



**KISTEFOS AS**

**Half year report**

**June 30, 2015**

Org. nr. 951 408 743

## **Kistefos Group report – first half-year 2015**

In the first half of 2015, the Kistefos Group reported a result after tax of NOK -71.5 million (compared to NOK 119 million in the same period last year). The Group's liquidity situation was good, with a cash position of NOK 1 516 million – equal to the balance as per year end 2014. One of Kistefos' considerable investments, the 60.3% share of Advanzia Bank, Luxembourg, is not consolidated into the Group's accounts. Advanzia had a result before tax of NOK 163 million in the first half of 2015.

In June, the Group sold its shares in two Chinese private equity funds; China New Enterprise Investments I and II, with net proceeds of NOK 218 million, and will book a realized profit of NOK 31.5 million from this sale.

On July 15, yA Holding agreed to sell its two fully owned subsidiaries, yA Bank and MetaTech to Resurs Bank AB. The transaction is approved by the shareholders of yA Holding, but is conditional upon approval from Norwegian regulatory authorities. For Kistefos, the sale will result in proceeds of NOK 461 million, and a gain of NOK 361 million in 2015.

On July 3, the parent company Kistefos AS repaid an unsecured bond loan of NOK 400 million at maturity.

With the exception of Western Bulk, most of Kistefos' portfolio companies have shown a positive development and the value creation has been solid during the first half of 2015.

### **The Group's activities (ownership share as per June 30, 2015)**

#### **Western Bulk ASA (60.4 % owned)**

Western Bulk's "adjusted net result" for the first half of 2015 was USD -13.6 million, compared to USD 16.2 million in the same period of last year. The result in the first half of 2014 was positively impacted by a one-time effect of USD 12.7 million related to a claim towards STX Pan Ocean.

In the first half of 2015, the rates in the bulk market were at historically low levels. This has negatively impacted Western Bulk and the achieved Net TC-rates.

Western Bulk initiated a cost-efficiency program in the first half of 2015. Following the implementation of the program, the number of employees is reduced from 130 to 111. This reduction, combined with other initiatives, is estimated to result in cost savings on administrative costs of USD 7.5 million in 2016.

#### **Viking Supply Ships AB (70.4% owned)**

Viking Supply Ships AB (formerly Rederi AB TransAtlantic) is the parent company of a group that primarily focuses on the offshore supply market through the subsidiary Viking Supply Ships A/S (Copenhagen). The group also owns TransAtlantic AB (Gothenburg), a small Swedish shipping company.

The offshore operations of Viking Supply Ships A/S generated revenues of NOK 560 million (NOK 705 million) in the first half of 2015. Revenues from the AHTS fleet were NOK 474 million (NOK 409 million), whereas revenues from the PSV fleet were NOK 13 million (NOK 92 million). Other revenues constituted NOK 74 million (NOK 204 million).

EBITDA for the first half of 2015 was NOK 164 million (NOK 190 million), of which EBITDA from the AHTS fleet were NOK 227 million (NOK 164 million) and the PSV fleet NOK -64 million (NOK 7 million).

The average fixture rate for the AHTS fleet during the first six months of 2015 was NOK 445 300 (NOK 402 000) and for the PSV fleet GBP 3 950 (GBP 10 200). The average utilization was 73 % (70 %) for the AHTS fleet, and 29 % (81 %) for the PSV fleet.

The rates in the spot market for the first half of 2015 have been significantly weaker than during the same period last year, and the market has been very challenging. However, due to increased contract coverage on the AHTS vessels, this segment have shown a strong financial performance in the first half of the year. By the end of June 2015, four of the eight AHTS vessels were on firm contracts, whereas all the PSV vessels operated in the spot market.

During the first half of 2015, the company has entered into two new significant contracts; Brage Viking with a firm period of 32 months with options to extend with 18 months, and Vidar Viking with a firm period of 8 months and an option to extend with 6 months. The combined value, including options, is approximately NOK 1 160 million. In July, VSS entered into an agreement of extending the contract for the AHTS Njord Viking with Eni Norge. The contract is now firm until December 2016 with options to extend additional 12 months. This implies an extension of 1.5 year from the original expiry date of July 2015. The value of the contract, including options, is NOK 255 million.

Revenues from the Swedish shipping company TransAtlantic AB amounted to SEK 458 million (SEK 705 million) for the first half of 2015. The decline in revenues compared to last year is due to considerable restructuring activities, in particular the closing of the container line TransPal in 2014. Result before tax for the first half was SEK -52 million (SEK -104 million). The results were strongly hampered by restructuring activities and losses on businesses that are defined as “non-core” activities. We expect additional restructuring activities going forward.

#### **Phonero AS (57.0 % owned)**

Phonero’s revenues for the first half of 2015 were NOK 550 million (NOK 177 million), and the company reported a result before tax of NOK 76 million (NOK 30 million). Ventelo is consolidated from September 1, 2014, and thus the comparable number for the first half of 2014 only reflect Phonero’s revenues.

Following the acquisition of Ventelo in 2014, Phonero has continued to develop positively with focus on realizing synergies and cost savings. In addition, the company has experienced a strong growth in the customer base during the first half of 2015 and lower churn than expected.

Phonero provides private and public sectors with high quality and cost efficient telephony solutions. Phonero’s main office is in Kristiansand and regional offices in Oslo, Trondheim, Bergen and Stavanger.

#### **Opplysningen 1881 AS (100 % owned)**

Opplysningen 1881 had revenues of NOK 148 million (177 million) in the first half of 2015. The directory services via phone and SMS experienced, as expected, a further decline in volumes during the first half of 2015. The company’s market share has been stable during the same period. Growth in new services is only partially compensating for the declining market of the core businesses.

The company reported a profit before tax of NOK 45 million for the first half of 2015 (NOK 53 million).

### **Bergmoen (57.4 % owned)**

Bergmoen is the largest player in Gardermoen Business Park, a real estate development project located between E6 and the Oslo Airport, Gardermoen. Bergmoen together with its sister company, Gardermoen Forum, can develop up to 650.000 m2 of commercial real estate according to the current zoning. Together with its partner, Prologis, the company is currently focusing on logistics projects with high activity in the first half of the year. The company is working actively with the local authorities to establish the infrastructure for the area, particularly related to the E6.

### **The parent company Kistefos AS**

The operations of the parent company has been as expected. Net financial result for the period is NOK -50 million (NOK 92 million) and consist mainly of net interest elements, dividends received, and currency items.

The disposals mentioned earlier in this report will strengthen Kistefos' liquidity and provide opportunities for new investments.

### **Other, non-consolidated investments (selection)**

#### **Avanzia Bank S.A. (60.3 % owned)**

Avanzia reported net income of EUR 55.0 million (EUR 45.0 million) in the first half of the year. The increase is due to a solid increase in new customers and loans to customers. The bank also experienced lower funding costs compared to the same period of 2014. Profit before tax for the first half of 2015 was EUR 21.0 million (EUR 14.9 million)

Net loan balance was EUR 662 million (EUR 543 million) and the bank now has 484 000 (410 000) active non-delinquent credit card customers.

Following the bank's entrance into the French market, there are now 16 000 active customers in France. When full-scale sales activities commences, this number is expected to increase significantly. During the first half of 2015, the French activities affected the result negatively by EUR -2 million, the same level as in the same period 2014.

In June 2015, Avanzia issued a perpetual loan of NOK 85 million qualifying as tier 1 capital. A dividend of EUR 2.5 million was paid to the shareholders in first half of 2015. In July, an additional EUR 13.4 million was paid in dividends to the shareholders.

Kistefos increased its ownership in Avanzia from 59.7 % to 60.3% during the first half of 2015.

#### **Atex Group Ltd. (85.3 % owned)**

Following the restructuring in 2014, Atex is developing somewhat better than planned. During the first half of 2015, Atex had a turnover of USD 12.8 million (USD 17.6 million), with an EBITDA of USD 1.7 million (USD 0.1 million).

There is still a need to strengthen sales- and marketing activities and organizational changes have been implemented to support this. For the second half of 2015, we expect a continued positive development in the underlying operations and a positive EBITDA. We expect the operational profit to be positive in 2015.

**Other, smaller investments**

The majority of these investments developed positively during the first half of 2015.

**Risks**

The parent company and the Group are exposed to various risk factors. These risk factors have not changed significantly during the current accounting period. The risk elements are addressed in Kistefos' annual report for 2014, and in the interim reports prepared by the Group's subsidiaries.

**Other**

The financial statements have been prepared in accordance with Norwegian GAAP 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 overall result.

The half-year report provides a fair 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 Board of Directors,

August 20, 2015

## KISTEFOS GROUP

<u>Parent company</u>		PROFIT AND LOSS STATEMENT	<u>Group</u>			
Full year 2014	Per Q2 2015	<i>Amounts in NOK 000s</i>	Note	Per Q2 2015	Per Q2 2014	Full year 2014
		<b>OPERATING INCOME</b>				
0	0	Freight revenues ships		5 033 425	5 203 792	10 745 342
0	0	Sales revenue		700 826	358 490	947 755
0	0	Gain (loss) on disposal of fixed assets		12 406	(242)	10 321
8 423	1 250	Other operating income		13 151	202 999	416 508
<b>8 423</b>	<b>1 250</b>	<b>Total operating income</b>		<b>5 759 808</b>	<b>5 765 039</b>	<b>12 119 926</b>
		<b>OPERATING EXPENSES</b>				
0	0	Cost of goods sold		362 697	162 520	429 655
47 444	25 717	Wages and salaries		294 558	250 237	533 716
0	0	Operating expenses ships		4 721 022	4 832 101	10 037 605
72	369	Depreciation and write-downs of fixed and intangible assets		113 359	96 016	198 965
28 837	15 316	Other operating expenses		195 084	230 035	405 312
<b>76 354</b>	<b>41 402</b>	<b>Total operating expenses</b>		<b>5 686 720</b>	<b>5 570 909</b>	<b>11 605 253</b>
<b>(67 931)</b>	<b>(40 152)</b>	<b>OPERATING RESULT</b>		<b>73 088</b>	<b>194 130</b>	<b>514 673</b>
		<b>FINANCIAL INCOME AND EXPENSES</b>				
160 733	0	Income from investments in subsidiaries and associated companies		(4 108)	(3 280)	(4 943)
20 211	2 066	Interest received from group companies		0	0	0
3 472	2 218	Other interest received		10 797	5 340	17 575
36 616	(4 746)	Gain on shares and other financial instruments		540	38 595	(37 326)
198 199	24 450	Other financial income		72 946	83 472	285 863
(660)	(1 456)	Change in value of shares and other financial instruments		(1 456)	(0)	2 801
(12 734)	(4 062)	Interest paid to group companies		0	0	0
(131 885)	(66 950)	Other interest expenses		(148 957)	(150 048)	(307 360)
(7 854)	(1 700)	Other financial expenses		(65 983)	(52 301)	(215 621)
<b>266 098</b>	<b>(50 180)</b>	<b>Net financial income / (expenses)</b>		<b>(136 220)</b>	<b>(78 222)</b>	<b>(259 010)</b>
<b>198 167</b>	<b>(90 332)</b>	<b>Operating result before taxes</b>		<b>(63 132)</b>	<b>115 907</b>	<b>255 662</b>
22 136	28 220	Taxes		(8 351)	3 107	(2 787)
<b>220 303</b>	<b>(62 112)</b>	<b>NET INCOME</b>		<b>(71 483)</b>	<b>119 014</b>	<b>252 875</b>

Minority's share of net income

(27 750)

32 737

24 612

Majority's share of net income

(43 733)

86 277

228 263

## KISTEFOS GROUP

<u>Parent company</u>		<b>BALANCE SHEET</b>	<u>Group</u>			
31.12. 2014	Per 30.06 2015	<i>Amounts in NOK 000s</i>	Note	Per 30.06 2015	Per 30.06 2014	31.12. 2014
		<b>ASSETS</b>				
		<b>FIXED ASSETS</b>				
2 421	30 550	Deferred tax assets		96 747	76 374	68 225
0	0	Goodwill		103 870	(100 052)	69 132
0	0	Other intangible assets		583 890	795 174	595 279
<b>2 421</b>	<b>30 550</b>	<b>Total intangible assets</b>		<b>784 506</b>	<b>771 496</b>	<b>732 636</b>
0	0					
0	0	Property and land		360 392	406 700	366 219
0	0	Ships, PSV and AHTS		3 614 538	3 440 388	3 602 062
0	0	Ship, Shipping		72 656	162 922	76 888
0	0	Ships, Bulk carriers		161 080	134 660	157 405
219	3 331	Operating equipment, FF&E, machines etc.		19 058	65 941	28 864
<b>219</b>	<b>3 331</b>	<b>Total tangible fixed assets</b>		<b>4 227 724</b>	<b>4 210 611</b>	<b>4 231 438</b>
2 585 603	2 585 653	Investments in subsidiaries		0	0	0
167 517	69 150	Loans to group companies		24 330	0	0
0	0	Investments in associated companies		101 335	83 254	95 470
0	0	Restricted bank deposits		137 999	76 273	134 037
26 770	9 282	Other long-term receivables		359 885	218 692	280 429
<b>2 779 890</b>	<b>2 664 085</b>	<b>Total financial fixed assets</b>		<b>623 549</b>	<b>378 219</b>	<b>524 430</b>
<b>2 782 529</b>	<b>2 697 966</b>	<b>Total fixed assets</b>		<b>5 635 779</b>	<b>5 360 326</b>	<b>5 488 504</b>
		<b>CURRENT ASSETS</b>				
0	0	Goods for sale		66 516	64 517	65 160
6 649	6 866	Accounts receivable		611 372	707 523	840 343
114 309	0	Loans to group companies		17 852	0	19 633
13 166	10 799	Other receivables		648 238	629 466	959 280
<b>134 124</b>	<b>17 666</b>	<b>Total receivables</b>		<b>1 343 978</b>	<b>1 401 506</b>	<b>1 884 416</b>
827 364	730 987	Shares and other financial instruments		1 018 893	1 066 722	1 110 837
266 641	558 769	Cash and cash equivalents		1 516 382	1 392 183	1 521 345
<b>1 228 129</b>	<b>1 307 422</b>	<b>Total current assets</b>		<b>3 879 253</b>	<b>2 458 905</b>	<b>4 516 598</b>
<b>4 010 658</b>	<b>4 005 387</b>	<b>TOTAL ASSETS</b>		<b>9 515 032</b>	<b>9 220 736</b>	<b>10 005 102</b>

## KISTEFOS GROUP

<u>Parent company</u>		BALANCE SHEET	<u>Group</u>			
31.12. 2014	Per 30.06 2015	<i>Amounts in NOK 000s</i>	Note	Per 30.06 2015	Per 30.06 2014	31.12. 2014
		<b>EQUITY AND LIABILITIES</b>				
		<b>EQUITY</b>				
		<b>Restricted Equity</b>				
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
		<b>Retained earnings</b>				
1 485 726	1 423 614	Other Equity		1 205 566	1 270 704	1 227 164
		<b>Minority interests</b>		970 431	923 974	1 012 546
<b>1 874 062</b>	<b>1 811 950</b>	<b>Total Equity</b>		<b>2 564 334</b>	<b>2 583 014</b>	<b>2 628 046</b>
		<b>LONG TERM LIABILITIES</b>				
0	0	Deferred taxes		168 924	201 112	174 343
4 952	5 943	Pension liabilities		49 476	24 718	51 744
292 204	270 235	Liabilities to financial institutions		3 184 270	2 935 869	3 268 087
306 523	398 103	Liabilities to group companies		0	0	0
1 259 500	1 259 500	Unsecured bond-loans		1 757 290	1 692 624	1 756 077
0	44 907	Other long-term liabilities		254 376	431 528	140 806
<b>1 863 179</b>	<b>1 978 687</b>	<b>Total other long-term liabilities</b>		<b>5 414 335</b>	<b>5 285 851</b>	<b>5 391 057</b>
		<b>SHORT TERM LIABILITIES</b>				
0	0	Liabilities to financial institutions		75 472	0	148 883
1 747	460	Trade creditors		415 951	312 537	535 433
0	0	Taxes payable		42 039	25 167	15 155
2 493	2 470	Government taxes, holiday pay, tax deductions		39 951	36 089	48 146
46 970	0	Liabilities to group companies		7 942	0	7 942
125 000	0	Provision for dividend		0	0	125 000
97 207	211 820	Other short-term liabilities		955 006	978 078	1 105 440
<b>273 417</b>	<b>214 750</b>	<b>Total short-term liabilities</b>		<b>1 536 362</b>	<b>1 351 871</b>	<b>1 985 999</b>
<b>2 136 596</b>	<b>2 193 437</b>	<b>Total liabilities</b>		<b>6 950 697</b>	<b>6 637 722</b>	<b>7 377 055</b>
<b>4 010 658</b>	<b>4 005 387</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9 515 032</b>	<b>9 220 736</b>	<b>10 005 102</b>