

# Annual Report

**Umoe Gruppen AS**



**2018**



# Umoe Gruppen AS

## DIRECTOR'S REPORT 2018

### The 2 degrees target

Umoe regards manmade climate changes as the main threat for mankind. This threat needs to be solved through global cooperation. The actions must come on many levels. One of the initiatives is the UN's sustainability program that outlines 17 different sustainability goals. Another measure is the Paris Agreement of 2015, which shall ensure that the world's countries manage to mitigate climate change. In 2018, the 24<sup>th</sup> Conference of the Parties to the United Nations Framework Convention on Climate Change (COP24) was held in Poland. Here it was decided to put the Paris agreement into practice, including how climate initiatives should be measured and reported. However, no solutions were found on how various measures should be financed. In April 2018, through its 173 member countries, the IMO (International Maritime Organization) decided to improve energy utilization in global shipping by 40% by 2030 and 70% by 2050. In the automotive industry, we also see a clear shift from heavy fossil-using vehicles to zero-emission electric vehicles.

In parallel, we see that an increasing number of individuals are changing their own consumption patterns in a more sustainable direction, for example by reducing meat consumption and food waste, reduced use of plastic and installing more energy efficient equipment. We also see that a Swedish 16-year-old has been nominated for the Nobel Peace Prize for her commitment to combat climate change; "School strike for climate". Her involvement is about to spread across Europe and is helping to increase the climate awareness of young people.

In 2018, installed renewable energy increased further, despite the fact that invested amount decreased by 8%, which again shows that it becomes cheaper to install renewable energy. Therefore, it is disappointing that the CO<sup>2</sup> level in the atmosphere increased by 1.6% in 2017 and is expected to increase by another 2.7% in 2018, after some stable years from 2014 to 2016. For each year with increase, the possibility of reaching the two degree target is decreasing.

Within Umoe, the threat from climate changes has been central when evaluating various investment opportunities over the past decade. In 2007 Umoe invested in an ethanol production plant in Brazil. The plant produces ethanol from sugar cane/photosynthesis, a production that in the nine month production season could replace almost 20% of the Norwegian petrol-consumption for vehicles. In addition the plant produces electricity when burning the bagasse from the sugar cane, which in 2018 resulted in sale of 151 000 MWh comparable to one fifth of a Norwegian hydro power plant such as the Alta plant. Brazil's ethanol industry is expected to be one of the key tools for Brazil to fulfill its obligations under the Paris Agreement. The political decision from 2017 to introduce green certificates in the ethanol industry will be continued under Brazil's new president and the certificates will be introduced from January 2020. Over time, this is expected to substantially increase earnings from Umoe's business in Brazil considerably.

In 2007, Umoe bought an old paper mill in Canada, with the goal of starting production of polysilicon (for use in solar cells). Due to the financial crisis the following year, the project was put on hold, but Umoe retained ownership of an associated sawmill, which produces environmentally friendly building materials mainly for the US housing market. Umoe sold the plant in June 2018, with an accounting gain of NOK 293 million. During the first five

months of 2018, the plant had produced a total of 152 000 cubic meters of timber. Used as building materials in houses, this corresponds to just over 4 100 houses, and at least 210 000 tons of CO<sup>2</sup> tied up in these building materials.

In 2010, Umoe resumed its commitment to polysilicon, through the ownership of REC Silicon ASA, where Umoe is now the largest shareholder. REC has a world-leading technology in a market with strong growth, but is severely affected by the trade war between the USA and China within the solar industry. The trade war has escalated further in 2018 and 2019 to include a substantial part of the trade between China and the United States. The trade war means that REC Silicon ASA is banned from the Chinese market for all practical purposes. At the same time, China has decided to cut the subsidies to the solar sector as they have assumed that solar investments are now competitive with other energy sources in China. This has reduced the growth in the installation of solar energy in China, and thus reduced the demand for silicon, with a subsequent drop in market prices globally. So even though solar power is becoming more and more competitive against other forms of energy, this has resulted in REC Silicon ASA having to reduce capacity utilization at the plant in Moses Lake, USA, and then temporarily shut down the plant in May 2019.

The world will not survive without fossil energy sources in the near future. Umoe therefore considers the joint ownership Umoe Gas Carriers has in a fleet of large modern special tankers for the transport of liquid natural gas (LNG), as part of the solution to the climate threat, since gas pollutes significantly less than coal. Furthermore, Umoe has, through Umoe Mandal AS and Umoe Wind, built up expertise and contracted their own high-speed vessels for use at offshore wind farms. The vessels are fuel efficient and, due to the high speed combined with air cushion technology, the vessels ensure that crew and passengers come environmentally friendly, quickly and more comfortably to offshore wind turbines than when using conventional vessels, which also increases operational time at the wind farm. Umoe Mandal is working to ensure that this technology will replace helicopter transport to offshore oil platforms.

The other Umoe companies also focus on contributing to the reduction of climate change. In Umoe Restaurants AS, the UN's sustainability targets are used actively. In addition, a number of individual measures have been introduced, such as, for example, offering customers vegetarian dishes, plastic cutlery is no longer supplied when delivering take-out food, in the restaurants customers no longer receive plastic straws without asking for it specifically, etc. In addition, a lot of resources have been invested to establish a new concept of healthy food; Leon. Currently, two restaurants have been established in Norway, one at Oslo Central Station, and one at Frogner. Further deployment is planned for Sweden from 2019. Umoe Restaurants AS publishes its own sustainability report. Another example is Sønnico AS which contributes every day with installing energy efficiency equipment and chargers for electric cars around Norway.

In addition to the focus on the climate threat, Umoe mainly invests counter-cyclically in mature industries, with the aim of active ownership leading to strong value creation. This value creation will normally not be visible until we sell the companies. In 2018, Umoe completed a successful sale of Fornebu Lumber Company Inc. When Umoe sold the company in the summer of 2018, Umoe booked a gain of NOK 293 million. Umoe did not sell businesses in 2017.

Our investments are primarily recorded in the books at historical cost and several of the engagements have a market value that is 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 market value of the equity is substantially higher than the book value. 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 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. Five of the Board's seven 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. In the autumn of 2019, today's CEO and main owner Jens Ulltveit-Moe will take over as chair of the board. Jarle Roth will at the same time join as CEO.

Umoe has a small staff of highly qualified employees who exercise ownership of the Group's assets. The operational companies have their own managements 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.

Research and development takes place in the operating companies.

## **THE OPERATIONS IN 2018**

The group's turnover in 2018 was NOK 5 048 million (NOK 5 010 million). Operating profit before depreciation and amortization was NOK 581 million (NOK 295 million). Profit before tax was NOK -597 million (NOK -61 million). The profit after tax was NOK -551 million (NOK 154 million). Last year's figures are in parentheses. The result for 2018 was affected by the sale of Fornebu Lumber Company Inc., which resulted in a gain of NOK 293 million. Umoe did not sell any companies in 2017. REC Silicon ASA charged the accounts with a loss of NOK

-598 million in 2018, compared with a profit in 2017 of NOK 141 million. The drop in earnings from REC Silicon ASA is mainly due to the ongoing trade war between the USA and China, and that China has reduced the subsidies to the solar industry.

The business in Brazil developed operationally and financially about as expected, but further improvements are needed before the restructuring can be considered to be completed. The prospects for our business in Brazil are considered as good entering 2019. Umoe Restaurants AS continued expanding Burger King, Starbucks and Leon. Burger King and Peppes Pizza achieved very positive comparable growth, while for the TGI Fridays chain in particular, the development was negative. In 2018, among other things, it was decided to close some of the largest units in Oslo, which will result in reduced turnover, but improved profitability in 2019. In the Umoe Gas Carriers group, all the partly owned vessels operated without undesirable off-hire in 2018.

Total assets amounted to NOK 4 278 million (NOK 4 900 million). Book equity amounted to NOK 998 million as of 31 December (NOK 1 569 million), corresponding to an equity ratio of 23.3% (32.0%). External valuations and received bids for individual companies confirm that the market values are higher. Cash flow from operating activities in 2018 was respectively NOK 117 million (NOK 302 million) and NOK -6 million (NOK 188 million) for Umoe Gruppen AS-Group and Umoe Gruppen AS. Total investments amounted to NOK 411 million (NOK 574 million). The non-group debt in Umoe Gruppen AS and Umoe AS at year end 2018 was NOK 328 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 sugar cane 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. The UBE Group, which includes the holding company UBE Gruppen AS, had a turnover of NOK 698 million (NOK 726 million). Operating profit before depreciation and amortization was NOK 146 million (NOK 76 million) and the profit before tax was NOK -169 million (NOK -250 million). The operating profit before depreciation and amortization was affected by parts of the sugar cane that would normally be harvested in the 2018 season were decided to be harvested in 2019 since the weather conditions at the end of 2017/8 delayed the planting. Profit before tax includes the conversion of intercompany balances that resulted in currency losses of NOK -48 million in 2018 compared to a loss in 2017 of NOK -33 million. The currency loss is due to the fact that the BRL has weakened further against NOK in 2018, and ended at a NOK/BRL of 2.24 at the end of the year.

In 2018, UBE harvested 2.27 million (2.12 million) tons of sugar cane. This resulted in a production of 172 million (166 million) liters of regular ethanol. The biological mass, and associated sugar content, was lower than desired in 2018. Some of this was due to non-optimal growth conditions, which affected all producers in the district. Implemented measures now begin to yield results. The expected biomass for 2019 is estimated at slightly more than 2.4 million tons. The company will also in 2019 carry out extensive re-planting to further increase the volume. At the end of 2017, the Congress in Brazil decided to introduce green certificates from one unspecified time. In 2018, the congress decided that the certificates should be introduced with effect from 2020. Umoe does not expect this to affect the prices for 2019. No group loans were granted to UBE in 2018, but BRL 45 million of loans were converted into equity. Transfers to UBE are not expected in 2019.

## **Umoe Restaurants AS**

Umoe Restaurants AS (UR) is one of Scandinavia's leading restaurant groups with 219 self-owned and 208 franchise restaurants in Norway, Sweden and Denmark. The company operates the Burger King, Peppes Pizza, TGI Friday's, Starbucks, Blender and Leon chains. UR also owns 50% of Rail Gourmet Togservice Norge AS and 49% of HMSHost-UMOE F&B Company AS. The UR Group had revenues from own restaurants and franchise revenues in 2018 of NOK 2 990 million (NOK 2 946 million). Operating profit before depreciation and amortization was NOK 128 million (NOK 193 million) and profit before tax was NOK -84 million (NOK 12 million). The weak result is mainly due to continued losses in TGI Fridays where, in 2018, a comprehensive turnaround with cost cuts, closure of unprofitable restaurants and streamlining of operations continued, while UR continues to open a high number of own restaurants, which also affects the results negatively until the restaurants reach positive earnings.

The main focus in UR in 2018 has been to ensure the planned expansion agreed on in the franchise agreements entered into with Burger King Corporation and Starbucks at the end of 2012. The Burger King Agreement gives UR the responsibility for operational follow-up of Burger King in Norway, Sweden and Denmark. Under the agreement, 30 (25) new Burger King-restaurants were opened in these three countries in 2018, 11 (15) of which are owned by Umoe Restaurants. As of 31 December 2018, there were 268 Burger King restaurants in Scandinavia, of which 108 owned by Umoe. The franchise agreement with Burger King Corporation was renegotiated in the spring of 2019, where the agreement was extended until the end of 2039 and Burger King Corporation became co-owner with a 15% ownership.

Peppes Pizza had a very positive development in 2018 and is now represented by 74 units from Hammerfest in the north to Kristiansand in the south. The positive development continued in 2019. In the spring of 2019, Peppes Pizza strengthened its initiative within the grocery initiative and now also offers frozen pizza, which has been well received in the market.

The Starbucks agreement gives UR the right to open Starbucks restaurants in Norway and Sweden. In 2018, one new Starbucks unit was opened, so that the total number of restaurants in Norway and Sweden is now 38 units. The reduced number of new openings in 2018 strengthened the earnings in 2018.

Blender consists of concepts in shopping malls such as Cafe Opus, La Baguette, KOK, Fattigmann, Eataly, and Little Eataly. Blender has started upgrading some older Cafe Opus and La Baguette restaurants, which has been positively welcomed in the market. In 2015, Umoe Restaurants entered into a collaboration with the global airport and traffic hub operator, HMSHost, to strengthen the ability to deliver on the major airport contracts. The joint company, HMSHost-Umoe F&B Company AS, has since opened 17 restaurants and cafés at Gardermoen, Flesland and Sola. Remaining airport restaurants earlier owned by Blender were moved to the joint company in 2018. This has resulted in a reduction in revenue and earnings in Blender. The large number of new openings in HMSHost-Umoe F&B Company AS has changed the company's results, which in the financial statements of UR are reported as earnings from associated companies.

American Bistro Scandinavia AS and American Bistro Sweden AB had five own-owned TGI Friday's restaurants in Norway and four units in Sweden at 31 December 2018. Profitability was far below expectations. TGI Fridays has experienced declining revenues over time and is undergoing extensive restructuring to improve operations. Several comprehensive cost-cutting measures were implemented in 2018, where the liquidation of two unprofitable restaurants was part of the measures. For 2019, the focus is on increasing comparable sales and total profitability. This comes partly through implemented measures in 2018, but also because TGI Fridays City, which for more than a year has been surrounded by construction work, will now be more easily accessible for customers. Two new openings are planned in 2019.

In 2017, UR entered into a master franchise agreement with LEON UK for Norway and Sweden, where Umoe opened the first two restaurants, as well as a food truck in 2018. LEON is described as the fast food of the future and the food offered consists of natural raw materials without artificial additives. The plan is to open new LEON restaurants, in Norway and Sweden, in the coming years.

## **Umoe Gas Carriers AS**

Umoe Gas Carriers AS (UGC) is the group's holding company for the LNG shipping activity. 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 to 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 satisfactory financial year in 2018. The LNG business reported a positive result of NOK 30 million (NOK 46 million). The profit after tax for UGC in 2018 was NOK 44 million (NOK 276 million). Sestao Knutsen was sold in the spring of 2018. The sale resulted in an accounting gain of NOK 16 million. With the exception of the docking of Bilbao Knutsen and Cadiz Knutsen in connection with their third class renewal, there were no undesirable off-hire in 2018. Umoe LNG AS, UGC's 100% owned subsidiary, entered the Norwegian shipping tax regime in 2017, which resulted in an income tax profit of NOK 199 million in 2017.

UGC is affected by fluctuations in currency and interest rates. The currency risk is significant, since 60 % of the revenue is in USD and the rest is in EUR, while operating costs are essentially in European currencies. UGC uses active strategies and financial instruments to mitigate this risk, especially in the shipping companies. The long term USD and EUR-loans also represents a natural hedge. In addition, a significant portion of the debt is hedged through long-term interest rate hedging contracts.

### **REC Silicon ASA**

REC Silicon ASA (REC) is a leading global manufacturer of advanced high quality polysilicon materials. The company has a production capacity of approximately 20 000 tons of polysilicon annually from two factories in the United States and also has a 15% stake in a Joint Venture in Yulin, China, which will have an annual production capacity of around 20 000 tons of polysilicon and has had a gradual production start from the middle of 2018 and is expected to be in full production during 2019. 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 22.95%. Umoe's investment in REC is treated as an associated company.

REC's revenue for 2018 was NOK 1 800 million (NOK 2 252 million), while operating profit before depreciation and amortization was NOK -40 million (NOK 164 million) and profit before tax was NOK -2 833 million (-1 730 million), after write downs totaling NOK 2 771 million. Earnings the last years are especially affected by a customs duty on imports of polysilicon from the US into China, which has reduced the access to the Chinese market. In January 2018, the US introduced increased duty on imports of solar panels into the United States. In order to avoid undesired stock build-up and further pressure on prices, REC has operated with reduced production at the plant in Moses Lake since the spring of 2016. A further deterioration in market conditions came in the summer of 2018, when the Chinese authorities reduced subsidies to the solar industry. This led to a temporary halt in new solar projects in China with subsequent price pressure on polysilicon, both inside and outside the Chinese market. The global solar cell market is still growing, but in practice, REC is shut out from the Chinese market. In May 2019, REC completed a temporary shutdown of the plant in Moses Lake.

In the accounts of the Umoe Group AS Group, the ownership of REC is recorded at the lower of fair value measured as the share price at the stock exchange and acquisition cost adjusted for Umoe's share of historical results. As a result of write-downs carried out in REC, Umoe has carried out write-downs of REC in the Umoe-accounts totaling NOK 598 million in 2018. This gives a book value of NOK 184 million, while the market value at the same time amounted to NOK 344 million. The market value of the REC investment per. 5 June 2019, was NOK 329 million. Umoe subscribed for NOK 39 million in a share issue in May 2019. No significant changes in the prices REC realizes for polysilicon are expected before the import duty into China has been removed.

### **Other companies**

These companies have an estimated market value of approximately NOK 600 million. The companies consist of Sønnico AS, Umoe Consulting AS, Umoe Eiendom AS, Umoe Forestry AS, Umoe Industries AS, Umoe Mandal AS and the Umoe Wind companies. The total turnover of the companies in 2018 was NOK 1 358 million (NOK 1 469 million). Operating profit before depreciation and amortization was NOK 366 million (NOK 83 million) and profit before tax was NOK 313 million (NOK 27 million). In the summer of 2018, Umoe Forestry completed the sale of Fornebu Lumber Company Inc. The sale resulted in a gain of NOK 293 million.

Umoe's goal of ownership in these companies is to create value by ensuring the companies have competent boards and necessary funding. It is also a wish that management are minority owners in the company they manage, to ensure that Umoe and the management have shared interests and that management can participate in the value creation achieved.

Sønnico AS is an electrical installation company with nearly 350 employees, and eight offices around Norway. Following a successful restructuring in 2014, the company now has several years of improving positive results, while increasing its order book at the same time. The focus going forward will be to increase the market share in the private market. The prospects for the company into 2019 are promising.

Umoe Consulting (UC) is a Bergen-based consulting company with more than 30 employees offering expert advice, development and management of IT systems, focusing on Business Intelligence, system development and project management. In 2018, the company has continued the good trend from previous years, despite the fact that they operate in a highly competitive market, where several of the larger assignments in recent years have been won by foreign suppliers. UC has in recent years won several such customers back. UC will continue to serve customers in a professional manner, creating added value for the customers and UC.

In Umoe Eiendom, the real estate portfolio consists of production premises, housing land and office buildings, covering approximately 600 000 square meters located at eight different locations around Norway. Earnings in 2018 were somewhat weaker than in 2017. The property in Haugesund, which is leased to Aibel on a long-term contract, will not be extended at the end of the contract in 2020, which has meant that Aibel wishes to acquire the property at market value. It is expected that a legal decision in late 2019 will determine what the market value is.

Umoe Forestry AS managed the ownership of Fornebu Lumber Company Inc. (FLC), which produces building materials, mainly exported to the US housing market, in addition to managing large forest properties. FLC was sold in the summer of 2018. The sale gave an accounting gain of NOK 293 million.

Umoe Industries AS (UIN), with its nearly 70 employees, primarily works with mechanical production, for customers in the oil and gas and aluminum sectors, partly at own workshops and partly through subcontractors in Poland and China. In 2018, the company received a major contract for the supply of cathode shells to Hydro Karmøy. In the spring of 2019, the company received an additional contract for the delivery of new and repair of old anode rods for Hydro Sunndal. Expectations for 2019 are positive for the business.

Umoe Mandal AS (UM) and its subsidiary Umoe Advanced Composites AS (UAC) has close to 130 employees and is an international leader in the production of advanced composite components for the maritime, oil and gas and defense sectors. During recent years, UM has invested in developing a new vessel concept in composite for use at offshore wind turbines, Wavecraft. The advantages of this ship concept are high speed, the ability to operate the ship at higher wave height and low weight, which results in lower fuel costs and shorter transport time to and from wind mill parks, which in turn gives more operational hours for wind turbine operators on the field. During 2018, UM intensified the marketing of the concept for passenger transport of oil workers offshore. UM believes that these vessels are competitive for wind farms that are further out of the coast than most of today's parks, and that in the long term they also can replace helicopter transport for oil workers. UM experiences great market interest. The time from idea to contract is however long for such projects, which has meant that UM has not had full capacity utilization at the yard in 2018. In addition to the work on the Wavecraft concepts and maintenance orders for the Navy, UM has developed and produced prototype parts for Textron Marine and Land. This has resulted in UM being awarded a contract for the construction of similar parts for eight ships. In 2019, UM received an additional contract for another 5 ship sets. Furthermore, UM has been a subcontractor for Bofors for many years. It is expected that this will result in larger orders in 2019 and beyond. In the subsidiary Umoe Advanced Composites AS (UAC), which until 2015 had all its production aimed at the oil and gas sector, the conversion to production for other industries has continued throughout 2018. The company has managed to build up a new product portfolio consisting of various high pressure tanks for use in transporting, for example compressed natural gas. The company received type approval for several of the products towards the end of 2017 and is expecting further approvals in the near future. The leakage problems that were discovered at year-end 2017 negatively impact the result in 2018. However, no new quality problems were discovered in 2018. The outlook for UM and UAC is considered good.

Umoe Wind II AS, Umoe Unda AS, Umoe Cautus AS and Umoe Vectura AS (Wind), are companies owned by Umoe AS and whose purpose is to own and operate Umoe Firmus and Umoe Rapid, the group's two Wavecraft vessels. The occupancy rate improved for Umoe Firmus to 65% in 2018 and for Umoe Rapid it was close to 100%. Overcapacity of such and similar vessels has been reduced over the past year, but not enough to improve the rates to a level that ensures positive earnings. Umoe believes that as more and more offshore wind farms are built further out from land, the attractiveness of these vessels will increase and this will mean that the vessels will be competitive at rate levels that give an acceptable profitability. Umoe has supported the Wind business with operating financing through 2017 and 2018, which is expected to continue until the rates reach a higher level. In 2019, the Umoe Rapid was re-flagged from British to Danish flag and at the same time the vessel entered into the Danish International

Ship Register. The same will be done with Umoe Firmus, but only after the vessel has been upgraded from 12 to 24 seats capacity, which is expected to increase the rate.

## **FINANCIAL MARKET RISK**

The Group is exposed to various risks, such as market risk, credit risk and liquidity risk. Unwanted risk is sought reduced by entering into long-term contracts, prepayments, natural hedges, guarantees and credit lines in reputable banks or placement of 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 loss in 2018 of NOK 12 451 000. The Board of Directors proposes the loss to be allocated as follow:

|                                       |                  |
|---------------------------------------|------------------|
| Proposed dividend                     | -20 000 000      |
| Transferred from Other equity         | 32 451 000       |
| <hr/> Total transfers and allocations | <hr/> 12 451 000 |

In accordance with §3-3 of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared under the assumption that the Group is a going concern.

## **PERSONNEL AND ENVIRONMENT**

Umoe Gruppen AS has no employees. The Group had 5 654 employees, 3 612 full-time equivalents (4 045). The total absence rate due to sickness for the group was 3.1% (2.9%). There have been 26 personal injuries during the year 2018, versus 36 in 2017. All the companies in the Umoe Group work to reduce unwanted incidents and, consequently, personal injuries.

In 2018, the Group carried out a work environment survey in several of the Norwegian companies. The survey provides good feedback on the working environment. The survey uncovers the job satisfaction and loyalty of our employees in their work. This is done through questions on the topics like the company's reputation, senior management, nearest manager, job content, working conditions, bullying, cooperation, pay and employment conditions and learning and personal development. Efforts are made in the individual companies to follow up negative feedback. It is planned to carry out similar work environment surveys in the spring of 2019.

Umoe treats women and men equally. This is done through equal pay for equal work and when hiring emphasis is put on competence, experience and the ability to meet the skills that the position requires. The company strives to be an attractive employer for all employees, regardless of gender, functional ability, religion, creed and ethnic and national origin. For Umoe Restaurants in particular, it is very important to be a good first workplace for a large number of employees with very different backgrounds. By the end of 2018 the Umoe group had 36.2% women and 63.8% men employed. The board consists of six men and one woman.

To the Board's knowledge, the individual group companies have set up their operations in accordance with company-specific environmental regulations within the respective sectors and countries in which they operate. In addition to various orders and requirements from authorities, Umoe has invested heavily in renewable energy and reduction in CO<sup>2</sup>-emissions through its ethanol project in Brazil and the investment in REC Silicon.

## **FUTURE PROSPECTS**

Globally, long-term interest rates are on the way down. The reason for this is partly the closure of the US state apparatus this winter, reduced quantitative easing in the US, the diminishing effect of the US tax cuts from 2018, while failing a solution to the trade war between the US and China. Furthermore, it is still unclear how and when the UK will leave the European Union.

Increased oil prices will give better prices for ethanol in Brazil, while increased demand for fuel in Brazil is expected because the recession in the country gradually ends. On the other hand, sugar prices are expected to remain stable at such a low level that producers who are able to switch from sugar to ethanol production will do so.

Increased oil prices will also be positive for domestic purchasing power in Norway, where especially Umoe Restaurants and Sønnico are exposed.

The solar energy sector is becoming increasingly competitive in relation to other energy sources. For REC Silicon ASA, however, the lack of market access to China is the biggest problem. It is therefore to be hoped that an early solution to the trade war between China and the US will also include a solution that secures REC Silicon ASA's market access to the Chinese silicon market. If this does not happen, Umoe expects that the company will ultimately shut down production completely at the company's plant at Moses Lake.

Umoe follows the development in the markets carefully to ensure that our subsidiaries adapt to economic realities and at the same time create room for new ventures. The focus of the owner and management is aimed at ensuring that necessary measures are taken to ensure earnings and safe financial development. At the same time, emphasis is placed on following the various segments carefully so that the Group can be an active participant in restructuring and industrial consolidation.

Fornebu, 5 June 2019

Sign.  
Johan Fr. Odfjell  
Chair of the board

Sign.  
Harald Norvik  
Board member

Sign.  
Victor D. Norman

Sign.  
Erik Sauar  
Board member

Sign.  
Vidar Helgesen  
Board member

Sign.  
Ragnhild Kierulf Ulltveit-Moe  
Board member

Sign.  
Jens Ulltveit-Moe  
Board member and CEO

# Umoe Gruppen AS

| Income Statement                               | Notes   | Umoe Gruppen AS |                | Consolidated     |                  |
|--|---------|-----------------|----------------|------------------|------------------|
|  |         | 2018            | 2017           | 2018             | 2017             |
| Amount in NOK 1 000                            |         |                 |                |                  |                  |
| Revenue  |         | 0               | 0              | 4 656 339        | 4 906 592        |
| Other operating income                         |         | 0               | 0              | 391 419          | 103 308          |
| <b>Total revenue</b>                           | 3       | <b>0</b>        | <b>0</b>       | <b>5 047 758</b> | <b>5 009 900</b> |
| Cost of goods sold                             |         | 0               | 0              | -1 847 684       | -1 912 995       |
| Payroll and social expenses                    | 4, 16   | -1 198          | -856           | -1 353 610       | -1 366 498       |
| Depreciation of fixed- and intangible assets   | 7       | 0               | 0              | -381 018         | -368 740         |
| Write-down/reversed write-d. of fixed assets   | 7       | 0               | 0              | 50 464           | 9 907            |
| Other operating expenses                       | 5, 6, 8 | -11 106         | -11 388        | -1 265 237       | -1 434 965       |
| <b>Operating profit</b>                        |         | <b>-12 304</b>  | <b>-12 244</b> | <b>250 673</b>   | <b>-63 391</b>   |
| Gain/loss/write-down/dividend subsidiaries     |         | -6 250          | 0              | 0                | 0                |
| Share of profit/loss from associated companies |         | 0               | 0              | -600 095         | 177 316          |
| Financial income                               |         | 19 069          | 20 058         | 26 672           | 15 544           |
| Currency gain/loss                             |         | 0               | 0              | -83 480          | -14 929          |
| Financial expenses                             |         | -11 793         | -13 277        | -190 869         | -175 049         |
| <b>Net financial items</b>                     | 12      | <b>1 026</b>    | <b>6 781</b>   | <b>-847 772</b>  | <b>2 882</b>     |
| <b>Ordinary profit / (loss) before tax</b>     |         | <b>-11 278</b>  | <b>-5 463</b>  | <b>-597 099</b>  | <b>-60 509</b>   |
| Tax income (+) / tax cost (-)                  | 17      | -1 173          | -1 084         | 24 768           | 214 825          |
| <b>Net profit / (loss) of the year</b>         | 15      | <b>-12 451</b>  | <b>-6 547</b>  | <b>-572 331</b>  | <b>154 316</b>   |
| Minority's share of the profit/loss            | 15      | 0               | 0              | 11 227           | 1 889            |
| <b>Profit/loss for the year after minority</b> | 15      | <b>-12 451</b>  | <b>-6 547</b>  | <b>-561 104</b>  | <b>156 205</b>   |
| <b>Attributable to:</b>                        |         |                 |                |                  |                  |
| Proposed dividend                              |         | -20 000         | -20 000        |                  |                  |
| Transfer to (-) / from (+) other equity        |         | 32 451          | 26 547         |                  |                  |
| <b>Total transfers and allocations</b>         |         | <b>12 451</b>   | <b>6 547</b>   |                  |                  |

# Umoe Gruppen AS

| Balance Sheet                                | Notes | Umoe Gruppen AS  |                  | Consolidated     |                  |
|--|-------|------------------|------------------|------------------|------------------|
|  |       | 2018             | 2017             | 2018             | 2017             |
| Amount as of 31.12. in NOK 1 000             |       |                  |                  |                  |                  |
| <b>Assets</b>                                |       |                  |                  |                  |                  |
| Research and development                     | 7     | 0                | 0                | 7 885            | 7 447            |
| Dev. software, trademarks, other rights etc. | 7     | 0                | 0                | 49 453           | 46 492           |
| Deferred tax asset                           | 17    | 638              | 0                | 103 846          | 67 073           |
| Goodwill                                     | 7     | 0                | 0                | 39 626           | 36 691           |
| <b>Total intangible assets</b>               |       | <b>638</b>       | <b>0</b>         | <b>200 810</b>   | <b>157 703</b>   |
| Grounds, buildings and bearer plants         |       | 0                | 0                | 676 420          | 626 794          |
| Additions on rented premises                 |       | 0                | 0                | 458 680          | 461 254          |
| Equipment                                    |       | 0                | 0                | 609 103          | 763 837          |
| Ships, rigs, etc.                            |       | 0                | 0                | 134 071          | 144 241          |
| Fixtures and fittings, tools, etc.           |       | 0                | 0                | 98 792           | 93 448           |
| <b>Total fixed assets</b>                    | 7     | <b>0</b>         | <b>0</b>         | <b>1 977 066</b> | <b>2 089 574</b> |
| Investments in subsidiaries                  | 9     | 3 169 573        | 3 371 373        | 0                | 0                |
| Loans to group companies                     | 19    | 443 052          | 435 249          | 0                | 0                |
| Investments in associated companies          | 9, 10 | 0                | 0                | 223 879          | 944 001          |
| Loans to associated companies                |       | 0                | 0                | 160 762          | 182 879          |
| Other shares                                 | 11    | 0                | 0                | 42 265           | 27 698           |
| Other long-term receivables                  | 2     | 1 782            | 1 779            | 329 462          | 51 132           |
| <b>Total financial assets</b>                |       | <b>3 614 407</b> | <b>3 808 401</b> | <b>756 368</b>   | <b>1 205 710</b> |
| <b>Total non current assets</b>              |       | <b>3 615 045</b> | <b>3 808 401</b> | <b>2 934 244</b> | <b>3 452 987</b> |
| <b>Inventories</b>                           | 13    | <b>0</b>         | <b>0</b>         | <b>493 233</b>   | <b>557 700</b>   |
| Accounts receivable                          |       | 0                | 142              | 347 533          | 339 956          |
| Construction contracts                       | 14    | 0                | 0                | 79 069           | 47 452           |
| Short-term intercompany receivables          | 19    | 202 193          | 1 464            | 0                | 0                |
| Other short-term receivables                 |       | 98               | 162              | 156 108          | 179 772          |
| <b>Total receivables</b>                     |       | <b>202 291</b>   | <b>1 768</b>     | <b>582 710</b>   | <b>567 180</b>   |
| Cash and cash equivalents - non-restricted   |       | 80               | 91               | 251 590          | 303 375          |
| Cash and cash equivalents - restricted       |       | 60               | 46               | 15 981           | 18 592           |
| <b>Total cash and cash equivalents</b>       |       | <b>140</b>       | <b>137</b>       | <b>267 571</b>   | <b>321 967</b>   |
| <b>Total current assets</b>                  |       | <b>202 431</b>   | <b>1 905</b>     | <b>1 343 514</b> | <b>1 446 847</b> |
| <b>Total assets</b>                          |       | <b>3 817 476</b> | <b>3 810 306</b> | <b>4 277 758</b> | <b>4 899 834</b> |

# Umoe Gruppen AS

## Balance Sheet

Amount as of 31.12. in NOK 1 000

|   | Notes  | Umoe Gruppen AS  |                  | Consolidated     |                  |
|---|--------|------------------|------------------|------------------|------------------|
|   |        | 2018             | 2017             | 2018             | 2017             |
| <b>Equity and debt</b>                              |        |                  |                  |                  |                  |
| Share capital                                       |        | 375 000          | 375 000          | 375 000          | 375 000          |
| Share premium                                       |        | 250 375          | 250 375          | 250 375          | 250 375          |
| <b>Total paid-in capital</b>                        | 15     | <b>625 375</b>   | <b>625 375</b>   | <b>625 375</b>   | <b>625 375</b>   |
| Restricted funds                                    |        | 0                | 0                | 3 366            | 3 470            |
| Other equity  |        | 2 602 319        | 2 634 768        | 353 727          | 907 382          |
| Minority interests                                  |        | 0                | 0                | 15 956           | 32 642           |
| <b>Total equity</b>                                 | 15     | <b>3 227 694</b> | <b>3 260 143</b> | <b>998 424</b>   | <b>1 568 869</b> |
| <b>Liabilities</b>                                  |        |                  |                  |                  |                  |
| Pension liabilities                                 | 16     | 0                | 0                | 1 883            | 3 329            |
| Deferred tax  | 17     | 0                | 105              | 0                | 14 125           |
| Accrual regarding associated companies              | 10     | 0                | 0                | 93 288           | 13 064           |
| Other non-current liabilities                       |        | 0                | 0                | 62 364           | 67 753           |
| <b>Total provisions for liabilities and charges</b> |        | <b>0</b>         | <b>105</b>       | <b>157 535</b>   | <b>98 271</b>    |
| <b>Long-term debt</b>                               |        |                  |                  |                  |                  |
| Long-term debt to credit institutions               | 18     | 0                | 0                | 1 347 782        | 1 625 166        |
| Long-term intercompany debt                         | 18, 19 | 451 586          | 436 206          | 6 397            | 0                |
| Other long-term debt                                | 18     | 29 352           | 28 768           | 54 655           | 53 256           |
| <b>Total long-term debt</b>                         |        | <b>480 938</b>   | <b>464 974</b>   | <b>1 408 834</b> | <b>1 678 422</b> |
| <b>Current liabilities</b>                          |        |                  |                  |                  |                  |
| Short-term debt to credit institutions              | 18     | 0                | 0                | 542 365          | 448 704          |
| Accounts payable                                    |        | 12               | 214              | 494 392          | 491 423          |
| Tax payable   | 17     | 0                | 0                | 1 610            | 8 285            |
| Accruals for public duties                          |        | 99               | 78               | 234 915          | 208 823          |
| Dividend and group contributions                    |        | 28 333           | 21 926           | 23 434           | 22 773           |
| Advance payments from customers                     |        | 0                | 0                | 62 800           | 28 014           |
| Short-term intercompany interest-bearing debt       | 18, 19 | 80 151           | 62 635           | 0                | 0                |
| Other short-term debt                               |        | 249              | 231              | 353 449          | 346 250          |
| <b>Total current liabilities</b>                    |        | <b>108 844</b>   | <b>85 084</b>    | <b>1 712 965</b> | <b>1 554 272</b> |
| <b>Total equity and debt</b>                        |        | <b>3 817 476</b> | <b>3 810 306</b> | <b>4 277 758</b> | <b>4 899 834</b> |

Fornebu, 5 June 2019

Sign. \_\_\_\_\_  
 Johan Fr. Odfjell  
 Chair of the board

Sign. \_\_\_\_\_  
 Harald Norvik  
 Board member

Sign. \_\_\_\_\_  
 Victor D. Norman

Sign. \_\_\_\_\_  
 Erik Sauar  
 Board member

Sign. \_\_\_\_\_  
 Vidar Helgesen  
 Board member

Sign. \_\_\_\_\_  
 Ragnhild Kierulf Ulltveit-Moe  
 Board member

Sign. \_\_\_\_\_  
 Jens Ulltveit-Moe  
 Board member and CEO

# Umoe Gruppen AS

| Statement of cash flows  | Notes | Umoe Gruppen AS |                 | Consolidated   |                 |
|--|-------|-----------------|-----------------|----------------|-----------------|
| Amount in NOK 1 000  |       | 2018            | 2017            | 2018           | 2017            |
| <b>Cash flow from operating activities:</b>                      |       |                 |                 |                |                 |
| Profit before tax  |       | -11 276         | -5 463          | -597 099       | -60 510         |
| Paid taxes   | 17    | -1 917          | -462            | -33 535        | 4 159           |
| Share of profit(-)/(+)loss of associated companies/ subsidiaries |       | 0               | 0               | 617 852        | 550 955         |
| Gain(-)/loss(+) from sale of fixed assets                        |       | 0               | 0               | -294 413       | -16 389         |
| Depreciation of fixed- and intangible assets                     | 7     | 0               | 0               | 381 018        | 368 740         |
| Write-down of fixed- and intangible assets                       |       | 201 800         | 0               | -68 221        | -737 116        |
| Effect of currency changes                                       |       | 0               | 0               | -5 357         | 19 987          |
| Difference between expensed and net paid pensions                |       | 0               | 0               | -1 467         | -649            |
| Changes to inventory, accounts payable and receivable            |       | -60             | -134            | 68 406         | 132 495         |
| Other changes  |       | -194 338        | 193 765         | 49 656         | 39 898          |
| <b>Net cash flow from operational activities</b>                 |       | <b>-5 791</b>   | <b>187 706</b>  | <b>116 840</b> | <b>301 571</b>  |
| <b>Cash flow from investing activities:</b>                      |       |                 |                 |                |                 |
| Cash inflow from sale of fixed/intangible assets                 | 7     | 0               | 0               | 394 955        | 21 974          |
| Cash outflow from purchase of fixed/int. assets                  | 7     | 0               | 0               | -441 251       | -573 828        |
| Net cash flow from shares in other companies                     |       | 0               | -5 899          | 193 577        | 50 107          |
| Net cash flow from other investments, like loans, etc.           |       | -7 807          | 99 468          | -229 872       | -116 653        |
| <b>Net cash flow from investment activities</b>                  |       | <b>-7 807</b>   | <b>93 569</b>   | <b>-82 591</b> | <b>-618 400</b> |
| <b>Cash flow from financing activities:</b>                      |       |                 |                 |                |                 |
| Cash inflow from raising interest-bearing debt                   |       | 33 601          | 0               | 1 054 745      | 844 234         |
| Cash outflow from repayment of interest-bearing debt             |       | 0               | -261 349        | -1 117 770     | -439 870        |
| Net payments to/from minority interests                          |       | 0               | 0               | -5 326         | 237             |
| Change in equity - majority                                      |       | -20 000         | -20 000         | -20 295        | -20 149         |
| <b>Net cash flow from financing activities</b>                   |       | <b>13 601</b>   | <b>-281 349</b> | <b>-88 646</b> | <b>384 452</b>  |
| <b>Net change in cash and cash equivalents</b>                   |       | <b>4</b>        | <b>-74</b>      | <b>-54 397</b> | <b>67 623</b>   |
| Cash and cash equivalents at 31 December last year               |       | 137             | 211             | 321 968        | 254 345         |
| <b>Cash and cash equivalents at 31 December</b>                  |       | <b>141</b>      | <b>137</b>      | <b>267 571</b> | <b>321 968</b>  |
| Unutilized overdraft/credit facility                             |       | 0               | 0               | 215 860        | 146 127         |
| <b>Liquid reserves</b>   |       | <b>141</b>      | <b>137</b>      | <b>483 431</b> | <b>468 095</b>  |

# 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 % of the voting capital and/or has a controlling interest. The subsidiaries are specified in a separate note. 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 on a straight-line basis 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 according to the acquisition method in the Group accounts.

In the holding company's 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 currency are posted directly against 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 recognized 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 the 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 customers. 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. Other intangible asset are recognized 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, capitalized goodwill and intangible assets will be tested for decrease in value and if the fair value is lower than booked value, it 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 lowest 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 as 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. soil preparation) and the planting itself. The cost is depreciated under a useful life of normally 5 cuts (one cut a year). Bearer plants 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 lower of cost of acquisition and fair value.

**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 cost of acquisition and fair value. 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 interests 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 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 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

#### 2018

7 March Umoe Eiendom AS bought 1.67 % of the shares in Umoe Sterkoder AS. The transaction were made at fair value.

Umoe Gas Carriers Group sold its ownership interests in the LNG ship "Sestao" on 27 April. The gain in the group accounts was NOK 2.6 million. For more information, see note 10.

In May Umoe AS sold 3.02 % of the shares in Umoe Mandal AS (UM) to senior employees in UM. At the same time UM sold 2% of the shares in Umoe Advanced Composites AS (UAC) to senior employees in UAC. The transactions were made at fair value.

In May Umoe Restaurants AS founded the fully owned property company King Food Eiendom 1 AS.

1 June, Umoe Forestry AS sold its Canadian subsidiary Fornebu Lumber Company Inc. The gain in the group accounts was NOK 293 million.

12 December Umoe AS bought 1 % of the shares in Umoe Restaurants AS from Kagra IV AS. The transaction were made at fair value.

During 2018 Umoe AS increased its ownership in REC Silicon ASA from 21.16 % to 22.95 %.

In December Umoe Bioenergy S.A. converted debt to equity, totalling NOK 100.7 million.

In December, Umoe Gas Carriers-group completed a restructuring of the ownership in the ship-owning companies in the group, securing a more direct ownership.

#### 2017

12 January 2017, Umoe founded Umoe Cautus AS and Umoe Vectura AS to own and operate the ship Umoe Rapid, both companies owned 100 % by Umoe AS.

13 January 2017 Umoe Industries AS bought 100 % of the shares in the company Skude Industri AS. The excess value analyses identified a bad will of NOK 8.3 million which is amortized over 5 years.

In April 2017, Umoe AS sold 4.4 % of the shares in Sønnico AS and 5 % of the shares in Umoe Mandal AS to the management in each company. During 2017 Umoe AS bought 5.7 % of the shares in Umoe Consulting AS from employees in the company. The transactions were made at fair value.

In September 2017 Umoe Restaurants AS started to work with their new concept Leon under the company Healthy Restaurants Norway AS. Healthy Restaurants Norway AS is the franchisee.

During 2017 three companies was liquidated, Umoe Wind AS, Kagra IX AS and Sønnico Tele AS.

Umoe Gruppen AS, Umoe Gas Carriers AS, Umoe Wind II AS and Umoe Cautus AS bought 13 November 2017 a total of 23 035 sharers in Umoe AS from Kagra IV AS (a company owned by Jens Ulltveit-Moe Moe). The transactions amounted to NOK 12.5 million and were made at fair value.

In December 2017, with tax effect from 1 January 2017, Umoe LNG AS became part of the Norwegian tonnage tax regime.

## 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 (service, sale of ethanol, real estate, etc.)
- 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 pre-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   |                |
|---|-----------------|----------------|----------------|----------------|
|   | 2018            | 2017           | 2018           | 2017           |
| Loans, receivables and other credits to group companies | 645 246         | 436 712        | 0              | 0              |
| External trade receivables                              | 0               | 142            | 351 106        | 345 104        |
| Unsecured external loans*                               | 1 782           | 1 779          | 452 750        | 185 658        |
| Work in progress  | 0               | 0              | 79 069         | 47 452         |
| Other receivables                                       | 0               | 0              | 65 582         | 80 977         |
| <b>Gross credit risk</b>                                | <b>647 028</b>  | <b>438 633</b> | <b>948 507</b> | <b>659 191</b> |
| Provision for bad debt                                  | 0               | 0              | -5 361         | -5 181         |
| <b>Net credit risk</b>                                  | <b>647 028</b>  | <b>438 633</b> | <b>943 146</b> | <b>654 010</b> |

\* The line "Unsecured external loans" includes an receivable of USD 32 million (NOK 277 million) towards a 3. party in connection with an reorganization of the LNG-ownership.

### 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 |      |
|--------------------------------------|-------------------|------|-----------------------|------|
|                                      | 2018              | 2017 | 2018                  | 2017 |
| NOK/BRL                              | 2,24              | 2,59 | 2,24                  | 2,48 |
| NOK/CAD                              | 6,28              | 6,37 | 6,38                  | 6,54 |
| NOK/SEK                              | 0,94              | 0,97 | 0,97                  | 1,00 |
| NOK/USD                              | 8,14              | 8,27 | 8,69                  | 8,24 |

### 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 interest.

### Refinancing risk:

At the end of the year the Group had liabilities against credit institutions of NOK 1 870 millions.

The agreed instalments for 2019 is NOK 798 million, where NOK 254 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     |                  |
|--|-----------------|----------|------------------|------------------|
|  | 2018            | 2017     | 2018             | 2017             |
| Sales revenue                                      | 0               | 0        | 4 696 237        | 4 932 545        |
| Change work in progress                            | 0               | 0        | -39 898          | -25 952          |
| Gain from disposals of fixed and immaterial assets | 0               | 0        | 297 328          | 17 161           |
| Other income                                       | 0               | 0        | 94 091           | 86 147           |
| <b>Total revenue</b>                               | <b>0</b>        | <b>0</b> | <b>5 047 758</b> | <b>5 009 900</b> |

| Revenue divided into geographical areas: | 2018      | 2017      |
|--|-----------|-----------|
| Norway                                   | 2 883 193 | 2 891 523 |
| Sweden, Denmark, Iceland and Finland     | 867 606   | 783 733   |
| Remaining Europe                         | 56 514    | 25 319    |
| America                                  | 1 240 192 | 1 308 256 |
| Africa                                   | 254       | 0         |
| Asia and Australia                       | 0         | 1 069     |

| Revenue divided into main areas:       | 2018             | 2017             |
|--|------------------|------------------|
| Restaurants                            | 2 990 036        | 2 945 643        |
| Ethanol                                | 698 392          | 725 862          |
| Forestry                               | 479 393          | 531 379          |
| Manufacturing and electro installation | 789 128          | 808 426          |
| Property, IT consultancy, etc.         | 102 181          | 106 961          |
| Eliminations                           | -11 372          | -108 371         |
| <b>Total</b>                           | <b>5 047 758</b> | <b>5 009 900</b> |

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

|  | Umoe Gruppen AS |            | Consolidated     |                  |
|--|-----------------|------------|------------------|------------------|
|  | 2018            | 2017       | 2018             | 2017             |
| Salaries                                 | 0               | 0          | 1 168 551        | 1 183 396        |
| Social security tax                      | 148             | 106        | 176 048          | 178 675          |
| Pension cost                             | 0               | 0          | 26 468           | 25 776           |
| Other employee benefit cost              | 1 050           | 750        | 31 325           | 31 879           |
| Salary-cost capitalized as inventory     | 0               | 0          | -48 783          | -53 228          |
| <b>Total payroll and social expenses</b> | <b>1 198</b>    | <b>856</b> | <b>1 353 610</b> | <b>1 366 498</b> |

|                                |   |   |       |       |
|--------------------------------|---|---|-------|-------|
| Full time employee equivalents | 0 | 0 | 3 612 | 4 045 |
|--------------------------------|---|---|-------|-------|

## Remuneration to the board and the CEO (figures in NOK):

|                       | CEO            | The board        |
|-----------------------|----------------|------------------|
| Salaries/remuneration | 592 749        | 1 050 000        |
| Pensions              | 0              | 0                |
| Other benefits        | 15 393         | 0                |
| <b>Total</b>          | <b>608 142</b> | <b>1 050 000</b> |

The remuneration to the board reported above, is paid by and recognized in the accounts 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 |       |
|----------------------|-----------------|------|--------------|-------|
|                      | 2018            | 2017 | 2018         | 2017  |
| Agreed fee for audit | 235             | 269  | 6 161        | 6 517 |
| Fee for tax services | 283             | 476  | 892          | 810   |
| Other services       | 0               | 58   | 462          | 934   |

Audit fees reported above are exclusive of value added tax.

**Note 6 Other operating expenses**

|                                    | Umoe Gruppen AS |               | Consolidated     |                  |
|------------------------------------|-----------------|---------------|------------------|------------------|
|                                    | 2018            | 2017          | 2018             | 2017             |
| Rent of premises, etc.             | 0               | 0             | 597 654          | 606 745          |
| Repairs and maintenance            | 0               | 0             | 128 623          | 184 380          |
| External services/fees             | 519             | 804           | 65 178           | 113 655          |
| Cost related to means of transport | 0               | 0             | 35 805           | 101 515          |
| Selling cost                       | 0               | 0             | 91 957           | 87 151           |
| Royalties and licenses cost        | 0               | 0             | 186 213          | 218 368          |
| Other operating expenses*          | 10 586          | 10 584        | 159 807          | 123 152          |
| <b>Total operating expenses</b>    | <b>11 106</b>   | <b>11 388</b> | <b>1 265 237</b> | <b>1 434 965</b> |

\*Both in 2017 and 2018 includes a gift of NOK 10 million to Naturhistorisk museum, Klimahuset.

**Note 7 Property, plant, equipment and goodwill**

| Assets in the Group:              | Operative equipment | Machinery and ships | Rented premises | Biological assets | Land, real estate | Goodwill       | Other intangible assets | Total            |
|-----------------------------------|---------------------|---------------------|-----------------|-------------------|-------------------|----------------|-------------------------|------------------|
| Acquisition cost 1.1.             | 241 698             | 1 694 718           | 787 621         | 530 882           | 802 981           | 385 607        | 169 056                 | 4 612 563        |
| Additions                         | 21 611              | 78 732              | 122 831         | 155 395           | 38 323            | 11 689         | 12 670                  | 441 251          |
| Sale/disposals                    | -10 684             | -177 990            | -66 094         | -127 150          | -3 547            | -219 388       | -313                    | -605 166         |
| <b>Acquisition cost 31.12.</b>    | <b>252 625</b>      | <b>1 595 460</b>    | <b>844 358</b>  | <b>559 127</b>    | <b>837 757</b>    | <b>177 908</b> | <b>181 413</b>          | <b>4 448 648</b> |
| Accumulated depr./write-down 1.1. | -193 377            | -807 782            | -336 837        | -184 549          | -561 624          | -348 633       | -115 918                | -2 548 720       |
| Depreciation of the year          | -16 670             | -105 454            | -88 926         | -141 280          | -11 181           | -9 038         | -8 469                  | -381 018         |
| Write-down/reversed in the year*  | -144                | 0                   | -412            | 51 020            | 0                 | 0              | 0                       | 50 464           |
| Sale/disposals                    | 10 587              | 106 721             | 40 497          | 127 150           | 0                 | 219 389        | 312                     | 504 656          |
| <b>Net book value 31.12.</b>      | <b>53 021</b>       | <b>788 945</b>      | <b>458 680</b>  | <b>411 468</b>    | <b>264 952</b>    | <b>39 626</b>  | <b>57 338</b>           | <b>2 074 030</b> |

\*The reversed write-down of NOK 51 million is related to bearer plants in Bioenergy S.A.

|                     |            |            |            |            |         |            |            |
|---------------------|------------|------------|------------|------------|---------|------------|------------|
| Economic life       | 3-10 years | 5-20 years | 1-10 years | 5 years    | 7 years | 5-20 years | 5-10 years |
| Depreciation scheme | Linear     | Linear     | Linear     | Degressive | Linear  | Linear     | Linear     |

| Goodwill in the Group: | Acqu. cost     | Goodwill      | Add./disp.    | Depr/WD       | Goodwill      |
|------------------------|----------------|---------------|---------------|---------------|---------------|
|                        | 31.12.18       | 1.1.18        | 2018          | 2018          | 31.12.18      |
| Sønnico AS             | 1 670          | 584           | 0             | -334          | 250           |
| Umoe Consulting AS     | 25 033         | 1 342         | 0             | -304          | 1 038         |
| Umoe Restaurants AS    | 12 685         | 269           | 11 690        | -596          | 11 363        |
| King Food Danmark AS   | 48 581         | 26 370        | 0             | -6 711        | 19 659        |
| Westend Bakeri AS      | 6 938          | 4 857         | 0             | -694          | 4 163         |
| Umoe AS                | 82 267         | 5 661         | 0             | -1 171        | 4 490         |
| Umoe Gas Carriers AS   | 9 084          | 4 571         | 0             | -898          | 3 673         |
| Skude Industri AS      | -8 350         | -6 680        | 0             | 1 670         | -5 010        |
| <b>Sum goodwill</b>    | <b>177 908</b> | <b>36 974</b> | <b>11 690</b> | <b>-9 038</b> | <b>39 626</b> |

**Note 8 Lease agreements****Minimum rent of off-balance, non-cancelled leases - group figures:**

|                                   | Operative equipment | Machinery     | Rented premises  | Land, real estate and ships | Total            |
|-----------------------------------|---------------------|---------------|------------------|-----------------------------|------------------|
| Cost current year                 | 32 123              | 10 351        | 261 051          | 48 387                      | 351 912          |
| Cost next year                    | 28 993              | 4 151         | 249 713          | 33 986                      | 316 843          |
| Total costs 2-5 years             | 43 766              | 11 533        | 975 175          | 123 189                     | 1 153 663        |
| Total costs in year 6 and onward  | 1 789               | 5 736         | 1 281 755        | 60 197                      | 1 349 477        |
| <b>Total future leasing costs</b> | <b>74 548</b>       | <b>21 420</b> | <b>2 506 643</b> | <b>217 372</b>              | <b>2 819 983</b> |

**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  | 99,3 %      | 99,3 %       | 2 484 593        |
| Umoe Gas Carriers AS  | Smedasundet 40, 5529 Haugesund, Norway | 99,6 %      | 99,6 %       | 684 380          |
| Umoe Invest AS  | Fornebuveien 84, 1366 Lysaker, Norway  | 100,0 %     | 100,0 %      | 600              |
| <b>Total shares in subsidiary and associated companies owned by Umoe Gruppen AS</b> |  |             |              | <b>3 169 573</b> |

In addition to shares owned by Umoe Gruppen AS in Umoe AS, Umoe Gas Carriers AS, Umoe Wind II AS and Umoe Cautus AS owns 0.2 % of the shares in Umoe AS.

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

| Company:                        | Registered office                            | Owner share | Voting share |
|---------------------------------|--|-------------|--------------|
| <b>Subsidiary companies:</b>    |  |             |              |
| American Bistro Karl Johan AS   | Lysaker Torg 35, 1326 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| American Bistro Scandinavia AS  | Lysaker Torg 35, 1326 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| American Bistro Sweden AB       | Skeppsbron 46, 11130 Stockholm, Sweden       | 100,0 %     | 100,0 %      |
| BK Ejendom Rødovre ApS          | Kometvej 5, 6200 Aabenraa, Denmark           | 90,0 %      | 90,0 %       |
| BK Ejendom Skanderborg ApS      | Kometvej 5, 6200 Aabenraa, Denmark           | 100,0 %     | 100,0 %      |
| Blender AS                      | Lysaker Torg 35, 1326 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Healthy Restaurants Norway AS   | Lysaker Torg 35, 1326 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| King Food AB                    | Skeppsbron 46, 11130 Stockholm, Sweden       | 100,0 %     | 100,0 %      |
| King Food AS                    | Lysaker Torg 35, 1326 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| King Food Danmark AS            | Kometvej 5, 6230 Rødekro, Denmark            | 100,0 %     | 100,0 %      |
| King Food Eiendom 1 AS          | Lysaker Torg 35, 1326 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Peppes Pizza AS                 | Lysaker Torg 35, 1326 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Røyken Sentrumsutvikling AS     | Fornebuveien 84, 1366 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Skude Industri AS               | Steiningsholmen 30, 4280 Skudesneshavn, Nor. | 100,0 %     | 100,0 %      |
| Sønnico AS                      | Brynsveien 12, 0667 Oslo, Norway             | 90,1 %      | 90,1 %       |
| UBE Gruppen AS                  | Fornebuveien 84, 1366 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Umoe Advanced Composites AS     | Gismerøyveien 205, 4515 Mandal, Norway       | 94,0 %      | 94,0 %       |
| Umoe Alu Iceland hf.            | Jarnhalsi 2, 110 Reykjavik, Iceland          | 96,0 %      | 96,0 %       |
| Umoe Bioenergy SA               | 19015-150 Presidente Prudente, Brazil        | 100,0 %     | 100,0 %      |
| Umoe Cautus AS                  | Fornebuveien 84, 1366 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Umoe Consulting AS              | Nygårdsgaten 114, 5008 Bergen, Norway        | 65,8 %      | 65,8 %       |
| Umoe Eiendom AS                 | Fornebuveien 84, 1366 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Umoe Eiendom Hovedgård AS       | Fornebuveien 84, 1366 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Umoe Eiendom Vest AS            | Fornebuveien 84, 1366 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Umoe Forestry AS                | Fornebuveien 84, 1366 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Umoe Industries AS              | Smidjebergvegen 2, 4265 Håvik, Norway        | 80,0 %      | 80,0 %       |
| Umoe Karmsund AS                | Husøyvegen 1, 4262 Avaldsnes, Norway         | 100,0 %     | 100,0 %      |
| Umoe LNG AS                     | Smedasundet 40, 5529 Haugesund, Norway       | 100,0 %     | 100,0 %      |
| Umoe Mandal AS                  | Gismerøyveien 205, Mandal, Norway            | 92,0 %      | 92,0 %       |
| Umoe Mandal Eiendom AS          | Gismerøyveien 205, 4515 Mandal, Norway       | 100,0 %     | 100,0 %      |
| Umoe Restaurant Group Coffee AB | Skeppsbron 46, 11130 Stockholm, Sweden       | 100,0 %     | 100,0 %      |
| Umoe Restaurant Group Coffee AS | Lysaker Torg 35, 1326 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Umoe Restaurants AB             | Skeppsbron 46, 11130 Stockholm, Sweden       | 100,0 %     | 100,0 %      |
| Umoe Restaurants AS             | Lysaker Torg 35, 1326 Lysaker, Norway        | 92,0 %      | 92,0 %       |
| Umoe Sterkoder AS               | Dalegata 137, 6518 Kristiansund, Norway      | 98,3 %      | 98,3 %       |
| Umoe Unda AS                    | Fornebuveien 84, 1366 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Umoe Vectura AS                 | Fornebuveien 84, 1366 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Umoe Wind II AS                 | Fornebuveien 84, 1366 Lysaker, Norway        | 100,0 %     | 100,0 %      |
| Westend Bakeri AS               | Lysaker Torg 35, 1326 Lysaker, Norway        | 100,0 %     | 100,0 %      |

Associated companies:

|                                  |  |        |        |
|----------------------------------|--|--------|--------|
| Burger Venture AS                | Wilhelm Frøshaugs vei 10, 1410 Kolbotn, Nor. | 20,0 % | 20,0 % |
| Crispy Food Narvik AS            | Bolagsgata 1, 8514 Narvik, Norway            | 30,0 % | 30,0 % |
| Doublefood AS                    | Verftsgata 4, 7800 Namsos, Norway            | 30,0 % | 30,0 % |
| Flamefood AS                     | Skilleveien 4, 9411 Harstad, Norway          | 30,0 % | 30,0 % |
| HMSHOST-Umoe F&B Company AS      | Lysaker Torg 35, 1326 Lysaker, Norway        | 49,0 % | 49,0 % |
| Juniorfood AS                    | Storgata 7, 9300 Finnsnes, Norway            | 30,0 % | 30,0 % |
| Knutsen LNG 2 AS                 | Smedasundet 40, 5529 Haugesund, Norway       | 50,0 % | 50,0 % |
| Norspan LNG AS                   | Lysaker Torg 35, 1326 Lysaker, Norway        | 50,0 % | 50,0 % |
| Norspan LNG II AS                | Smedasundet 40, 5529 Haugesund, Norway       | 50,0 % | 50,0 % |
| Norspan LNG V AS                 | Smedasundet 40, 5529 Haugesund, Norway       | 50,0 % | 50,0 % |
| Norspan LNG VI AS                | Smedasundet 40, 5529 Haugesund, Norway       | 50,0 % | 50,0 % |
| Norspan LNG VII AS               | Smedasundet 40, 5529 Haugesund, Norway       | 50,0 % | 50,0 % |
| Rail Gourmet Togservice Norge AS | Tøyenbekken 21, 0188 Oslo, Norway            | 50,0 % | 50,0 % |
| REC Silicon ASA                  | Fornebuveien 84, 1366 Lysaker, Norway        | 23,0 % | 23,0 % |

**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                       | -13 064         | 11 460             | -36 031               | 0            | 0                     | 0                      | -37 635         |
| Knutsen LNG 2 AS                                  | -1 068          | 8 905              | 4 020                 | 0            | 0                     | 818                    | 12 675          |
| Norspan LNG AS and IS                             | -15 348         | -8 495             | 3 849                 | 0            | 0                     | -1 153                 | -21 147         |
| Norspan LNG II AS and IS                          | -3 970          | -6 918             | -1 468                | 0            | 0                     | -785                   | -13 141         |
| Norspan LNG IV AS and IS                          | -2 428          | 22 791             | -22 995               | 2 602        | 0                     | 30                     | 0               |
| Norspan LNG V AS and IS                           | 70 562          | -94 069            | 13 224                | 0            | 0                     | -1 627                 | -11 910         |
| Norspan LNG VI AS and IS                          | 49 592          | -71 004            | 14 287                | 0            | 0                     | -1 136                 | -8 261          |
| Norspan LNG VII AS and IS                         | 76 924          | -91 008            | 13 915                | 0            | 0                     | -1 025                 | -1 194          |
| Rail Gourmet Togservice Norge AS                  | 8 178           | -5 784             | 6 589                 | 0            | 0                     | 0                      | 8 983           |
| REC Silicon ASA                                   | 759 386         | 32 752             | -619 672              | 4 314        | 17 757                | 4 336                  | 198 873         |
| Other   | 2 172           | 1 662              | -486                  | 0            | 0                     | 0                      | 3 348           |
| <b>Total net booked value</b>                     | <b>930 936</b>  | <b>-199 708</b>    | <b>-624 768</b>       | <b>6 916</b> | <b>17 757</b>         | <b>-542</b>            | <b>130 591</b>  |
| Hereof classified as liability                    | 13 064          |                    |                       |              |                       |                        | 93 288          |
| <b>Total gross booked value associated comp.:</b> | <b>944 001</b>  |                    |                       |              |                       |                        | <b>223 879</b>  |

**Note 11 Book value of other long term shares**

| Company:                   | Registered office                     | Owner share | Voting share | Book value    |
|----------------------------|---------------------------------------|-------------|--------------|---------------|
| Copersucar S.A.            | São Paulo, Brazil                     | 2,5 %       | 2,5 %        | 50 399        |
| Ocean Sun AS               | Fornebuveien 84, 1366 Lysaker, Norway | 10,4 %      | 10,4 %       | 10 880        |
| Alliance Venture Spring AS | Parkveien 41B, 0258 Oslo, Norway      | 4,5 %       | 4,5 %        | 10 679        |
| N2 Applied AS              | Dronning Eufemias gate 20, Norway     | 2,2 %       | 2,2 %        | 2 889         |
| Other                      |                                       |             |              | -32 582       |
| <b>Total</b>               |                                       |             |              | <b>42 265</b> |

**Note 12 Financial income and expenses**

|  | Umoe Gruppen AS |              | Consolidated    |                |
|--|-----------------|--------------|-----------------|----------------|
|  | 2018            | 2017         | 2018            | 2017           |
| Dividend/gross group contribution from group comp. *)                        | 195 550         | 0            | 0               | 0              |
| Write-down/rev. write-down of shares group comp.*                            | -201 800        | 0            | 0               | 0              |
| <b>Total financial income from subsidiaries</b>                              | <b>-6 250</b>   | <b>0</b>     | <b>0</b>        | <b>0</b>       |
| Consolidation profit/loss from associated comp.                              | 0               | 0            | -624 768        | -541 740       |
| Gain/loss sale of investment in associated comp.                             | 0               | 0            | 6 916           | -9 216         |
| Write-down/rev. write-down of associated comp. **)                           | 0               | 0            | 17 757          | 728 272        |
| <b>Total financial income from associated companies</b>                      | <b>0</b>        | <b>0</b>     | <b>-600 095</b> | <b>177 316</b> |
| Income from other shares and bonds   | 0               | 0            | 3 087           | 627            |
| Interest income from group companies   | 19 026          | 20 017       | 0               | 0              |
| Interest income to credit institutions                                       | 43              | 41           | 13 943          | 6 660          |
| Other financial income   | 0               | 0            | 9 642           | 8 257          |
| Currency gain/loss   | 0               | 0            | -83 480         | -14 929        |
| Interest cost from group companies   | -11 207         | -12 725      | -284            | -1 599         |
| Interest cost to credit institutions   | -584            | -552         | -130 494        | -130 847       |
| Other financial cost   | 0               | 0            | -60 091         | -42 605        |
| <b>Net finance, including finance from subsidiaries and associated comp.</b> | <b>1 028</b>    | <b>6 781</b> | <b>-847 772</b> | <b>2 882</b>   |

\*) The dividend for 2018 is from Umoe Gas Carriers AS. \*\*) Consolidated loss and Write-down of associated companies is mostly related to REC Silicon ASA. For more information about associated companies, see note 10.

| Note 13 Inventory   | Umoe Gruppen AS |          | Consolidated   |                |
|---|-----------------|----------|----------------|----------------|
|   | 2018            | 2017     | 2018           | 2017           |
| Raw-materials, semi-finished goods and agriculture produce* | 0               | 0        | 275 525        | 299 892        |
| Self-produced and acquired finished goods                   | 0               | 0        | 159 172        | 167 467        |
| Prepayments to suppliers for goods                          | 0               | 0        | 76 291         | 103 626        |
| Allocations for obsolete stock                              | 0               | 0        | -17 755        | -13 285        |
| <b>Total raw-materials and finished goods</b>               | <b>0</b>        | <b>0</b> | <b>493 233</b> | <b>557 700</b> |

\* In "Raw-materials, semi-finished goods and agriculture produce", agriculture produce is included with NOK 76 million.

| Note 14 Construction contracts                              | Umoe Gruppen AS |          | Consolidated   |                |
|---|-----------------|----------|----------------|----------------|
|   | 2018            | 2017     | 2018           | 2017           |
| Total cost in progress                                      | 0               | 0        | 533 640        | 369 479        |
| Calculated margin on work in progress                       | 0               | 0        | 102 616        | 64 965         |
| <b>Total value on work in progress</b>                      | <b>0</b>        | <b>0</b> | <b>636 256</b> | <b>434 444</b> |
| Less invoiced customers at yearend                          | 0               | 0        | 590 959        | 387 771        |
| <b>Net work in progress</b>                                 | <b>0</b>        | <b>0</b> | <b>45 297</b>  | <b>46 673</b>  |
| Payments withheld by customer, according to contract        | 0               | 0        | 0              | 0              |
| Remaining costs needed to complete non-profitable contracts | 0               | 0        | 0              | 0              |

#### Note 15 Equity

|                           | Share capital | Share premium | Restricted funds | Other equity | Minority interests | Total     |
|---------------------------|---------------|---------------|------------------|--------------|--------------------|-----------|
| <b>Umoe Gruppen AS</b>    |               |               |                  |              |                    |           |
| Equity as of 31.12.2017   | 375 000       | 250 375       | 0                | 2 634 768    | 0                  | 3 260 143 |
| Profit/(loss) of the year | 0             | 0             | 0                | -12 449      | 0                  | -12 449   |
| Accrued dividend          | 0             | 0             | 0                | -20 000      | 0                  | -20 000   |
| Equity as of 31.12.2018   | 375 000       | 250 375       | 0                | 2 602 319    | 0                  | 3 227 694 |

|                                   | Share capital | Share premium | Restricted funds | Other equity | Minority interests | Total     |
|-----------------------------------|---------------|---------------|------------------|--------------|--------------------|-----------|
| <b>Umoe Gruppen Group</b>         |               |               |                  |              |                    |           |
| Equity as of 31.12.2017           | 375 000       | 250 375       | 3 470            | 910 852      | 32 642             | 1 572 339 |
| Profit/(loss) of the year         | 0             | 0             | 0                | -561 104     | -11 227            | -572 331  |
| Accrued dividend                  | 0             | 0             | 0                | -20 000      | -3 380             | -23 380   |
| Translation differences           | 0             | 0             | -104             | 29 614       | -123               | 29 387    |
| Purchase and sale of shares, etc. | 0             | 0             | 0                | -5 635       | -1 956             | -7 591    |
| Equity as of 31.12.2018           | 375 000       | 250 375       | 3 366            | 353 727      | 15 956             | 998 424   |

#### 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          |
| <b>Total number of shares</b>                      |          | <b>100,0 %</b> | <b>11 250</b> | <b>363 750</b> | <b>375 000</b> |
| 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 2018, 6 persons were included in a defined benefit scheme and 3 406 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  |               |
|--|---------------|---------------|
|  | 2018          | 2017          |
| Discount rate  | 2,6 %         | 2,3 %         |
| Estimated yield on pension assets                            | 4,3 %         | 4,0 %         |
| Salary increases   | 2,5 %         | 2,5 %         |
| Increase in NIS basic amount (G)                             | 2,5 %         | 2,5 %         |
| Increase in pensions   | 0,4 %         | 0,4 %         |
| Defined contribution pension costs                           | 29 725        | 30 210        |
| Present value of the year's pension earnings                 | 270           | 48            |
| Interest cost on incurred pension liabilities                | 135           | 18            |
| Estimated yield on pension assets                            | -372          | 88            |
| Estimate deviations and changes to pension plans             | 369           | 343           |
| Administration costs   | 191           | 173           |
| <b>This year's pension cost</b>                              | <b>30 318</b> | <b>30 880</b> |
| Pension liabilities and pension assets as at 31 December:    |               |               |
| Estimated liabilities incurred including social security tax | 23 994        | 23 380        |
| Estimated value of the pension assets                        | 17 915        | 16 350        |
| <b>Net pension liabilities</b>                               | <b>6 079</b>  | <b>7 030</b>  |
| Unamortized deviations                                       | 4 227         | 3 711         |
| <b>Estimated pension liabilities in the balance sheet</b>    | <b>1 852</b>  | <b>3 319</b>  |
| Of which schemes with net assets                             | 31            | 10            |
| Of which schemes with net liabilities                        | 1 883         | 3 329         |

## Note 17 Taxes

|   | Umoe Gruppen AS |               | Consolidated    |                 |
|---|-----------------|---------------|-----------------|-----------------|
|   | 2018            | 2017          | 2018            | 2017            |
| <b>Tax charge for the year:</b>   |                 |               |                 |                 |
| Pre-tax profit/loss   | -11 276         | -5 463        | -597 099        | -60 509         |
| Permanent differences   | 16 250          | 10 000        | 261 136         | -197 658        |
| <b>Tax basis</b>  | <b>4 974</b>    | <b>4 537</b>  | <b>-335 963</b> | <b>-258 167</b> |
| Average tax-rate  | 23,0 %          | 24,0 %        | 28,1 %          | 29,7 %          |
| Tax on this year profit   | -1 144          | -1 089        | 94 259          | 76 685          |
| Effect of change in tax-rate  | -29             | 5             | -4 043          | -7 845          |
| Reversed deferred tax assets due to the upper-limit rule                    | 0               | 0             | -73 957         | -296 635        |
| Reversed deferred tax due to entering into the Norwegian tonnage tax regime |                 |               |                 | 440 574         |
| Other   | 0               | 0             | 8 509           | 2 047           |
| <b>Total tax cost (-) / tax income (+)</b>                                  | <b>-1 173</b>   | <b>-1 084</b> | <b>24 768</b>   | <b>214 825</b>  |
| <b>Tax payable in the balance sheet:</b>                                    |                 |               |                 |                 |
| Accrued tax payable, year-end last year                                     | 0               | 0             | 5 983           | 7 126           |
| This years payable tax from this year profit                                | 1 917           | 462           | 611             | -25 861         |
| Tax payable on group contributions  | -1 917          | -462          | -122            | 2               |
| Paid and bought/sold tax payable  | 0               | 0             | -7 259          | 28 140          |
| Translation differences etc.  | 0               | 0             | -200            | -3 424          |
| <b>Net tax payable at year-end</b>  | <b>0</b>        | <b>0</b>      | <b>-987</b>     | <b>5 983</b>    |
| Hereof prepaid tax  | 0               | 0             | 2 597           | 2 302           |
| <b>Gross short term tax payable at year-end</b>                             | <b>0</b>        | <b>0</b>      | <b>1 610</b>    | <b>8 285</b>    |

**Specification of deferred tax:**

|  |               |             |                   |                   |
|--|---------------|-------------|-------------------|-------------------|
| Total relating to short-term items                       | 0             | 0           | 54 748            | -10 175           |
| Total relating to long-term items                        | -2 902        | 457         | -270 677          | -135 944          |
| Loss carried forward maturing within 5 years             | 0             | 0           | 0                 | -4 058            |
| Loss carried forward maturing after 5 years *)           | 0             | 0           | -4 908 075        | -4 843 830        |
| <b>Total temporary differences</b>                       | <b>-2 902</b> | <b>457</b>  | <b>-5 124 004</b> | <b>-4 994 007</b> |
| Calculated deferred tax (-)/ tax assets (+)              | 638           | -105        | 1 413 236         | 1 415 185         |
| Reversed deferred tax assets due to the upper-limit rule | 0             | 0           | -1 041 059        | -1 043 269        |
| Other adjustments *)                                     | 0             | 0           | -268 331          | -318 968          |
| <b>Net deferred tax (-)/tax assets (+)</b>               | <b>638</b>    | <b>-105</b> | <b>103 846</b>    | <b>52 948</b>     |

\*) In 2009 and 2010 Umoe Invest and UBE Gruppen AS accordingly, deducted losses in the taxable income with NOK 167 million and NOK 1 200 million. The Central Tax Office for Large Enterprises (Sentralskattkontoret for storbedrifter) approved a deduction of NOK 37 million, but declined at the same time a deduction of NOK 130 million. Umoe Invest AS is still of the opinion that the full amount are deductible and have started a legal process to claim the full amount. At the same time, UBE Gruppen AS is still waiting a final decision regarding their claim of NOK 1 200 million. Since it is disputed whether these losses are deductible, neither Umoe Invest AS nor UBE Gruppen AS had booked any deferred tax assets connected to these items.

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

|   | Umoe Gruppen AS |                | Consolidated     |                  |
|---|-----------------|----------------|------------------|------------------|
|   | 2018            | 2017           | 2018             | 2017             |
| Debt to group companies                             | 531 737         | 498 841        | 6 397            | 0                |
| Debt to group associated companies                  | 0               | 0              | 0                | 0                |
| Debt to related parties, not group companies        | 29 352          | 28 768         | 29 352           | 28 768           |
| Debt to credit institutions                         | 0               | 0              | 1 871 649        | 2 073 871        |
| Other debt  | 0               | 0              | 43 801           | 24 487           |
| <b>Total debt</b>                                   | <b>561 089</b>  | <b>527 609</b> | <b>1 951 199</b> | <b>2 127 126</b> |
| Debt maturing later than five years after year-end: | 29 352          | 28 768         | 706 872          | 102 537          |
| Part of debt secured by pledge                      | 0               | 0              | 1 882 514        | 2 062 247        |

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

|  |   |   |           |           |
|--|---|---|-----------|-----------|
| Fixed and biological assets              | 0 | 0 | 382 877   | 530 458   |
| Shares and receivables - group companies | 0 | 0 | 2 039 558 | 2 006 751 |
| Shares and receivables - external        | 0 | 0 | 396 587   | 798 772   |
| Other assets                             | 0 | 0 | 159 279   | 185 684   |
| Guarantees                               | 0 | 0 | 73 442    | 58 198    |

Umoe Sterkoder AS have entered into a swap agreement with a principal of NOK 22,2 million, maturity in October 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 450 million, maturity in December 2019 and with a fixed interest rate of 2.375%. The market value of this interest swap at year-end was negative with NOK 3.9 million.

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 these guarantees in Norwegian kroner was NOK 458 million (NOK 527 million in 2017). The company has also issued guarantees for 50% of an interest rate swap limited to EUR 50 million (EUR 50 million in 2017) on behalf of Norspan LNG AS/IS and Norspan LNG II AS/IS.

All material debt to credit institutions are based on individual 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 |                |
|----------------------------|-----------------|----------------|
|                            | 2018            | 2017           |
| Interest income            |                 |                |
| Umoe AS                    | 19 026          | 20 017         |
| <b>Total</b>               | <b>19 026</b>   | <b>20 017</b>  |
| Interest expenses          |                 |                |
| JUM Holding AS             | -284            | -1 599         |
| Umoe Gas Carriers AS       | -10 923         | -11 126        |
| <b>Total</b>               | <b>-11 207</b>  | <b>-12 725</b> |
| Loans to related parties   |                 |                |
| Umoe AS                    | 443 052         | 435 249        |
| <b>Total</b>               | <b>443 052</b>  | <b>435 249</b> |
| Loans from related parties |                 |                |
| JUM Holding AS             | 6 397           | 0              |
| UM Holding AS              | 29 352          | 28 768         |
| Umoe Gas Carriers AS       | 525 340         | 498 720        |
| <b>Total</b>               | <b>561 089</b>  | <b>527 488</b> |

## 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 sheets as at 31 December 2018, the income statement and the 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 2018 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group 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, 7 June 2019  
ERNST & YOUNG AS

Eirik Tandrevold  
State Authorised Public Accountant (Norway)

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