



**KISTEFOS AS**

**Half year report**

**June 30, 2017**

Org. nr. 951 408 743

## Kistefos Group – first half year 2017

The Kistefos Group reported a result before tax of NOK 342 million for the first six months, compared to a deficit of NOK -455 million for the first half of 2016\*.

Avanzia Bank continues to grow, and increased the result before tax by 22 % to NOK 255 million.

Viking Supply Ships improved their result before tax by NOK 72 million from NOK -168 million previous year to NOK -96 million this period. The results reflect a very weak offshore market.

Western Bulk Chartering delivered an improvement in the result before tax by NOK 134 million, from NOK -148 million in the first half of 2016 to NOK -14 million this year. The company has had a positive development quarter by quarter.

The sale of 20 % ownership share in Phonero has yielded an accounting gain of NOK 242 million for the Group in the first half of 2017.

The Kistefos Group's revenue increased by NOK 862 million from NOK 3,713 million in the first half of 2016\* to NOK 4,575 million in the same period this year.

The operating result was improved by NOK 449 million from NOK – 349 million in the first half of 2016 to NOK 100 million in 2017, and the result before taxes improved by NOK 797 million from NOK – 455 million in first half of 2016 to NOK 342 million this year.

The result for the first half of 2017 includes an accounting gain of NOK 242 million following the sale of the 20 % ownership share in Phonero.

The Group's result for 2016 was affected by the bankruptcy of Bulk Invest ASA which impacted the result with NOK -280 million, write-downs of the PSV-fleet, and weak markets for the dry bulk activities.

The Group's total assets increased by 17 % from year-end 2016, to NOK 19,961 million as per June 30, 2017. The increase is primarily due to Avanzia Banks's growth in customer deposits and loans. The parent company's equity ratio increased during the first half of

2017 from 52 % as per December 31, 2016 to 58 % as per June 30, 2017.

The Group had bank deposits of NOK 869 million per June 30, 2017. The parent company's liquidity situation is good, with NOK 343 million in bank deposits.

### Consolidated activities

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

Avanzia Bank reported a 20% growth in net income from EUR 65.5 million in the first half of 2016 to EUR 78.9 million in 2017.

The number of active credit card clients grew by 20% from 564,000 to 677,000 from June 30 2016 to June 30 2017, and the net loan balance grew by 31% in the same period from EUR 798 million to EUR 1,045 million.

In the first half of 2017, Avanzia finalized its first acquisition of a loan portfolio. The portfolio was acquired from My Money Bank in France and consisted of 17,000 active customers with an outstanding net loan balance of EUR 63 million. Through this acquisition, Avanzia has tripled its loan balance in

\*The Group's financials for the first half of 2016 have been restated to include Avanzia Bank. Avanzia Bank was consolidated into the Group with full year effect for the first time in the fourth quarter of 2016.

France. Adjusted for the acquisition, the underlying growth rate, from June 30 2016 to June 30 2017 was 17% in number of active clients and 23% in loan balance. In the first half of 2017, Advanzia has achieved an underlying growth in all its markets, but the development in France has not been satisfactory. The bank now considers alternative strategies for marketing and customer acquisition in this market. The development in Germany is still solid, and the entry into the Austrian market has yielded strong growth.

Annualized loan losses have been reduced from 4.7% in the first half of 2016 to 4.3% in 2017.

Result before taxes grew by 22% from EUR 22.8 million in the first half of 2016 to EUR 27.8 million in 2017.

In the first half of 2017, Advanzia established a secured loan facility of EUR 100 million, whereof EUR 50 million was drawn down in the second quarter. This is a first step in Advanzia Bank's strategy to diversify its sources of funding.

Shareholders' equity amounted to EUR 120 million at June 30, 2017, yielding a capital adequacy ratio of 14.1 (%). No dividend to shareholders was paid out in the first half of 2017. In July 2017, a dividend of EUR 10.7 million was paid out.

In the first quarter of 2017, Roland Ludwig was hired as deputy CEO with the aim of transitioning into the CEO role after Marc Hentgen. Roland Ludwig formally took over as the CEO on July 1<sup>st</sup>. Marc Hentgen will stay with the company throughout 2017.

#### **Western Bulk Chartering (75 % ownership)**

Western Bulk Chartering ("Western Bulk") has performed considerably better in the first half of 2017 compared to first half of 2016. Net TC has increased by USD 13.8 million from USD 2.3

million to USD 15.1 million for the first half of 2017.

EBITDA increased by USD 10.8 million from USD -10.1 million in the first half of 2016 to USD 0.7 million in the same period in 2017.

Result before tax was improved by USD 16.0 million from USD -17.7 million in the first six months of 2016 to USD -1.7 million in the first half of 2017. The 2016 result includes one-time effects from losses on receivables from counterparts and loan loss.

The second quarter of 2017 was significantly better than the first quarter, and Western Bulk had positive results for the second quarter stand-alone.

During the first half of 2017, the BSI-index was significantly higher than in the same period in 2016. The average rate increased by USD 3,650 from an average of USD 4,800 per day in the first half of 2016 to USD 8,450 per day this year. Also, the market rate volatility has increased during the first half of 2017.

To strengthen the company's financial position, the board of Western Bulk decided to conduct a private placement of NOK 154 million (approximately USD 18 million) directed towards the largest existing owners. The placement was guaranteed by the largest shareholders of the company; Kistefos and Ojada AS. Kistefos invested NOK 119 million.

#### **Viking Supply Ships AB (75.3% ownership)**

The revenues of Viking Supply Ships AB group were reduced by more than 60 % from first half of 2016 to USD 19.3 million this year. The reduction in revenue is due to reduced activity within most of the areas of activity of the company.

The result before taxes improved by USD 7.5 million from USD -18.9 million to USD -11.4 million, despite the reduced revenues. The improvement is due to write-downs of the PSV-

fleet of USD 17.1 million that impacted the result negatively in the first half of 2016, and the financial gain of USD 12.9 million from buy-back and conversion of the bond in VSS A/S January 2017.

The subsidiary Viking Supply Ships A/S, which contains the offshore activity of the Group, reported revenues for the first half year of USD 19.3 million (USD 54.3 million), whereof revenue related to the AHTS-fleet amounted to USD 10.1 million (USD 45.1 million), and other revenues amounted to USD 9.2 million (USD 9.2 million).

EBITDA for the first half year was USD -11.9 million, which is a reduction of 27.1 million compared to same period in 2016 (USD 15.2 million). EBITDA from the AHTS-fleet amounted to USD -11.3 million (USD 18.6 million) and the rest of the business amounted to USD -0.7 million (USD -3.4 million)

The result before tax improved by USD 6.3 million from USD 18.0 million in the first half of 2016 to USD 11.7 million this year.

The average day-rate for AHTS vessels in the first six month of the year was USD 30,000 (USD 57,000) and the utilization was 31 % (62 %).

The rates in the spot market continue to be impacted by low activity and overcapacity of vessels. At the end of the second quarter, in total 42 AHTS vessels and 110 PSV vessels were laid up in the North Sea.

From time to time, higher rates can be achieved for shorter periods due to higher activity and utilization. All five PSV-vessels and the AHTS-vessels Odin Viking and Vidar Viking have been laid up throughout the first half of 2017. VSS' other vessels have operated in the spot market during the first half of 2017, but VSS will continuously assess whether further vessels need to be laid up. The market is expected to remain very challenging and volatile also in the months to come.

During the first half of the year, VSS has re-flagged all AHTS vessels from Danish and Swedish flags to Norwegian flag. In this process, VSS has retained almost all of the personnel affected by the re-flagging. The re-flagging of the fleet is undertaken to improve the commercial position, especially towards the Norwegian market, by establishing a closer connection to the largest customers and core areas of operation.

### **1881 Group AS (100 % ownership)**

1881 Group AS' operating revenues for the first half of 2017 increased by NOK 53 million from NOK 138 million to NOK 191 million (Digitale Medier AS was not included in last year's numbers). The decline in volume of directory services is lower than in previous years and growth in revenues from new services has made up for some of the decline in the volume of the traditional core services. The company's market share has been stable through the first half of the year.

The company reported an increase in EBITDA of NOK 6 million from NOK 44 million in the first half of 2016 to NOK 50 million in the first half of this year.

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

The operation of the parent company has been as expected with an operating result of NOK -31 million for the first half of 2017 (NOK -54 million same period last year). Net financial result for the period is NOK 195 million (NOK -117 million). The net financial result of 2016 was influence by the recognized loss of Bulk Invest ASA of NOK -136 million. The net financial result for the first half of 2017 includes dividends of NOK 242 million from subsidiaries following the gain from the sale of the Phonero shares.

Result before taxes for the parent company is NOK 165 million (NOK -171 million).

## **Selected, non-consolidated investments**

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

The company continues to deliver positive EBITDA following previous years' extensive restructuring of the business. For the first half of 2017, Atex' operating revenues fell by USD 0.8 mill from USD 11.1 million in the first half of 2016 to USD 10.3 million. EBITDA increased by USD 0.5 million from USD 1.0 million in 2016 to USD 1.5 million in 2017.

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

### **Infront (31.3 % ownership)**

Compared to the first half of 2016, Infront delivers growth in both revenue and profitability. The collaboration with SIX Financials regarding their terminal users has so far been successful. In addition, the company has acquired SIX News in the second half of 2016 and Inquiry Financial (Swedish company which produces consensus estimates, data and IR services) in the beginning of 2017. The company is working with further acquisitions to further strengthen its market position.

### **Kappa Bioscience (55 % ownership)**

Kappa develops and delivers synthetic vitamin K2 and has experienced strong organic growth throughout the first half of the year. During the second half of 2016, the company acquired a German distributor, and Kappa now operates in all the most important parts of the value chain. The integration of the distribution company has been successful so far, and Kappa expects to see strong growth in revenues compared to 2016.

### **TradeIX Ltd (20 % ownership per June 30, currently 27 %)**

In the beginning of 2017, Kistefos made its first investment in TradeIX Ltd., a newly established FinTech company headquartered in London. TradeIX has developed a platform for automatizing central trade finance (factoring) processes, utilizing blockchain technology. The aim is to help companies minimize risks related to working capital in a more efficient way, as well as giving investors improved access to trade receivables as an asset class.

### **Lumarine AS (82 % ownership)**

Lumarine is a producer of lumpfish, used by salmon farmers to fight salmon lice. The company has production facilities at Tømmervåg outside of Kristiansund. Kistefos invested in Lumarine in August 2016, at a time when the plant was not in operation. At the beginning of 2017, the plant was fully operational. In the first half of 2017, the company delivered lumpfish produced from purchased fry. Delivery of lumpfish solely produced by the company started in early July. In the future, all deliveries of lumpfish will come from own production. Lumarine expects strong growth in the second half of 2017. Kistefos' strategy and ambition for Lumarine is to create a leading producer of lumpfish, with focus on quality, sustainability and customer requirements.

### **Ostomycure (66.6 % ownership)**

Ostomycure develops an implant for ileostomy patients. In June 2016, after 10 years, the company achieved a major breakthrough when the solution was approved and achieved a CE-classification in Europe. So far in 2017, focus has been on strengthening the commercial part of the company.

### **Promon (31.5 % ownership)**

Promon is a Norwegian technology company specializing in securing software applications within the cyber-security segment. Promon focuses on solutions that are incorporated into applications, and can recognize and prevent attacks without human intervention - so-called RASP (Runtime Application Self Protection) technology.

The majority of Promon's clients are in the banking and finance sector, but the company supplies a variety of industries, and several major international companies use Promon's solutions. The company has experienced strong order growth in the first half of this year and expects further revenue growth in the second half of 2017, but does not expect to create profits on the accounts for 2017.

### **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' report for 2016 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.

### **Outlook for the second half of the year**

The board of directors expect that Advanzia Bank continues its progress in the second half of the year.

With the current situation in the dry bulk market, we also expect that Western Bulk will continue its positive trend from previous months and deliver profits in the second half of the year.

In Viking Supply Ships, we expect that results will remain weak also in the second half of the year, driven by a still weak offshore market.

Kistefos is considering to divest some of its smaller investments in the second half of 2017.

Kistefos AS  
Oslo, 14 August 2017

## KISTEFOS GROUP

Parent company			PROFIT AND LOSS STATEMENT	Group			
1.1-31.12 2016	1.1.-30.6 2016	1.1-30.6 2017	<i>Amounts in NOK 000s</i>	Note	1.1-30.6 2017	1.1-30.6 2016	1.1-31.12 2016
			<b>OPERATING INCOME</b>				
0	0	0	Freight revenues ships		3 647 834	3 162 387	6 370 063
0	0	0	Sales revenue		191 844	143 147	275 152
0	0	0	Interest income, bank activities		707 678	600 569	1 451 691
0	(32)	0	Gain (loss) on disposal of fixed assets		111	(219 156)	9 911
12 834	1 544	549	Other operating income		28 030	25 773	73 579
<b>12 834</b>	<b>1 513</b>	<b>549</b>	<b>Total operating income</b>		<b>4 575 498</b>	<b>3 712 720</b>	<b>8 180 396</b>
			<b>OPERATING EXPENSES</b>				
0	0	0	Cost of goods sold		33 466	34 251	60 354
0	0	0	Operating expenses ships		3 568 603	3 064 252	6 165 194
0	0	0	Interest expenses, bank activities		367 118		0
72 498	35 599	11 368	Wages and salaries		263 036	224 941	455 989
603	356	338	Depreciation and write-downs of fixed and intangible assets		101 918	249 901	445 537
58 057	19 502	19 452	Other operating expenses		141 473	157 566	888 479
<b>131 158</b>	<b>55 457</b>	<b>31 159</b>	<b>Total operating expenses</b>		<b>4 475 613</b>	<b>4 062 201</b>	<b>8 541 665</b>
<b>(118 324)</b>	<b>(53 944)</b>	<b>(30 610)</b>	<b>OPERATING RESULT</b>		<b>99 884</b>	<b>(349 481)</b>	<b>(361 268)</b>
			<b>FINANCIAL INCOME AND EXPENSES</b>				
423 227	(268)	241 501	Income / (expense) from group companies and associated companies		13	0	(8 449)
7 574	3 721	9 408	Interest received from group companies		0	0	(0)
4 589	(427)	941	Other interest received		10 481	10 234	23 971
22 180	18	8 158	Gain / (losses) on shares and other financial instruments		250 004	(448)	(226 774)
13 728	57 906	(4 662)	Other financial income		105 944	87 109	171 875
(588 574)	(135 577)	0	Change in value of shares and other financial instruments		0	(0)	0
(24 085)	(9 640)	(14 634)	Interest paid to group companies		(0)	0	0
(64 370)	(29 689)	(40 976)	Other interest expenses		(105 435)	(107 043)	(210 405)
(15 880)	(2 815)	(4 310)	Other financial expenses		(18 579)	(95 425)	(186 007)
<b>(221 613)</b>	<b>(116 771)</b>	<b>195 426</b>	<b>Net financial income / (expenses)</b>		<b>242 428</b>	<b>(105 572)</b>	<b>(435 788)</b>
<b>(339 937)</b>	<b>(170 716)</b>	<b>164 817</b>	<b>Operating result before taxes</b>		<b>342 312</b>	<b>(455 053)</b>	<b>(797 056)</b>
(2 914)	12 747	15 731	Taxes		(61 065)	(61 142)	(60 007)
<b>(342 850)</b>	<b>(157 968)</b>	<b>180 548</b>	<b>NET INCOME</b>		<b>281 247</b>	<b>(516 195)</b>	<b>(857 063)</b>

## KISTEFOS GROUP

<u>Parent company</u>		<b>BALANCE SHEET</b>	<u>Group</u>		
Dec 31 2016	June 30 2017	<i>Amounts in NOK 000s</i>	June 30 2017	June 30 2016	Dec 31 2016
		<b>ASSETS</b>			
		<b>FIXED ASSETS</b>			
0	10 330	Deferred tax assets	44 523	51 400	12 430
0	0	Goodwill	(2 721)	18 162	(50 886)
0	0	Other intangible assets	526 571	372 818	339 375
<b>0</b>	<b>10 330</b>	<b>Total intangible assets</b>	<b>568 373</b>	<b>442 380</b>	<b>300 918</b>
0	0	Property and real estate	26 446	458 923	26 459
0	0	Ships, PSV and AHTS	2 985 184	3 126 107	3 155 953
0	0	Ship, Shipping	0	78 279	0
0	0	Ships, Bulk carriers	0	0	0
3 385	3 047	Operating equipment, FF&E, machines etc.	7 802	8 473	25 825
<b>3 385</b>	<b>3 047</b>	<b>Total tangible fixed assets</b>	<b>3 019 431</b>	<b>3 671 782</b>	<b>3 208 238</b>
2 330 434	2 330 456	Investments in subsidiaries	0	0	0
578 594	666 335	Loans to group companies	0	0	0
0	0	Investments in associated companies	0	3	0
0	0	Restricted bank deposits	52 587	61 291	58 610
0	0	Subordinated loan	0	0	0
6 201	6 236	Other long-term receivables	113 919	330 104	106 782
<b>2 915 230</b>	<b>3 003 028</b>	<b>Total financial fixed assets</b>	<b>166 506</b>	<b>391 397</b>	<b>165 392</b>
<b>2 918 615</b>	<b>3 016 405</b>	<b>Total fixed assets</b>	<b>3 754 310</b>	<b>4 505 559</b>	<b>3 674 549</b>
		<b>CURRENT ASSETS</b>			
0	0	Goods for sale and consumption	281 608	207 285	287 969
7 098	6 760	Accounts receivable	172 481	281 234	204 745
0	0	Loans and advances, bank activities	11 121 688		0
300 217	0	Loans to group companies	14 514	13 709	14 513
100 586	117 679	Other receivables	244 328	327 048	262 454
<b>407 900</b>	<b>124 438</b>	<b>Total receivables</b>	<b>11 834 619</b>	<b>829 276</b>	<b>9 745 830</b>
129 645	148 500	Shares and other financial instruments	488 109	591 922	608 691
0	0	Cash balances, bank activities	3 016 682	772 757	2 163 642
261 144	342 798	Cash and cash equivalents	868 699	775 411	862 875
<b>798 690</b>	<b>615 736</b>	<b>Total current assets</b>	<b>16 208 109</b>	<b>11 197 217</b>	<b>13 381 037</b>
<b>3 717 305</b>	<b>3 632 141</b>	<b>TOTAL ASSETS</b>	<b>19 962 418</b>	<b>15 702 767</b>	<b>17 055 586</b>



## KISTEFOS GROUP

Parent company		BALANCE SHEET	Group		
Dec 31 2015	June 30 2017	<i>Amounts in NOK 000s</i>	June 30 2017	June 30 2016	Dec 31 2016
<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>					
1 538 828	1 719 376	Other Equity	1 189 279	1 468 828	948 077
<b>Minority interests</b>					
			782 318	886 874	733 348
<b>1 927 164</b>	<b>2 107 712</b>	<b>Total Equity</b>	<b>2 359 933</b>	<b>2 744 037</b>	<b>2 069 761</b>
<b>LONG TERM LIABILITIES</b>					
5 400	0	Deferred taxes	149 602	149 348	116 329
1 615	1 615	Pension liabilities	35 993	36 337	36 150
0	0	Liabilities to financial institutions	2 432 568	2 648 492	2 244 338
691 911	511 316	Liabilities to group companies	(0)	0	0
800 000	1 000 000	Unsecured bond-loans	1 271 001	1 141 078	1 273 063
0	0	Subordinated loan, bank	85 194	85 409	85 000
0	0	Other long-term liabilities	9 090	71 563	13 155
<b>1 498 927</b>	<b>1 512 931</b>	<b>Total other long-term liabilities</b>	<b>3 983 448</b>	<b>4 132 229</b>	<b>3 768 034</b>
<b>SHORT TERM LIABILITIES</b>					
0	0	Credit balances, bank activities	12 725 024	140 533	10 014 045
0	276	Trade creditors	105 131	140 533	79 626
0	0	Taxes payable	14 024	14 930	159 138
2 292	2 060	Government taxes, holiday pay, tax deductions	19 262	14 675	13 055
38 861	0	Liabilities to group companies	0	0	0
200 000	0	Provision for dividend	0	63 473	200 000
48 574	9 162	Other short-term liabilities	755 597	688 078	751 924
<b>291 213</b>	<b>11 498</b>	<b>Total short-term liabilities</b>	<b>13 619 039</b>	<b>8 826 494</b>	<b>11 217 788</b>
<b>1 790 140</b>	<b>1 524 429</b>	<b>Total liabilities</b>	<b>17 602 487</b>	<b>12 958 722</b>	<b>14 985 823</b>
<b>3 717 305</b>	<b>3 632 141</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19 962 419</b>	<b>15 702 760</b>	<b>17 055 586</b>

Oslo, August 14, 2017