASA. For more information about the Group accounts, see note 10.

***) In 2015, the currency post regarding loan from UBE Gruppen AS to Umoe Bioenergy S.A. was considered as a part of the net investment and thereby booked directly to the equity. In 2016, it is considered likely that the debt will be paid, and the currency differences regarding the loan is booked as finance post.

Note 13 Inventory

	Umoe Gruppen AS		Consolidated	
	2016	2015	2016	2015
Raw-materials, semi-finished goods and agriculture produce*	0	0	439 497	299 936
Self-produced and acquired finished goods	0	0	123 031	130 819
Prepayments to suppliers for goods	0	0	143 302	98 045
Allocations for obsolete stock	0	0	-17 340	-11 293
Total raw-materials and finished goods	0	0	688 490	517 507

* In "Raw-materials, semi-finished goods and agriculture produce", agriculture produce is included with NOK 175 million.

Note 14 Construction contracts

	Umoe Gruppen AS		Consolidated	
	2016	2015	2016	2015
Total cost in progress	0	0	274 162	206 251
Calculated margin on work in progress	0	0	58 243	57 856
Total value on work in progress	0	0	332 405	264 107
Less invoiced customers at yearend	0	0	288 355	257 556
Net work in progress	0	0	44 050	6 551
Payments withheld by customer, according to contract	0	0	0	0
Remaining costs needed to complete non-profitable contracts	0	0	0	4 411

Note 15 Equity

	Share capital	Share premium	Restricted funds	Other equity	Minority interests	Total
Umoe Gruppen AS						
Equity as of 31.12.2015	375 000	250 375	0	2 493 081	0	3 118 456
Profit/(loss) of the year	0	0	0	188 235	0	188 235
Accrued dividend	0	0	0	-20 000	0	-20 000
Equity as of 31.12.2016	375 000	250 375	0	2 661 316	0	3 286 691

	Share capital	Share premium	Restricted funds	Other equity	Minority interests	Total
Umoe Gruppen konsern						
Equity as of 31.12.2015	375 000	250 375	0	592 828	49 268	1 267 471
Profit/(loss) of the year	0	0	0	170 468	185	170 653
Accrued dividend	0	0	0	-20 035	-1 710	-21 745
Translation differences	0	0	0	55 040	-230	54 810
Purchase and sale of shares, etc.	0	0	0	6 149	-13 361	-7 212
Equity as of 31.12.2016	375 000	250 375	0	804 450	34 152	1 463 977

Share capital and information about shareholders:

The share capital in Umoe Gruppen AS consists of two share classes:

Share holders as of 31.12.:	Position	Owner sh.	A-shares	B-shares	Total
JUM Holding AS v/Jens Ulltveit-Moe	BM/CEO	59,5 %	11 250	211 875	223 125
UM Holding AS v/Ragnhild K. Ulltveit-Moe	BM	20,0 %	0	75 000	75 000
Agnes Holding AS (controlled by Jens Ulltveit-Moe)	BM/CEO	20,0 %	0	75 000	75 000
Hanne Kierulf		0,5 %	0	1 875	1 875
Total number of shares		100,0 %	11 250	363 750	375 000
Face value			1 000	1 000	1 000
Share capital in NOK 1 000			11 250	363 750	375 000

BM = Board member, CEO = Chief Executive Officer

Note 16 Pensions

Most of Umoe Group's companies have defined contribution pension plan for their employees, while some has a closed defined benefit pension plan that gives a contribution in the future. The defined benefit plans are mainly based on the pension-earning period, the pay level when retiring and the size of the benefits payable under the Norwegian National Insurance Scheme (NIS). Finally, a few employees have an additional unsecured pension plan. As of 31st of December 2016, 8 persons were included in a defined benefit scheme and 1 907 persons was in a defined contribution scheme.

All the Norwegian companies in the Group with employees, are obliged to have a pension scheme for the employees according to the Obligated Contribution Pension Act (lov om obligatorisk tjenestepensjon). The Norwegian companies' pension schemes are in accordance with this Act.

	Consolidated	
	2016	2015
Discount rate	2,6 %	2,5 %
Estimated yield on pension assets	3,6 %	3,3 %
Salary increases	2,5 %	2,3 %
Increase in NIS basic amount (G)	2,5 %	2,3 %
Increase in pensions	0,0 %	0,0 %
Defined contribution pension costs	23 795	28 431
Present value of the year's pension earnings	1 482	3 034
Interest cost on incurred pension liabilities	123	1 322
Estimated yield on pension assets	-51	-996
Estimate deviations and changes to pension plans	-615	288
Administration costs	177	286
This year's pension cost	24 911	32 365
Pension liabilities and pension assets as at 31 December:		
Estimated liabilities incurred including social security tax	22 043	47 552
Estimated value of the pension assets	15 520	34 652
Net pension liabilities	6 523	12 900
Unamortized deviations	2 555	5 695
Estimated pension liabilities in the balance sheet	3 968	7 205
Of which schemes with net assets	29	0
Of which schemes with net liabilities	3 997	7 205

Note 17 Taxes

	Umoe Gruppen AS		Consolidated	
	2016	2015	2016	2015
Tax charge for the year:				
Pre-tax profit/loss	186 580	1 957	-8 933	54 465
Permanent differences	-193 281	0	-141 243	-206 531
Tax basis	-6 701	1 957	-150 176	-152 066
Average tax-rate	25,0 %	27,0 %	25,1 %	38,5 %
Tax on this year profit	1 675	-528	37 769	58 544
Effect of change in tax-rate	-22	91	-8 435	26 307
Reversed deferred tax assets due to the upper-limit rule	0	0	10 697	-88 050
Other	0	0	139 555	15 257
Total tax cost (-) / tax income (+)	1 653	-437	179 586	12 058

Tax payable in the balance sheet:

Accrued tax payable, year-end last year	0	0	1 193	744
This years payable tax from this year profit	0	0	22 153	2 780
Tax payable on group contributions	0	0	-12 679	0
Paid and bought/sold tax payable	0	0	-3 649	-2 000
Translation differences etc.	0	0	109	-331
Net tax payable at year-end	0	0	7 127	1 193
Hereof prepaid tax	0	0	1 830	1 372
Gross short term tax payable at year-end	0	0	8 957	2 565

Specification of deferred tax:

Total relating to short-term items	0	0	17 479	-22 858
Total relating to long-term items	4 655	8 814	1 780 749	2 623 529
Loss carried forward maturing within 5 years	0	0	-3 889	-3 166
Loss carried forward maturing after 5 years *)	-6 809	-4 268	-4 986 549	-4 671 680
Total temporary differences	-2 154	4 546	-3 192 210	-2 074 175
Calculated deferred tax (-)/ tax assets (+)	517	-1 136	1 032 447	737 075
Reversed deferred tax assets due to the upper-limit rule	0	0	-865 026	-750 660
Other adjustments *)	0	0	-323 996	-346 504
Net deferred tax (-)/tax assets (+)	517	-1 136	-156 575	-360 089

*) In 2009 and 2010 Umoe Invest and UBE Gruppen AS accordingly, deducted losses in the tax income with NOK 167 million and NOK 1 200 million. The Central Tax Office for Large Enterprises (Sentralskattkontoret for storbedrifter) has not agreed to the deductions. Prudent accounting has resulted in Umoe not booking the disputed tax assets in the accounts as an tax asset. 4th of March 2016 , Umoe Invest got approval of deducted losses of NOK 37 million of the originally NOK 167 million. These are treated as reduction of deferred tax in Umoe Gruppen Group and amounts to NOK 9 million. Final clarification is still to discussion within the tax office.

Note 18 Short and long term debt to credit institutions and group companies/related parties

	Umoe Gruppen AS		Consolidated	
	2016	2015	2016	2015
Debt to group companies	760 621	297 299	75 498	41 183
Debt to group associated companies	0	0	0	43 972
Debt to related parties, not group companies	28 215	27 636	28 215	27 636
Debt to credit institutions	0	0	1 664 427	1 977 581
Other debt	0	0	3 199	1 236
Total debt	788 836	324 935	1 771 339	2 091 608
Debt maturing later than five years after year-end:	28 215	27 636	80 423	112 728
Part of debt secured by pledge	0	0	1 795 010	1 977 581

Book value of assets pledged as security for the company's debt as of 31.12.:

Fixed and biological assets	0	0	413 642	355 946
Shares and receivables - group companies	0	0	1 542 188	1 229 063
Shares and receivables - external	0	0	0	973 497
Other assets	0	0	170 336	110 494
Provisions of guarantee	0	0	41 732	45 556

Umoe Sterkoder AS have entered into a swap agreement with a principal of NOK 28.3 million, maturity in December 2020 and with a fixed interest rate of 2.77%. Umoe Restaurants AS has entered into a interest swap agreement with a principal of NOK 510 million, maturity in December 2019 and with a fixed interest rate of 2.375%.

Umoe Gas Carriers AS has also issued security and guarantees in relation to the liabilities in the ship-owning companies which is presented as associated companies in the accounts. At year-end the total amount of guarantees in Norwegian kroner was NOK 528 million (NOK 720 million in 2015). The company has also issued guarantees for 50% of an interest rate swap limited to EUR 50 million (EUR 50 million in 2015) on behalf of Norspan LNG AS/IS and Norspan LNG II AS/IS.

All material debt to credit institutions has their own unique financial agreements whereas some of them has covenants. Umoe was not in breach with any of these covenants at the year end.

Note 19 Transactions with related parties

The Umoe Group has several intercompany loans. The loans are priced based on NIBOR or similar fixing, with a mark-up taking into account the risk. Several of the Group's holding companies management services for the other group companies. Umoe Gruppen buys its accounting services from Umoe AS. To some extent, there are also some trade between some of the companies in the group, but based on the size of the group, these transactions are not considered to be material, and in the consolidated accounts these transactions are eliminated.

Below is an overview of the main related party-transactions in the company-account:

	Umoe Gruppen AS	
	2016	2015
Interest income		
Umoe AS	8 129	4 755
Total	8 129	4 755
Interest expenses		
JUM Holding AS	-2 776	-1 043
Umoe Gas Carriers AS	-7 009	-5 016
Total	-9 785	-6 059
Loans to related parties		
Umoe AS	534 682	97 647
Total	534 682	97 647
Loans from related parties		
JUM Holding AS	75 498	41 183
Umoe Gas Carriers AS	685 123	256 116
UM Holding AS	28 215	27 636
Total	788 836	324 935

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Umoe Gruppen AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Umoe Gruppen AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheet as at 31 December 2016, the income statement, statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016 and their financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company 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 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 the 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 law, regulations and generally accepted auditing principles 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, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result 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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 29 June 2017
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)