



KISTEFOS AS

Half-year report

June 30, 2016

Kistefos group – first half year 2016

The Kistefos Group had a result before tax of NOK -618 million for the first half of 2016. Despite the weak financial result, the Group had a positive value creation in the first six months of the year. The financial results are significantly impacted by the bankruptcy of Bulk Invest ASA, which contributed with NOK -280 million. Western Bulk Chartering had a result before tax of NOK -148 million in the first half year. Viking Supply Ships had a result before tax of NOK -168 million of which write-downs on the PSV-fleet in the period accounted for NOK -143 million.

The subsidiary Advanzia Bank S.A, 60.3 % owned, not consolidated in the Group accounts, delivered a result before tax of NOK 215 million in the first half of 2016.

With the exception of Western Bulk Chartering and Viking Supply Ships, there has been a positive development in most of the Group's investments in the first half of 2016.

In the third quarter, Viking Supply Ship A/S reached an agreement with all creditors so that the financial restructuring can be completed in the fourth quarter.

The Kistefos Group's revenue in the first half of the year was NOK 3 095 million (compared to NOK 5 760 million in 2015). The operating result was NOK -565 million compared with NOK 73 million in the same period last year while result before tax was NOK -618 million versus NOK -63 million in the same period last year. The Group's revenue and result is impacted by the bankruptcy of Bulk Invest ASA, write-downs of the PSV-fleet together with weak markets for offshore supply and dry bulk, together with the fact that Phonero is no longer consolidated in the group accounts.

The Group's total assets were reduced by 25 % from June 2015, to NOK 7 085 million, and the Group's equity ratio has increased from 27 % to 33 % in the same period, mainly due to sale of assets and reduced debt.

Consolidated activities

Western Bulk Chartering AS (78.2 % owned)

Western Bulk Chartering (WBC) had a net TC result of USD -3.1 million (USD 22.7 million) in the first half of 2016. Result before tax was USD -17.7 million (USD 3.7 million).

The weak bulk market has continued into 2016 with an historical low point in February. Even though the rates have increased since February, they are still at a historically low level. In addition to the weak bulk market, the results are also impacted by direct and indirect

consequences of the bankruptcy of Bulk Invest ASA together with negative impact of market positions. Based on a gradual improvement in the market, we expect the second half of the year to be considerably better for WBC. There is a continuous focus on cost reductions and the administration expenses were reduced by USD 4.6 million compared to the first half of 2015.

WBC has in the first half of the year focused on re-establishing the company's position in the market following the bankruptcy of Bulk Invest ASA. In June, the company completed the first step of the offering to the former shareholders in Bulk Invest ASA through a private placement towards the largest shareholders. The private placement raised about USD 20 million in new equity. The next step will be to perform a repair offering towards the remaining minority shareholders in Bulk Invest ASA. This process is expected to be completed by the end of September. In relation to the offering and the recapitalisation of the company, Kistefos has issued a guarantee of USD 8 million related to a credit line and guarantee facility in Western Bulk Chartering.

Viking Supply Ships AB (70.4 % owned)

The Viking Supply Ships AB group had revenues of USD 74 million in the first half year, a reduction of 42 % compared to the same period last year. The reduction in revenue is

due to reduced activity within most of the areas of activity of the company.

The result before taxes and write-downs was USD -2.7 million compared to USD -4.1 million in the same period last year. Including write-downs of the PSV-fleet the result before tax ended at USD -19.8 million. The reduced result is mainly due to the challenging market conditions, lay-up of vessels and said write-downs of the PSV-fleet.

The daughter company, Viking Supply Ships A/S, which is the offshore activity of the Group had revenues for the first half year of USD 54.3 million (USD 72.1 million) of which the revenue from the AHTS-fleet was USD 45.1 million (USD 61 million) and other revenues amounted to USD 9.2 million (USD 11.1 million).

EBITDA for the first half year was USD 15.2 million a reduction of 28 % from the same period last year. EBITDA from the AHTS-fleet contributed with USD 18.6 million and the rest of the business with USD -3.4 million.

The result before tax and write-downs was USD -0.6 million a reduction from USD 1.7 million from the same period last year. Included the write downs of the PSV-fleet of USD 17.1 million, the result before taxed ended at USD -17.7 million.

Due to the challenging marked, VSS A/S has initiated and implemented significant cost reductions with an ambition of annual savings of at least NOK 150 million. General expenses related to personal and administration are significantly reduced, the office in Aberdeen, which used to administer the PSV-fleet, was closed in 2015 and the office in St. Johns in Canada is closed down in 2016 at the same time as the organisation in Russia is reduced. Further savings such as the lay-up of the PSV-fleet and the AHTS-vessel Odin Viking implies that the company is on track to exceed the savings target for 2016.

The average day-rate for the AHTS vessel in the first six month of the year was USD 57 000 (USD 56 300) and the utilisation was 62 % (73 %).

The rates in the spot market continue to be impacted by low activity and overcapacity of vessels. Higher rates can be achieved from time to time due to higher activity and utilisation. By the end of the first half of the year, three of the eight AHTS vessels were on firm contracts.

At the start of the year, three of the five PSV-vessels and the AHTS-vessel Odin Viking was laid up, whereas the other two PSV-vessels were operating in the spot market until March. From March, all five PSV-vessels were laid up.

In June, VSS A/S reached an agreement with the banks which implies extended maturity, reduced amortisation and adjusted terms on the bank facilities until first quarter 2020. In august, the company reached an agreement with a committee representing a majority of the outstanding bonds. As part of the restructuring VSS AB will increase it's equity by minimum USD 31.8 million of which minimum USD 25.2 million will be through an equity issue where Kistefos will guarantee it's pro rata share, in addition to conversion of bonds to equity.

The restructuring implies that the debt in the VSS group is reduced by approximately USD 43 million. As soon as the financing solution is formally confirmed by the respective parties, the company can complete the financial restructuring and fully focus on the optimisation of the operations and the market opportunities going forward.

The restructuring and downscaling of the activity in TransAtlantic AB continues and the revenue for the first six months was USD 19.7 million compared to USD 54.2 million in the same period in 2015. The reduced revenue is mainly due to a significant downscaling of the activity level through sale of operations and ships and return of leased ships. The result before taxes for the first six months was USD -2.3 million (USD -6.2 million) and is a result of the reduced activity level. The restructuring of business will continue in the second half of the year.

Opplysningen 1881 AS (100 % owned)

Opplysningen 1881 AS' operating revenues for the first half of 2016 were NOK 138 million (NOK 148 million). The decline in volume of directory services is lower than previous years as the growth in revenues from new services has made up for some of the decline in the volume of the core services. The company's market share has been stable throughout the first half of the year.

The company had an EBITDA of NOK 44 million (NOK 46 million) in the first half of 2016.

Bergmoen AS and Gardermoen Forum AS (57.4 % owned)

Bergmoen AS and Gardermoen Forum AS (both owned 57.4% by Kistefos Eiendom) are the largest players in the Gardermoen Business Park, a development area for commercial properties located between E6 and Oslo Airport Gardermoen. Bergmoen and Gardermoen Forum own and develop around 850 hectares of land in Gardermoen Airport Business Park. Bergmoen has made significant investments in new infrastructure to prepare its land areas for future developments and the positive interest and activity level in the area are increasing.

The parent company Kistefos AS

The operations of the parent company have been as expected with an operating result of NOK -54 million (NOK -50 million). Net financial result for the period is NOK -117 million (NOK -50 million) and consist mainly of the recognized loss of Bulk Invest ASA of NOK -136 million, as well as net interest elements, dividends received, and currency items.

Result before taxes for the parent company is NOK -171 million (NOK -90 million).

Selected, non-consolidated investments

Avanzia Bank S.A. (60.3 % owned)

Avanzia reported a net income of EUR 65.5 million (EUR 55.0 million) in the first half of the year. The increase of 19 % is due to a continued

solid growth in the German core market, with a corresponding growth of loans to customers. Net loan balance reached EUR 798 million, an increase of 20 % compared to previous year, and the bank has now 564,000 active credit card customers, compared to 468,000 at the same time in 2015.

The growth in profitability was 8 %, and profit before tax for the first half of the year was EUR 22.8 million (EUR 21.1 million). The somewhat lower growth in profitability is due to the company's growth strategy, where marketing activities have been increased significantly from EUR 6.9 million to EUR 10.1 million; a growth of 47 % in order to further increase the long term growth of the client base and loan balance.

The company's expansion into Austria continues to develop positively. France continues to be very challenging, and the company now considers alternative strategies for marketing and customer acquisition. During this phase, it has been decided to keep the activity level moderate until systems and processes have been further tuned and optimised.

During the first half of the year, dividends of EUR 9.0 million have been paid to the shareholders, and in July, the shareholders received an additional EUR 10.5 million in dividends.

Phonero AS (20.1 % owned)

Following the sale of Kistefos' controlling ownership in Phonero to Norvestor in December 2015, the company is no longer consolidated into the Kistefos Group accounts.

The positive development of Phonero has continued in the first half of 2016, and both revenues and profitability are as expected.

Atex Group Ltd. (85.3 % owned)

The company continues to deliver positive EBITDA following previous years' extensive restructuring of the business. For the first half of 2016, Atex had operating revenues of USD

11.1 million (USD 12.8 million) and an EBITDA of USD 1.0 million (USD 1.7 million).

The market is still considered demanding following the customers' migration from traditional print to digital channels. The focus of the company is new sales and product development adapted to this market.

Infront (27.7 % owned)

Compared with the first half of the previous year, Infront delivers growth in both revenue and profitability. In addition, the company has acquired TDN Finans AS from NHST («Dagens Næringsliv») and is working on one further acquisition to strengthen its position.

Kappa Bioscience (58.3 %)

Kappa develops and delivers synthetic vitamin K2 and has experienced strong organic growth throughout the first half of the year. In addition, the company has bought Synthetica and is contemplating another acquisition in 2016.

Ostomycure (66.8 %)

Develops an implant for ileostomy-patients and achieved, after 10 years, a major breakthrough in June 2016 when the solution was approved and achieved a CE-classification in Europe, which allows for starting the commercialisation of the solution.

Promon (35.5 %)

Promon operates within the cyber security space and achieved a strategic breakthrough in July, when the company, following lengthy negotiations, got a US based industrial investor as co-owner.

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 2015 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.

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.

Oslo, 31. August 2016

KISTEFOS GROUP

Parent company			PROFIT AND LOSS STATEMENT <i>January 1 - December 31</i>	Group		
Full year 2015	Per Q2 2015	Per Q2 2016	<i>Amounts in NOK 000s</i>	Per Q2 2016	Per Q2 2015	Full year 2015
			OPERATING INCOME			
0	0	0	Freight revenues ships	3 162 387	5 033 425	10 198 606
0	0	0	Sales revenue	143 147	700 826	1 308 642
0	0	(32)	Gain (loss) on disposal of fixed assets	(219 156)	12 406	682 419
2 225	1 250	1 544	Other operating income	8 953	13 151	51 627
2 225	1 250	1 513	Total operating income	3 095 332	5 759 808	12 241 294
			OPERATING EXPENSES			
0	0	0	Cost of goods sold	34 251	362 697	667 114
55 720	25 717	35 599	Wages and salaries	174 642	294 558	575 538
0	0	0	Operating expenses ships	3 064 252	4 721 022	9 633 242
574	369	356	Depreciation and write-downs of fixed and intangible assets	243 126	113 359	412 727
32 940	15 316	19 502	Other operating expenses	143 620	195 084	392 565
89 235	40 402	55 457	Total operating expenses	3 659 890	5 686 720	11 681 185
(87 010)	(40 152)	(53 944)	OPERATING RESULT	(564 559)	73 088	560 109
			FINANCIAL INCOME AND EXPENSES			
954 648	0	(268)	Income from group companies and associated companies	0	(4 108)	(51 308)
2 950	2 066	3 721	Interest received from group companies	0	0	191
3 027	2 218	(427)	Other interest received	10 234	10 797	23 728
310 213	(4 746)	18	Gain on shares and other financial instruments	(448)	540	347 101
99 245	24 450	57 906	Other financial income	139 546	72 946	203 406
(296 826)	(1 456)	(135 577)	Change in value of shares and other financial instruments	(0)	(1 456)	(2 352)
(12 318)	(4 062)	(9 640)	Interest paid to group companies	0	0	0
(110 717)	(66 950)	(29 689)	Other interest expenses	(107 043)	(148 957)	(276 295)
(8 406)	(1 700)	(2 815)	Other financial expenses	(95 425)	(65 983)	(183 261)
941 816	(50 180)	(116 771)	Net financial income / (expenses)	(53 135)	(136 220)	61 209
854 807	(90 332)	(170 716)	Operating result before taxes	(617 694)	(63 132)	621 318
18 085	28 220	12 747	Taxes	1 699	(8 351)	(64 001)
872 891	(62 112)	(157 968)	NET INCOME	(615 995)	(71 483)	557 317

KISTEFOS GROUP

<u>Parent company</u>			BALANCE SHEET	<u>Group</u>		
Full year 2015	Per Q2 2015	Per Q2 2016	<i>Amounts in NOK 000s</i>	Per Q2 2016	Per Q2 2015	Full year 2015
			ASSETS			
			FIXED ASSETS			
6 607	30 550	19 354	Deferred tax assets	51 400	96 747	25 447
0	0	0	Goodwill	18 162	103 870	(36 112)
0	0	0	Other intangible assets	324 733	583 890	343 322
6 607	30 550	19 354	Total intangible assets	394 295	784 507	332 658
0	0	0	Property and real estate	458 923	360 392	458 838
0	0	0	Ships, PSV and AHTS	3 126 107	3 614 538	3 494 338
0	0	0	Ship, Shipping	78 279	72 656	140 767
0	0	0	Ships, Bulk carriers	0	161 080	119 600
4 215	3 331	3 740	Operating equipment, FF&E, machines etc.	8 473	19 058	8 606
4 215	3 331	3 740	Total tangible fixed assets	3 671 782	4 227 724	4 222 149
2 309 155	2 585 653	2 173 578	Investments in subsidiaries	0	0	0
47 295	69 150	297 703	Loans to group companies	0	24 330	0
0	0	0	Investments in associated companies	3	101 335	65 569
0	0	0	Restricted bank deposits	61 291	137 999	176 209
8 631	9 282	6 144	Other long-term receivables	330 104	359 885	416 680
2 365 081	2 664 085	2 477 424	Total financial fixed assets	391 397	623 549	718 649
2 375 903	2 697 966	2 500 519	Total fixed assets	4 457 474	5 635 780	5 273 456
			CURRENT ASSETS			
0	0	0	Goods for sale	207 285	66 516	72 881
6 805	6 866	6 795	Accounts receivable	281 234	611 372	392 764
773 655	0	0	Loans to group companies	13 709	17 852	11 670
163 534	10 799	84 988	Other receivables	305 712	648 238	672 901
943 994	17 666	91 783	Total receivables	807 940	1 343 978	1 150 217
580 022	730 987	612 116	Shares and other financial instruments	1 044 397	1 018 893	992 981
287 353	558 769	242 434	Cash and cash equivalents	775 411	1 516 382	979 657
1 811 369	1 307 422	946 333	Total current assets	2 627 748	3 879 253	3 122 856
4 187 272	4 005 387	3 446 852	TOTAL ASSETS	7 085 223	9 515 032	8 396 312

KISTEFOS GROUP

<u>Parent company</u>			BALANCE SHEET	<u>Group</u>		
Full year 2015	Per Q2 2015	Per Q2 2016	<i>Amounts in NOK 000s</i>	Per Q2 2016	Per Q2 2015	Full year 2015
			EQUITY AND LIABILITIES			
			EQUITY			
			Restricted Equity			
310 828	310 828	310 828	Share capital	310 828	310 828	310 828
77 508	77 508	77 508	Other Restricted Equity	77 508	77 508	77 508
			Retained earnings			
2 083 438	1 423 614	1 925 470	Other Equity	1 402 410	1 205 566	1 814 143
			Minority interests	539 908	970 431	705 537
2 471 774	1 811 950	2 313 806	Total Equity	2 330 654	2 564 333	2 908 016
			LONG TERM LIABILITIES			
0	0	0	Deferred taxes	149 348	168 924	133 341
1 578	5 943	1 456	Pension liabilities	36 337	49 476	51 744
0	270 235	0	Liabilities to financial institutions	2 648 492	3 184 270	2 564 856
633 471	398 103	379 083	Liabilities to group companies	0	0	0
667 500	1 259 500	667 500	Unsecured bond-loans	1 141 078	1 757 290	1 136 605
0	44 907	0	Other long-term liabilities	71 563	254 376	199 200
1 302 548	1 978 687	1 048 039	Total other long-term liabilities	4 046 819	5 414 337	4 069 938
			SHORT TERM LIABILITIES			
0	0	0	Liabilities to financial institutions	0	0	148 883
956	460	786	Trade creditors	140 533	415 951	190 484
0	0	0	Taxes payable	14 930	42 039	16 549
3 397	2 470	3 926	Government taxes, holiday pay, tax deductions	14 675	39 951	28 138
33 458	0	0	Liabilities to group companies	0	7 942	0
278 000	0	63 473	Provision for dividend	63 473	0	278 000
97 138	211 820	16 822	Other short-term liabilities	474 141	955 006	905 189
412 950	214 750	85 007	Total short-term liabilities	707 751	1 536 362	1 418 359
1 715 498	2 193 437	1 133 046	Total liabilities	4 754 569	6 950 699	5 488 298
4 187 272	4 005 387	3 446 852	TOTAL EQUITY AND LIABILITIES	7 085 223	9 515 032	8 396 312