



KISTEFOS AS

Financial statements 30 June 2014

Org. nr. 951 408 743

Kistefos financial report – first half 2014

For the first half of 2014, the Group's result after tax was NOK 119 mill. (same period 2013: NOK 91 mill.). During the first half of 2013, a profit from the sale of Digitale Medier AS of NOK 222 mill. was recognized in the Group accounts.

The Group's liquidity was sound, and as of June 30, 2014, consisted of bank deposits of NOK 1 393 mill., an increase of NOK 1 mill. compared to December 31, 2013.

Following several years with negative results in Rederi AB TransAtlantic and Atex Group Ltd., the situation for these activities are now stable and show material improvements in the results compared to previous periods. Due to the continuous positive development in most of the portfolio companies, we anticipate a significant improvement in the Group's results for the second half of the year.

The Group's activities (ownership share as per June 30, 2014)

Western Bulk ASA (60,4 % owned)

Western Bulk's operating result for the first half of 2014 was USD 18,1 mill., compared to USD 7,9 mill. for the corresponding period previous year. The improved operating result is mainly due to the sale of the STX Pan Ocean claim which gave a positive, one-time effect of USD 12,7 mill.

The bulk market where Western Bulk operates has experienced declining rates through the first half of 2014. This decline has resulted in pressure on the Net TC-margins compared to first half of 2013. The company has increased activities and operated an average fleet of 170 ships, compared with 134 ships in the first half of 2013. As a consequence of the demanding market, Western Bulk reduced the fleet to an average 157 ships in June.

The shipholding division of Western Bulk took delivery of the newbuild MW Western Hakata in March. The ship is on a longterm time charter with options for extension and purchase. MW Western Hakata is a modern eco-design with reduced fuel consumption. Western Bulk Shipholding will take delivery of additional two Ultramax vessels, one Supramax vessel and one Handysize vessel during the second half of 2014. In addition, 13 vessels will be delivered in the period of 2015-2017. All of these vessels, which also are modern eco-design, are chartered in on long-time charters with options for extension and purchase.

Rederi AB TransAtlantic (70,4 % owned)

Rederi AB TransAtlantic is the parent company of the group that consists of two business divisions: The dry bulk / liner shipping company TransAtlantic AB (formerly Industrial Shipping), and the offshore shipping company Viking Supply Ships A/S.

To implement and fund further restructuring measures, the shareholder's meeting of Rederi AB TransAtlantic agreed upon a equity issue of SEK 148 mill. Kistefos guaranteed the equity issue, which was completed in the second quarter of the year.

Kistefos placed a mandatory bid for Rederi AB TransAtlantic in the first quarter of the year. In total, Kistefos has increased its ownership share from 62,8 % to 70,4 % of which 7,0 % was acquired through the mandatory bid and 0,6 % through the equity issue.

TransAtlantic AB

The shipowning company's revenue for the first half of 2014 was SEK 705 mill. (SEK 978 mill.) The decrease in revenues year-on-year is mainly explained by the closure of the container-line TransPal Line, as well as reorganization and new time charters for the small bulk division.

Total provisions and write-downs related to the activities are SEK 64 mill. in the period. Profit before tax for the first half of the year was SEK -104 mill. (SEK -121 mill.). Adjusted for non-recurring and restructuring costs, the underlying operating profit before tax was approximately SEK -40 mill. (SEK -103 mill.). This improvement of profitability is a consequence of restructuring measures and cost reductions implemented in the division.

At par with periods, TransAtlantic AB operates in a challenging market with tight margins. The market is not expected to improve the next six months, hence the company will continue to streamline operations and reduce costs to improve profitability.

Viking Supply Ships A/S

The offshore division's income for the first six months was NOK 705 mill. (NOK 448 mill.) The newly established consultancy segment contributed with NOK 142 mill. in revenues. This increase is due to a consultancy service contract entered into with a major oil company for the delivery of services related to oil drilling activities in the Kara Sea. The remaining increase in revenues is due to significantly improved contract coverage.

EBITDA for the first six months was NOK 190 mill. (NOK 92 mill.), whereas the result from the consulting segment contributed with NOK 19 mill. Average day-rate for the AHTS vessels for the first six months of the year was NOK 402 150 (NOK 291 300) and for the PSV vessels GBP 10 205 (GBP 10 450). The utilization rate was respectively 70 % (70 %) for the AHTS vessels and 81 % (75 %) for the PSVs.

The spot market rates for the period was in line with previous year, meaning that the increase in earnings for the offshore fleet was due to increased contract coverage. At the end of the first half of the year, seven out of eight AHTS vessels and three out of six PSV vessels were on term contracts. Six of the company's eight AHTS vessels are presently in Russian waters. So far, the geopolitical situation with Ukraine or the announced sanctions towards Russia has not had any consequences for Viking Supply Ships' activities. The situation is closely monitored.

Opplysningen 1881 AS (100 % owned)

Opplysningen 1881 had revenues of NOK 177 mill. (195 mill.) in the first half of 2014. The information services experienced, as expected, further decline in volumes both for "Voice" and for "SMS" during the first half of 2014. The company's market share has been stable during the period. Growth in new services only partly compensate for a declining market of the core businesses.

The company reported a profit before tax of NOK 53 mill. for the first half of 2014. Adjusted for a non-recurring gain reported in corresponding period last year, the result represents a decrease of NOK 4 mill.

Phonero AS (50,7 % owned)

Phoneros revenues for the first half of 2014 was NOK 177 mill. (NOK 156 mill.), and the profit before tax was NOK 30 mill. (NOK 17 mill.)

Acquisition of Ventelo

Ventelo is a leading provider of fixed- and mobile telecommunication solutions to both private and public sectors. The main office is located in Kristiansand, with regional offices in Oslo, Trondheim and Bergen. In 2013, the company had revenues of NOK 784 mill.

Following the acquisition of Ventelo, Phonero's revenues will triple. The combined revenues for the companies are estimated to surpass one billion NOK. The agreement for the acquisition was signed at the end of June 2014, and formal takeover is planned for August 31.

The acquisition was financed through a bank credit-facility, as well as a cash equity issue of NOK 50 mill. Kistefos guaranteed this equity issue. Following the equity issue, Kistefos now owns 56,6 % of Phonero AS.

Phonero provides private and public sectors with solutions of high quality and on a cost efficient basis. Phonero also has its main office in Kristiansand, as well as regional offices in Oslo, Trondheim, Bergen and Stavanger. In 2013, Phonero had operating revenues of NOK 318 mill.

Kistefos has consolidated Phonero with effect from January 1, 2014. The acquisition of Ventelo was carried through with accounting effect from June 30, 2014 and as of this date, the balance sheet is consolidated into Kistefos group accounts. Ventelo's profit and loss accounts for the second half of 2014 will be consolidated into Kistefos' financial statements as per December 31, 2014.

Bergmoen AS (57,4% owned)

Gardermoen Næringspark is a property-developing project that will develop over a series of years. The company is experiencing a positive progress, and has recently entered into a long-term, strategic partnership with Prologis Inc. for the development of the area into a logistic cluster.

Prologis is one of the world's leading real estate company within the warehouse sector, and has a portfolio of approximately 53 mill. square meters of warehouses in 21 countries.

The Government pension fund, Global, has invested about NOK 15 billion in Prologis.

The parent company Kistefos AS

The operations of the parent company has developed as expected. Net financial result for the period is NOK 92 mill. (NOK 89 mill.) and consist of dividends received, net interest expenses and unrealized currency effects.

Other, non-consolidated investments (selection)

Avanzia Bank S.A. (59,7 % owned)

Avanzia reported net income of EUR 44,9 mill (EUR 36,1 mill.) in the first half of the year. The increase is due to positive addition of new customers, as well as an increase in loans to customers. The bank has also experience lower cost of capital compared to the same period of 2013. Profit after taxes for the first half was EUR 10,5 mill. (EUR 8,1 mill.)

Net loan balance was EUR 543 mill. (EUR 499 mill.) and the bank now has a total of 410 000 (378 000) active credit card customers.

Following the bank's entrance to the French market in 2012, there are now 12 300 active customers in France. This number is expected to increase significantly, when ordinary sales activities

commences. During the first half of 2013 the start-up of the French activities affected the result negatively by EUR -2 mill.

During the first half of 2014, Advanzia launched a new service where the bank operates other banks' credit-card services. The first two contracts are signed, and this new product is expected to contribute positively going forward.

During the first half of the year, a dividend of EUR 12,0 mill. relating to 2013 earnings, was paid to the shareholders.

Atex Group Ltd. (85,3 % owned)

Following the sale of the North American business, which represented approximately half of the annual business, in the second half of 2013, the remaining part of the company been through an extensive restructuring process.

The company has employed a new managing director, and is now developing according to strategic plans. For the first half of 2014, Atex had revenues of USD 18 mill., with an EBITDA of USD 0 mill.

The focus of the company going forward will be to adapt the product portfolio, as well as strengthening the sales- and market activities. For the second half of 2014, we expect a continued positive development in the underlying operations, with an EBITDA in line with the first half of the year. The company is expected to deliver a profit during 2015.

Risks

The parent company and the Group are exposed to several risk factors, and these factors have not changed significantly during the current accounting period. The issues are addressed in Kistefos' annual report for 2013, and the interims reports prepared by the Group's subsidiaries.

Other

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in Norway, and are unaudited.

Statement

The financial statements are, based on our best opinion, presented in accordance with generally accepted accounting principles and the information provided in the financial statements give a true and fair view of the company and the Group's assets, liabilities, financial position and result as a whole.

The financial report provides an accurate view of the development, performance and financial position of the company and the Group, together with a description of the most material risk factors and uncertainties the Group is facing.

KISTEFOS GROUP

<u>Parent company</u>		PROFIT AND LOSS STATEMENT		<u>Group</u>		
Full year 2013	Per Q2 2014	Amounts in NOK 000s	Note	Per Q2 2014	Per Q2 2013	Full year 2013
		OPERATING INCOME				
0	0	Freight revenues ships		5 203 792	4 387 012	9 603 798
0	0	Sales revenue		358 490	268 276	499 369
0	0	Gain (loss) on disposal of fixed assets		(242)	0	0
7 598	5 558	Other operating income		202 999	138 259	384 818
7 598	5 558	Total operating income		5 765 040	4 793 547	10 487 984
		OPERATING EXPENSES				
0	0	Cost of goods sold		162 520	65 054	115 253
46 753	24 343	Wages and salaries		250 237	286 284	522 327
0	0	Operating expenses ships		4 832 101	4 049 711	8 833 648
75	38	Depreciation and write-downs of fixed and intangible assets		96 016	154 545	415 247
24 673	15 101	Other operating expenses		230 035	214 939	381 841
71 501	39 482	Total operating expenses		5 570 909	4 770 533	10 268 315
(63 903)	(33 924)	OPERATING RESULT		194 131	23 014	219 669
		FINANCIAL INCOME AND EXPENSES				
354 507	0	Income from investments in subsidiaries and associated companies		(3 280)	(1 070)	1 001
66 896	6 222	Interest received from group companies		0	0	0
6 271	759	Other interest received		5 340	8 502	20 158
331 141	98 705	Gain on shares and other financial instruments		38 595	240 775	3 247
34 014	63 363	Other financial income		83 472	58 024	126 815
(280 780)	(0)	Change in value of shares and other financial instruments		(0)	0	(266 780)
(52 047)	(1 452)	Interest paid to group companies		0	0	(10 376)
(125 303)	(64 342)	Other interest expenses		(150 048)	(158 738)	(319 426)
(31 569)	(11 449)	Other financial expenses		(52 301)	(71 912)	(92 160)
303 129	91 806	Net financial income / (expenses)		(78 224)	75 581	(537 521)
239 226	57 882	Operating result before taxes		115 907	98 595	(317 852)
18 873	28 407	Taxes		3 107	(7 218)	(83 624)
258 099	86 289	NET INCOME		119 014	91 377	(401 476)

Minority's share of net income
Majority's share of net income

32 737 (78 491) (146 968)
86 277 169 868 (254 508)

KISTEFOS GROUP

<u>Parent company</u>		BALANCE SHEET	<u>Group</u>			
31.12 2013	30.6 2014	<i>Amounts in NOK 000s</i>	Note	30.6 2014	30.6 2013	31.12 2013
		ASSETS				
		FIXED ASSETS				
0	13 309	Deferred tax assets		76 374	91 536	55 495
0	0	Goodwill		(100 052)	(135 314)	(125 113)
0	0	Other intangible assets		795 174	471 029	440 165
0	13 309	Total intangible assets		771 496	427 251	370 547
0	0	Property and land		406 700	297 942	299 304
0	0	Ships, PSV and AHTS		3 440 388	3 394 629	3 353 760
0	0	Ship, Shipping		162 922	226 094	163 246
0	0	Ships, Bulk carriers		134 660	139 859	136 324
291	254	Operating equipment, FF&E, machines etc.		65 941	43 109	20 998
291	254	Total tangible fixed assets		4 210 611	4 101 633	3 973 632
1 924 934	1 981 497	Investments in subsidiaries		0	0	0
597 764	715 447	Loans to group companies		0	0	0
0	0	Investments in associated companies		83 254	63 781	64 858
0	0	Restricted bank deposits		76 273	40 917	63 380
0	0	Subordinated loan		0	0	0
26 237	32 319	Other long-term receivables		218 692	375 214	231 555
2 548 935	2 729 263	Total financial fixed assets		378 219	479 912	359 793
2 549 226	2 742 825	Total fixed assets		5 360 326	5 008 796	4 703 972
		CURRENT ASSETS				
0	0	Goods for sale		64 517	77 685	81 554
5 612	6 241	Accounts receivable		707 523	599 208	703 545
226 920	34	Loans to group companies		0	0	13 003
17 357	24 366	Other receivables		629 466	652 755	573 541
249 889	30 641	Total receivables		1 401 505	1 329 647	1 371 643
784 015	803 094	Shares and other financial instruments		1 066 722	1 274 686	1 074 132
287 509	162 472	Cash and cash equivalents		1 392 183	1 257 808	1 391 662
1 321 414	996 207	Total current assets		3 860 409	3 862 141	3 837 436
3 870 640	3 739 033	TOTAL ASSETS		9 220 736	8 870 938	8 541 408

KISTEFOS GROUP

<u>Parent company</u>		BALANCE SHEET	<u>Group</u>			
31.12 2013	30.6 2014	<i>Amounts in NOK 000s</i>	Note	30.6 2014	30.6 2013	31.12 2013
		EQUITY AND LIABILITIES				
		EQUITY				
		Restricted Equity				
310 828	310 828	Share capital		310 828	310 828	310 828
77 508	77 508	Other Restricted Equity		77 508	77 508	77 508
		Retained earnings				
1 391 386	1 477 675	Other Equity		1 270 704	1 107 212	1 133 879
		Minority interests		923 974	722 841	927 028
1 779 722	1 866 011	Total Equity		2 583 014	2 218 389	2 449 243
		LONG TERM LIABILITIES				
15 098	0	Deferred taxes		201 112	176 344	208 053
2 898	0	Pension liabilities		24 718	10 796	25 777
497 679	498 084	Liabilities to financial institutions		2 935 869	3 688 869	2 865 104
577 861	368 574	Liabilities to group companies		0	0	0
941 500	976 500	Unsecured bond-loans		1 692 624	1 384 430	1 697 483
0	0	Other long-term liabilities		431 528	112 034	71 770
2 035 035	1 845 710	Total other long-term liabilities		5 285 851	5 372 473	4 868 187
		SHORT TERM LIABILITIES				
1 273	436	Trade creditors		312 537	387 744	316 770
0	0	Taxes payable		25 167	27 512	15 158
2 564	1 902	Government taxes, holiday pay, tax deductions		36 089	22 112	19 446
40 840	0	Liabilities to group companies		0	0	0
11 206	24 976	Other short-term liabilities		978 078	842 709	872 607
55 883	27 313	Total short-term liabilities		1 351 871	1 280 077	1 223 981
2 090 919	1 873 023	Total liabilities		6 637 722	6 652 550	6 092 167
3 870 640	3 739 033	TOTAL EQUITY AND LIABILITIES		9 220 736	8 870 938	8 541 408