Clarksons Platou
Securities

Annual Report for 2018 |

Clarksons Platou Securities Group

This Annual Report 2018 for the Clarksons Platou Securities Group in English is an unofficial translation of the Norwegian registered Annual Report for 2018. In case of discrepancy between the text contained in the Norwegian language annual report and this English language translation, the Norwegian text shall prevail.

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Directors' Report

General information about the company

Clarksons Platou Securities AS (the «Company») offers investment banking services, brokerage services related to equities, credit and other financial instruments and research services within the Clarkson's group's core segments shipping, offshore and oil & gas, in addition to metals & mining. The Company's head office is in Oslo and it has a wholly owned subsidiary in New York; Clarksons Platou Securities, Inc. (The Company and Clarksons Platou Securities, Inc. are jointly referred to as the "Group".)

The Company is licensed by the Financial Supervisory Authority of Norway (Finanstilsynet). Clarksons Platou Securities, Inc. is licensed by the Financial Industry Regulatory Authority (FINRA) in the United States.

The year 2018

2018 was a turbulent year in the global capital markets. Uncertainty regarding global growth, escalating trade war and fear of protectionism, reversal of quantitative easing and expectations of increased interest rates affected the markets negatively during 2018 contributing to a very difficult market for new capital transactions. In addition, 2018 was the first year with MIFID II which came with the implementation of material regulatory changes for the financial industry and put additional pressure on commission rates.

Despite the difficult markets, the Group completed more than 40 capital marked transactions and advisory engagements with an aggregate value in excess of USD 6 billion. Important transactions during the year were StarBulk Carrier Corp's aquisition of Songa Bulk, Shelf Drilling's NOK 2.1 billion IPO on Oslo Stock Exchange and Nemaska Lithium's issuance of a USD 350 million bond and CAD 280 million in new equity. In addition, the Group's new convertible bonds team acted as manager on Borr Drilling's USD 350 million convertible bond issue.

The Company has during 2018 incorporated a new unregulated subsidiary in Canada, Clarksons Platou Securities (Canada), Inc., however this company had no activity through 2018. The purpose of this company is to act as introducing agent in Canada for the Group.

The accounts for 2018

The Profit and Loss Account

Consolidated revenues for 2018 were NOK 304.9 million, a reduction of 23% from NOK 396.4 million in 2017. Consolidated operating expenses were NOK 307.5 million, compared to NOK 355.0 million in 2017. Operating result for the income year 2018 was NOK -2.5 million, compared to NOK 41.3 million in 2017.

The Company's revenues were NOK 245.6 million, a reduction of 23% from NOK 318.2 million in 2017. The Company's operating expenses were NOK 226.8 million, compared to NOK 274.8 million in 2017. Operating result was NOK 18.8 million, compared to NOK 43.4 million in 2017.

The Balance Sheet

The Group's equity was NOK 198.8 million per 31 December 2018, compared to NOK 177.1 million by the end of 2017. The Company's equity was NOK 245.3 million per 31 December 2018, compared to NOK 204.0 million by the end of 2017. The Company completed a capital increase of NOK 30.0 million during the year. No dividends are allocated for 2018.

Cash flow

The Group's net cash flow from operations was NOK -188.6 million for 2018, compared to NOK 66.7 million for 2017. The Company's net cash flow from operations for 2018 was NOK -142.6 million, compared to NOK 50.9 million for 2017. The difference is mainly due to change in result and short term debt, and investments in financial instruments in connection with the Company's new convertible bonds business.

The Group's net cash flow from investing activities in 2018 was NOK -0.9 million, compared to NOK -2.2 million in 2017. The Company's net cash flow from investment activities was NOK -0.8 million in 2018, compared to NOK -1.0 million in 2017. These investments are related to investments in tangible assets.

The Group's net cash flow from financing activities was NOK 24.7 million in 2018, compared to NOK -3.0 million in 2017. The Company's net cash flow from financing activities was NOK 27.2 million compared to NOK -1.1 million for 2017. The difference is mainly due to the equity capital increase of NOK 30 million during the year.

The Group's net cash flow for 2018 was NOK -164.7 million, compared to NOK 61.5 million in 2017. The Group had cash and cash equivalents of NOK 170.9 million per 31 December 2018, compared to NOK 335.6 million per 1 January 2018. The Company's net cash flow for the year was NOK -116.2 million compared to NOK 48.9 million for 2017. The Company had cash and cash equivalents of NOK 53.1 million per 31 December 2018, compared to NOK 169.3 million per 1 January 2018.

In addition, the Company has a credit facility with DNB Bank ASA of NOK 175 million. The Company considers the liquidity as good.

Risk

The Company is exposed to settlement risk, liquidity risk, operational risk and market risk in its ordinary operation.

Counterparty risk

The Company is not licensed to provide credit and does not offer forwards or other products with credit elements. Counterparty risk is limited to payment for ordinary trading in financial instruments, payment for investment banking services and counterparty risk for the Company's bank accounts. The Company seeks to reduce this risk through policies and procedures for debt collection and forced sale through daily reporting of clients in default. In addition, the Company's client base mainly consists of institutional clients trading DVP through major financial institutions where the settlement risk is low. Bank deposits are placed with large Nordic financial institutions. The Company did not have material losses related to counterparty risk during 2018.

Market risk

Market risk is related to potential losses on positions in financial instruments, currency and changed interest rates.

The Company is licensed to perform proprietary trading and may from time to time hold positions in financial instruments in connection with investment banking transactions and as part of ordinary secondary trading. The Company has during 2018 established a new convertible bond business and as part of the activities the Company will hold own account positions for resale.

The Company hold limited balances in other currencies than NOK. The Company's main exposure against other currencies is through its investment in its wholly owned subsidiary Clarksons Platou Securities, Inc. which is deemed long term and not hedged. The Company has limited exposure against currency fluctuations.

The majority of the Company's costs are in NOK wile a substantial part of the Company's income is in USD, especially in relation to larger investment banking transactions. The Company assesses hedging of the currency risk on a case by case basis.

Operational risk

Operational risk represents the Company's risk for financial losses or reputational risk as a result of insufficient routines or systems, human error, financial crime and fraud and external events related to inter alia IT security. Operational risk also includes financial- and liquidity risk, in addition to regulatory risk. Operational risk represents the Company's largest risk and may ultimately result in a loss of license and/or undermine the Company's basis for continued operations.

The Company seeks to limit its operational risk through clearly defined responsibilities and tasks between its employees and management, establishing routines and automated tasks and controls in addition to having dual approval processes. The Company's risk management and compliance monitors and tests critical processes and report directly to the Board. The Company also utilizes external resources for internal control.

The Company's income fluctuates through the year and the Company seeks to maintain a solid liquidity and capital buffer for periods with reduced income. Financial risk is also sought reduced through focus on maintaining a low cost base and making adjustments in accordance with the prevailing market conditions. The Company's liquidity is reported daily to the management. The Company has through the year has had good liquidity.

No material breaches of relevant laws and regulations for the Company's business have been revealed through 2018 and there has not been any material incidents related to other operational risk.

There have been no material disruptions related to the Group's IT-systems during 2018 and the Group works continuously with improvements to increase IT security and third party monitoring to protect systems and information against potential cyber attacks.

The Company's internal auditor EY reviewed during the year the Company's internal control, remuneration and implementation of MIFID II and GDPR. The Company implemented the comments and recommendations by the internal auditor on a consecutive basis.

Organisation and Human Resources

As of 31 December 2018, the Group had 75 full time employees, of which 59 were employed by the Company and 16 were employed in New York, compared to 75 employees as per 31 December 2017 of which 57 were based in Oslo and 18 in New York.

Of the 75 employees, 12 are women, representing approximately 16%. Women and men are compensated equally for the same position. The Company has one woman in the executive management. There are no women in Clarksons Platou Securities Inc.'s management, but there is one woman on its Board of Directors. The Company focuses on gender equality and works towards improving the balance between the genders.

The object of the Discrimination Act is to promote gender equality, secure equal opportunities and prevent discrimination based on ethnicity, national origin, descent, skin color, language, religion and spirituality. The Company is actively working to achieve the objectives of the regulations within the organization and has a goal to be a workplace with no discrimination on the basis of disability. The Group is working to facilitate the physical conditions so that its different functions may be used by as many persons as possible.

Health, environment and safety (HMS)

The working environment in the Group is considered to be good and the Board has not deemed it necessary to implement any special measures. It is established a joint Working Environment Committee for the Company and the other Norwegian companies within the Clarksons Platou group with representatives from the executive management and employees from the different departments. The

Working Environment Committee handles matters relating to the employee's safety, health and welfare in addition to participating in the planning of the Company's health and safety procedures.

Absence due to illness for the Company's employees was 2.4 % in 2018 compared to 1.5 % in 2017. The change relates primarily to long term sickness. During 2018, there were no reports of personal injuries or damages to the Group's assets. The Group's operations have no direct effect on the external environment.

Shareholder matters

As of 31 December 2018, the Company had a total of 7,850,000 shares outstanding each with a nominal value of NOK 7.50. The Company is a wholly owned subsidiary of Clarksons Platou AS, which is wholly owned by Clarkson PLC. Clarkson PLC is listed on the London Stock Exchange.

Outlook for 2019

The Company has a strong order book during the start of 2019, but challenging market conditions makes it uncertain as to when transactions may be executed. We expect that the market conditions in our core markets within shipping and offshore will improve, but the timing and the consequences for the capital market activities are uncertain. Banks have continued to reduce their exposure towards shipping and offshore, resulting in capital being a limited resource, giving room for alternative sources of financing whereof the Company and the Group have their niche. In addition, the Group has hired a team focusing on convertible bonds which fits well with the Group's existing business, and is expected to contribute positively during 2019.

Going concern

The Board of Directors is of the opinion that the annual accounts give an adequate description of the Company's and the Group's financial position and result. No circumstances or situations have incurred after the balance date that may materially influence the annual accounts. The Board of Directors has therefore based the annual accounts on the assumption of going concern.

The Board of Directors is proposing the following allocation of the annual result:

	2018	**2017**
Allocated to dividends	-	-
Transferred to/from other equity	11 376	30 603
Total allocations	11 376	30 603

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Oslo, 13 March 2019

Jørgen Lund Chairman	Birger Nergaard
Ragnar Horn	Erik Helberg Chief Executive Officer

Financial Statements for 2018

All figures are in NOK 1,000.

Profit and loss account

		Company		Group	
	Note	**2018**	**2017**	**2018**	**2017**
Operating income and operating expenses					
Operating income	**2**	**245 595**	**318 187**	**304 939**	**396 373**
Salaries and other personell expenses	3	155 689	208 575	200 079	252 064
Other operating expenses	4	69 815	64 903	104 705	100 393
Loss on receivables	6	-7	20	-7	20
Ordinary depreciation	5	1 331	1 263	2 679	2 568
Total operating expenses		**226 828**	**274 761**	**307 457**	**355 045**
Operating result		**18 767**	**43 426**	**-2 518**	**41 328**
Financial income and financial expenses					
Financial income		13 292	4 233	13 378	4 314
Financial expenses		16 081	5 294	18 645	7 345
Total financial items		**-2 789**	**-1 061**	**- 5 267**	**-3 032**
Result before tax		**15 978**	**42 365**	**-7 785**	**38 296**
Tax	7	4 602	11 762	4 751	11 777
Annual result		**11 376**	**30 603**	**-12 536**	**26 520**
Allocation of annual profit:					
Allocated to dividends		-	-		
Transferred to/from other equity	8	11 376	30 603		
Total allocations:		**11 376**	**30 603**		

Balance Sheet

Assets

		Company		Group	
	Note	31.12.18	31.12.17	31.12.18	31.12.17
Non-current assets					
Intangible assets					
Deferred tax assets	7	4 835	4 668	4 835	4 668
Tangible fixed assets					
Operating equipment, fixtures and fittings etc.	5	3 135	3 656	8 642	10 153
Investments and other long-term receivables					
Long term receivables group company	9	2 203	495	2 203	495
Investments in subsidiaries	17	122 605	122 605	-	-
Total investments and long-term receivables		**124 809**	**123 100**	**2 203**	**495**
Total fixed assets		**132 779**	**131 423**	**15 680**	**15 316**
Current assets					
Receivables					
Receivables from customers	6	61 627	7 699	84 084	7 699
Receivables from securities firms		72	13 625	72	13 625
Receivables from group companies	9	20 040	19 686	1 755	737
Other receivables		23 324	39 243	27 874	54 234
Total receivables		**105 063**	**80 253**	**113 785**	**76 296**
Market-based financial instruments	10, 15	88 130	3 874	88 130	3 874
Bank deposits, cash and cash equivalents	11, 12	53 094	169 276	170 940	335 647
Total current assets		**246 287**	**253 403**	**372 856**	**415 817**
Total assets		**379 006**	**384 827**	**388 536**	**431 133**

Equity and liabilities

		Company		Group	
	Note	**31.12.18**	**31.12.17**	**31.12.18**	**31.12.17**
Equity					
Paid in capital					
Share capital		58 875	57 750	58 875	57 750
Share premium		99 473	70 598	99 473	70 598
Other paid in capital		18 783	18 783	18 783	18 783
Total paid in capital		**177 130**	**147 130**	**177 130**	**147 130**
Retained earnings					
Other equity		68 215	56 838	21 676	30 015
Total equity	8	**245 345**	**203 969**	**198 807**	**177 145**
Liabilities					
Long term liabilities					
Oter long term liabilities		2 203	495	2 203	495
Short term liabilities					
Debt to securities firms		14 529	2 108	14 529	2 108
Debt to customers		4 681	35 531	4 681	35 531
Debt to group companies	9	11 635	10 058	50 834	50 152
Accounts payable		2 662	1 779	3 743	2 444
Tax payable	7	4 770	15 523	4 770	15 523
Unpaid public duties		5 948	11 343	6 018	11 397
Financial instruments (short positions)	10, 15	14 340	-	14 340	-
Dividends		-	-	-	-
Other short term debt		72 951	104 021	88 611	136 336
Total short term liabilities		**131 518**	**180 363**	**187 526**	**253 492**
Total liabilities		**133 721**	**180 858**	**189 729**	**253 987**
Total equity and liabilities		**379 066**	**384 827**	**388 536**	**431 133**

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Oslo, 13 March 2019

Jørgen Lund Chairman	Birger Nergaard
Ragnar Horn	Erik Helberg Chief Executive Officer

Cash Flow Statement

		Company		Group	
	Note	**2018**	**2017**	**2018**	**2017**
Cash flow from operational activities					
Profit before tax		15 978	42 365	-7 785	38 296
Tax paid		-15 523	-1 272	-15 523	-1 272
Depreciation and amortization	5	1 331	1 263	2 679	2 568
Changes in accounts receivables and payables		-56 696	-21 531	-80 300	-13 289
Changes in financial investments	10, 15	-69 915	-	-69 915	-
Net financial items		2 789	1 061	5 267	3 032
Other changes		-20 546	29 045	-22 998	37 396
Net cash flow from operational activities		**-142 582**	**50 931**	**-188 575**	**66 731**
Cash flow from investing activities					
Purchase of fixed assets	5	-811	-1 018	-865	-2 244
Dividends received		-	-	-	-
Proceeds from sale of other investments		-	-	-	-
Net cash flow from investing activities		**-811**	**-1 018**	**-865**	**-2 244**
Cash flow from financing activities					
Dividends paid		-	-	-	-
Issuance of share capital	8	30 000	-	30 000	-
Net financial items		-2 789	-1 061	-5 267	-3 032
Net cash flow from financing activities		**27 211**	**-1 061**	**24 733**	**-3 032**
Net cash flow for the year		**-116 182**	**48 852**	**-164 707**	**61 455**
Cash and cash equivalents as per 01.01		169 276	120 424	335 647	274 192
Cash and cash equivalents as per 31.12	11, 12	**53 094**	**169 276**	**170 940**	**335 647**

Notes to the annual accounts

Note 1 – Accounting principles

The accounts are prepared in accordance with the Norwegian Accounting Act with corresponding regulations relating to annual reports etc. for investment firms and generally accepted accounting principles.

Foreign Currency

Transactions in foreign currencies are converted into Norwegian kroner at the time of the transaction. Monetary assets and liabilities in foreign currencies are converted into Norwegian kroner at the exchange rate on 31 December. Non-monetary items that are measured at historic currency rates are converted to Norwegian kroner by using the exchange rate at the time of the transaction. Non-monetary items that are measured at fair values in foreign currencies are converted into Norwegian kroner by using the exchange rate at the date of the valuation. Changes in foreign currencies are recorded in the profit and loss account throughout the accounting period under “other financial expenses”.

Consolidated accounts

Shares in subsidiaries are valued in accordance with the cost method in the Company’s accounts. Transactions and inter-company balances between companies in the Group are eliminated. The consolidated accounts are prepared in accordance with uniform principles and the subsidiaries follow the same accounting policies as the parent company. Assets and liabilities are converted at the exchange rate prevailing the balance sheet date. Revenues and costs are converted based on monthly average exchange rates for the relevant months. Translation differences are included in equity.

The Company incorporated in 2018 a wholly owned subsidiary in Canada, Clarksons Platou Securities (Canada), Inc. This company had no activity during the year and is not included in the group accounts as it is deemed as immaterial.

Subsidiaries

The subsidiary is valued in accordance with the cost method in the Company’s accounts. The investment is valued at cost unless there is a requirement for a write down. A write down to market value will be done when the value depreciation is not deemed to be temporary and is required in accordance with general accepted accounting principles (GAAP). The write down will be reversed when the basis for the write down no longer exists.

Silent Partnership

The Company is main the partner in the silent partnership Clarksons Platou Securities Indre Selskap which was established during 2018. Certain employees are participants in the silent partnership. The silent partnership does not appear externally and is consolidated into the Company accounts. Fixed and variable remuneration to the partners are classified as salary expense in the profit and loss account. The partners’ capital contribution is classified as debt in the Company’s accounts.

Classification and assessment of balance sheet items

Current assets and current liabilities include balance sheet items which are due within one year after the acquisition. Other items are classified as fixed assets or long term liabilities. Current assets are recorded in the accounts at the lowest of cost and market value. Current- and long term liabilities are recorded at nominal value at the date of booking.

Use of estimates

Management has used estimates, judgment and assumptions that impact the reported value of assets, liabilities, revenues, costs and information regarding potential obligations in accordance with generally accepted accounting principles (GAAP).

Fixed Assets

Fixed assets are recorded in the balance sheet at purchase price less accumulated depreciation. Ordinary depreciation is calculated evenly over the assets' expected useful economic lives based upon the assets' historical cost price.

Recognition of income and cost - comparison

Revenue is recognized when services are performed. Costs are matched against income and recorded in the accounts at the time the income is recognized. Income from investment banking transactions is recorded on completion of the work as specified in the respective mandate agreements. Brokerage commissions are recorded on the day of trading. Expenses that cannot be directly attributed to income are recorded when they are incurred.

Deferred tax and tax expense

Deferred tax is calculated on the basis of temporary differences between accounting values and tax values at the end of the financial year using a nominal tax rate. Positive and negative differences are offset within the corresponding time period. Certain items are treated separately. Deferred tax assets occur when temporary differences are likely to give rise to future tax deductions. The annual tax cost comprises changes in deferred tax and deferred tax assets, together with tax payable for the year adjusted for differences arising from previous years’ accounts. Deferred tax is recognized in the balance sheet to the extent it likely to be utilized.

Receivables

Accounts receivable and other current assets are recorded in the balance sheet at nominal value less provisions for expected losses. Provisions for expected losses are based on an individual assessment of the receivables. In addition, an unspecified general provision for expected losses is recorded to cover remaining receivables.

Financial instruments

Financial instruments (including derivatives) are valued at market value. Financial instruments traded in active markets are recorded at the observed marked value in the balance sheet as per 31 December. Alternative valuation principles are used for other financial instruments. Short positions are presented as liabilities in the balance sheet to the extent there are no regulatory right to offset against other positions.

Other financial assets are recorded to historical cost written down for impairment which is not expected to be temporary.

Bank deposits

The Company manages its bank accounts, with the exception of restricted deposits according to note 11 below. Client deposits are not included in the balance sheet (see note 12).

Pension obligations

The Company has a defined contribution pension plan whereby the Company pays a fixed contribution with no obligation to pay more than the stipulated annual amount. The stipulated amount is a fixed percentage of monthly salaries, and the contributions are expensed as they are incurred. The contributions are recognized as an employee benefit expense at the time of payment. Any prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Cash flow

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash and cash deposits.

Note 2 – Operating income per segment

	Company		Group	
	2018	2017	2018	2017
Brokerage commission	69 449	73 716	104 692	120 236
Investment banking revenues	171 472	240 124	198 335	274 155
Other operating income	4 674	4 347	1 911	1 982
Total operating income	**245 595**	**318 187**	**304 939**	**396 373**

Note 3 – Salary costs, employees, pension, remuneration etc.

Personnel expenses consist of the following items:

	Company		Group	
	2018	2017	2018	2017
Salaries including bonuses	117 903	158 226	157 624	198 499
Payroll tax	17 400	31 133	19 224	32 900
Pension cost	3 170	2 972	4 014	3 730
Other benefits	17 216	16 243	19 218	16 935
Total personnel expenses	**155 689**	**208 575**	**200 079**	**252 064**
Number of employees at year end	**59**	**57**	**75**	**75**

Certain employees have during 2018 been participants in the silent partnership. Compensation to the partners is classified as salary income.

Defined contribution pension plan

The Company has a defined contribution plan whereby the Company is committed to pay a 5% contribution of each employee’s salary between 0G to 7.1G and 8% contribution of each employee’s salary between 7.1G and 12G. Payments in the case of disability are arpproximately 67% of the salary limited up to 12G. The pension plan fulfils the conditions set out in the Pensions Act. The Company has no contractual pension scheme (“AFP-scheme”).

Clarksons Platou Securities, Inc. has its own 401K pension scheme in accordance with local regulations.

Reconciliation of pension cost for the Company

	2018	2017
Defined contribution plan	3 170	2 972
Total recorded pension cost	**3 170**	**2 972**

Remuneration to the Chief Executive Officer

The Chief Executive Officer received the following remuneration for 2018:

Fixed and variable remuneration	5 293
Variable remuneration (including previously withheld remuneration)	4 063
Pension cost	78
Other remuneration	45
Total	**9 479**

A portion of the variable pay is restricted as described below under “Remuneration scheme”.

In the event of termination of employment, the Chief Executive Officer is entitled to 3 months’ severance pay. The Chief Executive Officer does not have outstanding options to acquire shares in the Company, Clarksons Platou AS or Clarkson PLC.

Remuneration to the Board of Directors

The following remuneration to the Company’s Board of Directors has been expensed for 2018:

	Directors’ fee	Other compensation	Shares in the Company
Jørgen Lund, Chairman	200	-	-
Birger Nergaard, board member	-	-	-
Ragnar Horn, board member	-	-	-
Total compensation to the members of the Board	**200**	**-**	**-**

No loans or guarantees have been granted to the members of the Board of Directors. Members of the Board of Directors of Clarksons Platou Securities, Inc. have not received any remuneration for 2018.

Remuneration scheme

In accordance with Chapter 15 of the Norwegian regulation of 9 December 2016 number 1502 for financial companies and financial groups (the “Regulation”) , the Company has adopted a separate remuneration policy (the “Remuneration Policy”) approved by the Company’s Board of Directors.

The composition of fixed and variable remuneration payable to the executive management and risk takers in the Company follow the Regulation. Remuneration to employees in control- and surveillance functions has specific remuneration schemes that do not compromise their independence.

The Company’s main principle for the fixed remuneration should match the general wage level for the respective categories of employees, taking into consideration the employee’s individual qualifications and experience. The variable remuneration is performance-related and based on a combination of the individual employee’s performance, the performance of the department in which the employee works and the overall result of the Company.

The General Meeting has approved that variable remuneration to leading employees and employees with a control function may be given variable remuneration of up to two times the fixed remuneration. The remuneration committee has identified eight persons as leading employees and employees with control functions (including the Chief Executive Officer). Half of the variable remuneration to such identified employees is paid out during a four -year vesting period and is subject to risk adjustment in accordance with the Company’s financial position and any potential material errors by the respective employee or his/her department if this is revealed at a later point in time.

For 2018 the total variable remuneration to leading employees and risk takes was NOK 6.8 million, of which 50% will be paid in 2019 and the rest will be vested over a four year period.

The Company's remuneration committee believes the remuneration scheme in the Company during 2018 is in accordance with the Remuneration Policy and meets the requirements under the Regulation.

Note 4 – Other operating expenses

Auditor's fees

Below is an overview of the fees and remunerations to the auditor (all amounts include expensed VAT):

	Company		Group	
	2018	**2017**	**2018**	**2017**
Fee statutory audit	582	492	1 321	967
Fee other assurance services	58	42	58	42
Fee tax advisory	-	-	-	-
Dee other non-audit services	-	-	-	-
Total audit fees	**640**	**534**	**1 379**	**1 009**

Office rent

The Company rents office space in Munkedamsveien 62C, Oslo, Norway. The current tenancy agreement expires in March 2027. The remaining commitment (off balance sheet) related to the tenancy agreement is approximately NOK 51 million.

Clarksons Platou Securities, Inc. rents office space in 280 Park Avenue in New York. The tenancy agreement expires November 2026 and the remaining commitment (off balance sheet) related to the tenancy agreement is approximately USD 9 million.

Note 5 - Fixed assets

Company

	Art	Software	Inventory/ building	Fixtures/ IT	Total 2018	Total 2017
Cost price 01.01.	38	8 063	4 135	2 051	14 287	13 269
Additions	-	695	54	62	810	1 018
Disposals	-	-	-	-	-	-
Cost price 31.12.	**38**	**8 758**	**4 189**	**2 113**	**15 098**	**14 287**
Acc. depreciations 01.01.	-	6 685	2 212	1 735	10 632	9 369
Ordinary depreciations	-	659	467	205	1 331	1 263
Acc. Depreciation disposals	-	-	-	-	-	-
Acc. depreciations 31.12.	**-**	**7 344**	**2 679**	**1 940**	**11 963**	**10 632**
Net book value	**38**	**1 415**	**1 509**	**173**	**3 135**	**3 656**
Rate of depreciation	-	3 – 5 years	3 – 5 years	3 years		

Group

	Art	Software	Inventory/ building	Fixtures/ IT	Total 2018	Total 2017
Cost price 01.01.	38	8 725	8 475	5 691	22 929	21 046
Additions	-	695	108	62	865	2 244
Disposals	-	-	-	-	-	-
Revaluation differences	-	41	276	228	546	-361
Cost price 31.12.	**38**	**9 462**	**8 860**	**5 980**	**24 340**	**22 929**
Acc. depreciations 01.01.	-	6 729	3 014	3 033	12 776	10 248
Ordinary depreciations	-	789	954	936	2 679	2 568
Acc. Depreciation disposals	-	-	-	-	-	-
Revaluation difference	-	13	89	140	243	-40
Acc. depreciations 31.12.	**-**	**7 531**	**4 058**	**4 109**	**15 698**	**12 776**
Net book value	**38**	**1 931**	**4 802**	**1 871**	**8 642**	**10 153**
Rate of depreciation	-	3 – 5 years	3 – 5 years	3 years		

Note 6 – Loss on receivables

Details of receivables considered doubtful and receivables more than 30 days overdue:

	2018	2017
Doubtful receivables and receivables more than 30 days overdue	2 324	202
The following loss on provisions have been made from accounts receivable:		
Specific provision 1 January	658	638
- Realized losses for the period	-200	-
+ New specific provisions	42	20
- Reversal of specific provisions	-	-
Specific provision 31 December	**500**	**658**
Losses on receivables		
Realized losses	42	20
Reversal of previous provisions	-49	-
Losses on receivables	**-7**	**20**

Note 7 - Taxes

The composition of tax expenses is as follows:

	Company		Group	
	2018	**2017**	**2018**	**2017**
Payable tax for the year	4 770	15 523	4 770	15 523
Prepaid tax for this year	-	-	149	15
Deferred tax changes	-168	-3 887	-168	-3 887
Adjustments from previous year	-	127	-	127
Total tax cost	**4 602**	**11 762**	**4 751**	**11 777**

Deferred tax/tax assets are calculated as follows:

	Company		Group	
	2018	**2017**	**2018**	**2017**
Fixed assets	-1 677	-1 943	-4 262	-4 973
Receivables	-658	-658	-658	-658
Other temporary differences	-17 006	-16 070	-30 106	-30 236
Losses carried forward	-	-	-62 403	-34 200
Total temporary differences	**-19 341**	**-18 670**	**-97 429**	**-70 067**
Deferred tax/(tax benefit)	-4 835	-4 668	-29 201	-19 762
Non recorded deferred tax benefit	-	-	24 366	15 094
Booked deferred tax/(tax benefit)	**-4 835**	**-4 668**	**-4 835**	**-4 668**

The reconciliation between the accounting result and tax result is as follows:

	Company		Group	
	2018	**2017**	**2018**	**2017**
Accounting result before tax	15 978	42 365	-7 785	38 296
Non-deductible representation costs	3 450	3 001	4 693	3 712
Non-deductible fees/gifts	3	13	3	13
Other non-deductible expenses/taxable income	-1 023	3 293	-1 023	3 293
Changes in temporary differences	670	15 548	-770	18 793
Change previous year	-	-2 131	-	-2 131
Taxable income before tax losses carried forward	**19 078**	**62 090**	**-4 883**	**61 977**
Utilization of tax losses carried forward	-	-	-	-
Taxable result	**19 078**	**62 090**	**-4 883**	**61 977**
Tax payable reflected in the balance sheet				
Tax percentage	25%	25%		
Tax payable	4 770	15 523	4 770	15 523

Reconciliation of divergent tax rate:

	Company		Group	
	2018	**2017**	**2018**	**2017**
25 % tax of result before tax	3 995	10 591	-1 946	9 600
Foreign subsidiary with other tax rate than 25 %		-	5 779	-1 768
Permanent differences	607	1 577	918	1 755
Change previous year	-	-406	-	-406
Calculated tax cost	**4 602**	**11 762**	**4 751**	**9 182**
Unrecognized differences	-	-	-	2 595
Tax cost	**4 602**	**11 762**	**4 751**	**11 777**
Effective tax rate	29%	28%	-61%	31%

Note 8 - Equity

The development of the Company's and the Group's equity is as follows:

Company

	Share capital	Share premium reserve	Other paid in equity	Other equity	Total equity
Equity at 01.01.	57 750	70 598	18 783	56 838	**203 969**
Annual result	-	-	-	11 376	**11 376**
Capital contribution	1 125	28 875	-	-	**30 000**
Dividends	-	-	-	-	**-**
Equity at 31.12.	**58 875**	**99 473**	**18 783**	**68 215**	**245 345**

Group

	Share capital	Share premium reserve	Other paid in equity	Other equity	Total equity
Equity at. 01.01.	57 750	70 598	18 783	30 015	**177 145**
Annual result	-	-	-	-12 536	**-12 536**
Capital distribution	1 125	28 875	-	-	**30 000**
Dividends	-	-	-	-	**-**
Translation differences	-	-	-	4 197	**4 197**
Equity at 31.12.	**58 875**	**99 473**	**18 783**	**21 676**	**198 806**

As of 1 January 2018, the Company had issued a total of 7 700 000 shares. The Company completed a capital increase during 2018 by issuing 150 000 new shares. Per 31 December 2018 the total number of issued shares was 7 850 000, each with a nominal value of NOK 7.50. The Company is owned 100 % by Clarksons Platou AS. Clarkson PLC is the Company's ultimate parent. The Company and its subsidiaries are consolidated in the Clarksons Platou Group.

	Company		Group	
	2018	**2017**	**2018**	**2017**
Result after tax in percentage of the assets	3%	8%	-3%	6%

Note 9 – Balances with other group companies

	Company		Group	
	2018	**2017**	**2018**	**2017**
Receivables				
Clarksons Platou Securities, Inc.	18 287	19 426	-	-
Clarksons Platou AS	3 202	507	3 202	507
H. Clarkson & Co Ltd	755	248	757	248
Clarksons Platou Shipping Services, LLC	-	-	-	477
Total receivables	**22 243**	**20 181**	**3 959**	**1 232**
Liabilities				
Clarksons Platou Securities, Inc.	5 203	1 942	-	-
Clarksons Platou AS	909	2 509	909	2 509
Clarksons Platou Project Sales AS	-	515	-	515
H. Clarkson & Co Ltd	4 914	5 587	4 914	5 587
Clarkson PLC	-	-	43 959	41 368
Clarksons Platou Shipping Services, LLC	609	-	1 052	668
Total liabilities	**11 635**	**10 553**	**50 834**	**50 647**

Note 10 – Financial instruments

The Company's holding of financial instruments as at 31 December is as follows:

	Book value		Original cost	
	2018	**2017**	**2018**	**2017**
Market based listed shares (long)	2 402	3 874	4 050	3 890
Market based bonds	85 728	-	94 120	-
Market based financial instruments (long)	**88 130**	**3 874**	**98 169**	**3 890**
Market based listed shares (short)	-14 340	-	-22 224	-
Net market based financial instruments	**73 790**	**3 874**	**75 946**	**3 890**

	2018	**2017**
Booked realized and unrealized changes in value	739	-16

Positions by currency	**in NOK**	**in USD**	**Total**
Market based listed shares (long)	960	1 441	2 402
Market based bonds	-	85 728	85 728
Total	960	87 169	88 130
Market based listed shares (short)	-	-14 340	-14 340
Total	960	72 829	73 790

The average interest rates on bonds are 3.86%.

The subsidiary owns no financial instruments as per 31 December 2018.

Note 11 – Bank deposits

The Company has the following restricted bank deposits at 31 December:

	Company	
	2018	**2017**
Tax withholding account	2 769	6 058
Margin account	11 401	46 685
Total restricted bank deposits Company	**14 170**	**52 743**
Restricted bank deposits subsidiary	879	827
Total restricted bank deposits Group	**15 049**	**53 570**

The Company has an overdraft facility of NOK 175 million with by DNB ASA which was unused as of 31 December 2018 (see also note 14 below). The total equity must not be lower than NOK 90 million. Restricted bank deposits in the subsidiary are related to security towards its settlement agent.

Note 12 – Client funds

	2018	**2017**
Deposits held in client's bank accounts	6 108	12 465
Client liability	-5 609	-12 172
Surplus client deposits	500	293

Client funds are not recorded in the Company's balance sheet. Surplus of the client deposits is shown in the accounts as bank deposits. The subsidiary held no client funds per 31 December 2018.

Note 13 – Capital adequacy

The capital adequacy as of 31 December was as follows:

	Company		Group	
Subordinated capital	**2018**	**2017**	**2018**	**2017**
Book equity	245 345	203 969	198 807	177 145
Deductions core capital	-146	-4	-146	-4
Core capital	245 199	203 965	198 661	177 141
Supplementary capital	-	-	-	-
Subordinated capital	**245 199**	**203 965**	**198 661**	**177 141**

	Company		Group	
Capital requirements	**2018**	**2017**	**2018**	**2017**
Credit-, counterparty- and general risk using standard methods – other engagements	342 963	217 158	210 731	123 575
Settlement risk using market value method	12 920	15	12 920	15
Position risk using standard method	3	1	3	1
Currency risk using standard method	239 192	195 908	232 731	253 373
Operational risk using basis method	495 063	450 746	620 121	563 498
CVA risk (impaired credit rating)	-	-	-	-
Total capital requirements	**1 090 141**	**863 828**	**1 076 506**	**940 462**
Capital requirement in %	22,5%	23,6%	18,5%	18,8%

	Company		Group	
Calculation of operational risk	**2018**	**2017**	**2018**	**2017**
Turnover 2018	245 595		304 939	
Turnover 2017	318 187	318 187	396 373	396 373
Turnover 2016	228 318	228 318	290 882	290 882
Turnover 2015		174 688		214 341
Average last 3 years	**264 033**	**240 398**	**330 731**	**300 532**
Operational risk after the basis method	495 063	450 746	620 121	563 498

Minimum capital adequacy ratio is 8%. Operational risk is calculated using the basis method. The capital requirements have been evaluated according to Pilar II in relation to different risk factors. The Company has completed an evaluation of the operational risk in the Company which concluded that the provisions for operational risk using the basis method give a satisfactory capital requirement for the Company's operational risks.

Note 14 – Pledged assets and guarantees

DNB Bank ASA provides the following guarantees/facilities:

	Currency	Total
Overdraft facility	NOK	175 000
Liquidity guarantee – daily share settlement Norges Bank	NOK	40 000
Credit facility for clearing (VPS Clearing)	NOK	6 000
Tenancy guarantee	USD	1 212

Client receivables, bank deposits, VPS accounts and fixed assets are pledged as security for the above guarantees. The liquidity guarantee and settlement guarantees are revocable with 4 days prior notice. The liquidity guarantee may be changed with 0 days prior notice. The Company is a member of the Norwegian Investor Compensation Scheme.

Note 15 - Financial market risk

The Company holds a license to perform own account trading and started own account trading in convertible bonds as part of the Group's focus on this new business in 2018, but the activity was relatively modest since this business area still is in a start-up period. The Company expects that the activity for the convertible bonds trading book will increase during 2019. In addition, the Company will in connection with its broking activities and corporate finance transactions from time to time own securities short term which may lead to losses for the Company.

Note 16 – Liquidity risk

The remaining terms to maturity of the Company's financial assets and liabilities are as follows:

	Receivables		Liabilities	
	2018	**2017**	**2018**	**2017**
Up to 1 month	91 571	56 906	37 024	55 325
1 to 3 months	4 505	21 924	49 775	99 038
3 months to 1 year	5 263	4 537	13 222	25 597
1 to 5 years	5 928	1 256	19 359	898
Exceeding 5 years	-	-	-	-
Total	**107 266**	**84 622**	**119 381**	**180 858**

The remaining terms to maturity of the Group's financial assets and liabilities are as follows:

	Receivables		Liabilities	
	2018	**2017**	**2018**	**2017**
Up to 1 month	94 187	50 179	36 733	65 454
1 to 3 months	7 993	23 506	62 075	119 538
3 months to 1 year	7 880	5 724	57 222	68 097
1 to 5 years	5 928	1 256	19 359	898
Exceeding 5 years	-	-	-	-
Total	**115 989**	**80 665**	**175 389**	**253 987**

Note 17 – Holdings in subsidiaries

The shares in subsidiaries are valued according to the cost method in the Company accounts.

Name of company	Paid in capital	Book value	Equity	Result 2018	Ownership
Clarksons Platou Securities, Inc.	138 618	122 605	76 067	-23 912	100 %

Clarksons Platou Securities, Inc.'s address is 280 Park Avenue, 21st Floor, New York, NY 10017, United States.

During 2018, the Company established a wholly owned subsidiary in Canada, Clarksons Platou Securities (Canada), Inc. The company had no employees or activity and is not included in the consolidation as it is deemed as immaterial.

Note 18 – Related party transactons

Income

The Company and its wholly owned subsidiary Clarksons Platou Securities, Inc. have shared income on certain transactions completed during 2018. This also applies to the Company and other companies within the Clarksons Platou group.

Subordinated loan

Clarksons Platou Securities, Inc. had per 31 December 2018 issued a subordinated loan to Clarkson PLC of USD 5.0 million. Clarksons Platou Securities, Inc. paid USD 0.3 million in interest on the loan in 2018.

Shared services

The Company and Clarksons Platou Securities, Inc. share certain services related to IT, administration and insurance.

The Company shares certain services and purchasing agreements with Clarksons Platou AS and the Clarksons Platou group.

Note 19 – Subsequent events

There are no material subsequent events.

Auditor's report for 2018

To the General Meeting of Clarksons Platou Securities AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Clarksons Platou Securities AS, which comprise:

- The financial statements of the parent company Clarksons Platou Securities AS (the Company), which comprise the balance sheet as at 31 December 2018, profit and loss account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Clarksons Platou Securities AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, profit and loss account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report - Clarksons Platou Securities AS

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Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

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

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

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Independent Auditor's Report - Clarksons Platou Securities AS

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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 the proposed 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 produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 13 March 2019
PricewaterhouseCoopers AS

Rita Granlund
State Authorised Public Accountant

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

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