



KISTEFOS AS

Half year report 2018

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Kistefos Group – first half year 2018

The Kistefos Group's key business areas and subsidiaries overall show good growth, cash flow and value creation in the first half of 2018. Still, the Group reported after-tax profit of NOK -262 million in the first half of 2018, compared to NOK 281 million in the first half of 2017. The negative result is due to a loss in Viking Supply Ships (VSS) of NOK 334 million.

Avanzia Bank continues its profitable growth and increased its after-tax profit by 31 % to NOK 243 million.

Western Bulk Chartering improved after-tax profit by NOK 47 million from a loss of NOK -18 million in the first half of 2017 to NOK 29 million this year.

VSS reported after-tax profit of NOK -334 million compared to NOK -96 million in the first half of last year. This is due to a weak offshore market with low rates, as well as a booked loss of NOK 98 million following the sale of three platform supply vessels (PSVs) and write-down of NOK 65 million on two additional PSVs.

The result in the first half of 2018 is also affected by gifts of approximately NOK 100 million to fund the new museum building and art at Kistefos-Museet.

After the balance sheet date, VSS entered into an agreement to sell three ice-breaker vessels. The sale is expected to be completed in the middle of the third quarter of 2018, and will result in a realized gain for VSS of approximately NOK 2 400 million, which will be booked in the third quarter of 2018.

The Kistefos Group's revenue increased by NOK 699 million from NOK 4 575 million in the first half of 2017 to NOK 5 274 million in the same period this year. The Group's EBITDA amounted to NOK 228 million in the first half of 2018. This is an increase of 13 % from the first half of 2017.

The operating result (EBIT) was NOK -46 million, compared to NOK 100 million last year. Key factors affecting the 2018 numbers is a one-off effect of NOK 163 million following the sale of three PSVs and write-down of two additional PSVs in VSS, as well as gifts of approximately NOK 100 million to fund the new museum building at Kistefos-Museet.

The result for the first half of 2018 includes a net financial income of NOK -144 million (NOK 242 million last year). The change in the financial result is due to gain from the sale of Phonero and bond loan conversion in VSS in 2017.

The after-tax profit in the first half of 2018 was NOK -262 million compared to NOK 281 million in the first half of 2017.

The Group's total assets was reduced by 4 % from year-end 2017 to NOK 21 915 million per 30 June 2018. The reduction is mainly due to unusually high deposit levels in Avanzia Bank as of 31 December 2017, as well as write downs of supply vessels in VSS.

The Group had bank deposits of NOK 933 million as of 30 June, 2018. After receiving proceeds from the sale of the icebreakers and repayment of associated debt, the available liquidity of the Group is estimated to approximately NOK 3 500 million.

Consolidated activities

Avanzia Bank S.A. (60.3 % ownership)

Avanzia Banks reported a 27 % growth in total income from EUR 78.9 million in the first half of

2017 to EUR 100.2 million in the first half of 2018.

The number of active credit cards grew by 26 % from 677 000 to 853 000 from 30 June 2017 to 30 June 2018. The net loan balance grew by 21 % in the same period from EUR 1,045 million to EUR 1,265 million. In the first half of 2018, Advanzia has grown in all its markets, although the development in France is somewhat challenging. There is still solid development in Germany and the investment in Austria has continued its strong growth rate.

Annualized loan losses were 4.3 % in the first half of 2018, in line with the same period in 2017. Loan losses in the first half of 2018 were negatively affected by the transition to IFRS 9. The loan losses would have been lower if calculated according to the previous method (IAS 39).

The after-tax profit increased by 20.2 % from EUR 20.3 million in the first half of 2017 to EUR 24.4 million in the first half of 2018.

During the first half of 2018, the company has continued its work with further diversification of the funding side. Advanzia already has a secured loan of EUR 100 million, and established a further loan facility of EUR 50 million in the first half of 2018. Shareholders' equity amounted to EUR 141.6 million as of 30 June 2018, yielding a capital adequacy ratio (including earned results in 2018) of 15.6 %. No dividend to shareholders was paid out in the first half of 2018.

Western Bulk Chartering AS (75.0 % ownership)

Western Bulk Chartering ("Western Bulk") continues to improve from 2017 and increased Net TC by USD 6.2 million from USD 15.1 million in the first half of 2017 to USD 21.3 million in the first half of 2018.

EBITDA increased by USD 5.7 million from USD 0.7 million in the first half of 2017 to USD 6.3 million in the first half of 2018.

The after-tax profit increased by USD 5.6 million from USD -2 million in the first half of 2017 to USD 3.6 million in the first half of 2018.

The shipping rates continued to increase in the first half of 2018. The average rate of the Supramax BSI index was USD 11 100 per day compared to an average of USD 8 450 per day in 2017.

Viking Supply Ships AB (78.6 % ownership)

The revenues of Viking Supply Ships AB Group for the first half of 2018 amounted to SEK 176 million, compared to SEK 171 million in the same period in 2017. The after-tax profit decreased from SEK -101 million in the first half of last year to SEK -353 million in the first half of 2018. The change is mainly due to losses and write-downs of the PSV fleet, which affected the result for the first half of 2018 by SEK -172 million. Further, the group had a financial gain of SEK 110 million in the same period last year. The decrease was somewhat offset by a better operating result in the first half of this year compared to the same period last year.

The subsidiary Viking Supply Ships A/S, which contains the offshore activity of the Group, reported revenues for the first half year of USD 21.4 million compared to USD 19.3 million in the first half of last year. Revenues from the AHTS vessels was USD 11.8 million, compared to USD 10.1 million last year. Other revenues were USD 9.6 million compared to USD 9.2 million last year.

EBITDA improved by USD 4.1 million from USD -11.9 million in the first half of 2017 to USD -7.8 million this year. EBITDA from the AHTS vessels was USD -6.6 million (USD -11.3 million in 2017) and EBITDA from other operations was USD -1.1 million (USD -0.7 million in 2017). After-tax profit changed by USD -30.0 million from USD -11.7 million in the first half of 2017 to USD -41.7 million this year, mainly due to write-downs of USD 20 million related to the company's supply vessels in the first half of 2018. Also, the first half of 2017 contained a financial gain of USD 12 million following conversion of bond loan to equity.

VSS had three AHTS vessels in operation at the end of the first half of 2018. The average day-rate for the company's AHTS vessels in the first

six months was USD 36 000, and the utilization rate was 57 %. This excludes laid-up vessels (5 AHTS vessels and 5 PSVs). The spot market rates continue to be characterized by low activity and an overcapacity of vessels. At the end of the second quarter, a total of 40 AHTS vessels and 74 PSV vessels were laid up in the North Sea.

Due to the weak market, along with the overcapacity of vessels, VSS has decided to discontinue the PSV operations. In the second quarter, the company has entered into an agreement to sell the three medium-sized PSV vessels Freyja Viking, Nanna Viking and Sol Viking. The sale was completed in August. VSS also has a clear ambition to sell the remaining two PSVs.

In the second half of 2017, VSS A/S negotiated a restructuring solution with the banks, which, in January 2018, resulted in an agreement giving reduced amortization, interest payments and adjusted loan terms until the first quarter of 2020. As part of the restructuring, in January 2018 the parent company VSS AB raised equity of SEK 123 million through a share issue directed at existing shareholders. Kistefos invested SEK 98 million in the share issue. In addition to the share subscription, Kistefos received shares as compensation for guaranteeing the issue and for the restructuring work. Following this, Kistefos' ownership has increased from 75.3 % to 78.6 %.

1881 Group AS (100 % ownership)

The operating revenues of 1881 Group AS increased by NOK 10 million from NOK 191 million in the first half of 2017 to NOK 201 million in the first half of 2018. The revenue increase is mainly due to the fact that the subsidiary, Digitale Medier 1881 AS, was only consolidated with effect as of 1 February 2017. However, the decline in the volume of directory services is lower than in recent years. In addition, the company is still experiencing growth of new services, which partly outweigh the declining market for core services. The market share has been stable during the first

half of 2018. The company reported an increase in EBITDA of NOK 4 million from NOK 50 million in the first half of 2017 to NOK 54 million this year. This is primarily due to the abovementioned consolidation, but also increased profitability in the first half of 2018.

Kappa Bioscience AS (55.0 % ownership)

Kappa develops and delivers synthetic vitamin K2. The strong revenue growth has continued in the first half of 2018. The revenue in the first half of 2018 was NOK 78 million, while EBITDA was NOK 7 million. The company is constantly experiencing increased demand for K2 and has therefore strengthened distribution both in the EU and North America, while at the same time improving the manufacturing process in Norway. The target for the rest of 2018 is further growth in earnings and improvement of margins compared to 2017.

Lumarine AS (94.9 % ownership)

Lumarine is a producer of lumpfish, used by salmon farmers to fight salmon lice. The company has production facilities at Tømmervåg outside Kristiansund.

The company had sales of NOK 8.6 million in the first half of 2018 and an EBITDA of NOK -0.5 million. The background for the negative profitability is delay in the production due to low water temperature in the first half of 2018. However, the company expects strong growth and profitable operations in the second half of 2018.

The company is working on an expansion of the production plant, which is expected to significantly increase production capacity.

The parent company Kistefos AS

The operating result in the parent company was NOK -175 million in the first half of 2018 (NOK -31 million in the same period last year). The change in result is mainly due to funding the new museum building at Kistefos-Museet and scholarships at Harvard Kennedy School. The financial result for the period is NOK -69 million, whereof the majority is related to

interest expense on the parent company's debt. The financial result in the first half of 2017 of NOK 195 million was largely affected by the gain of NOK 242 million following the sale of shares in Phonero.

The after-tax profit of the parent company amounted to NOK -224 million, compared to NOK 181 million in 2017.

As of 30 June 2018, the parent company's liquidity situation is good, with NOK 394 million in bank deposits.

In the first half of 2018, the equity ratio of the parent company was reduced from 37 % as of 31 December 2017 to 31 % as of 30 June 2018.

Selected, non-consolidated businesses

Promon AS (31.5 % ownership)

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

Promon has continued its strong growth from 2017 and the company expects further revenue growth in the second half of 2018.

Promon launched its solutions in the Asian market in 2018. To support the venture, a sales office has also been established in Hong Kong. The investment is expected to contribute to the income growth in the second half of 2018.

Oslo Airport City AS (27.0 % ownership)

Oslo Airport City (OAC) is the largest player in Gardermoen Business Park, one of Norway's largest commercial property development areas, located between the E6 and Oslo Airport Gardermoen. The company currently owns a total area of approx. 1 050 000 square meters.

In 2018, the company has further developed the architectural plans for the most central areas. At the same time, marketing efforts have

increased, and the goal is to initiate new projects in the near future. The development and implementation of future construction projects will be done by the contractor Vedal.

Ostomycure AS (68.5 % ownership)

Ostomycure develops a titanium implant to improve the quality of life for ileostomy-patients. In 2018, the company has prepared a new clinical study in Europe, where the goal is to increase the patient base. The study is scheduled for the second half of the year, and the commercialization will continue after that.

TradeIX Ltd. (27.0 % ownership)

TradeIX has developed an open platform for automation of key processes in trade finance (factoring) using blockchain technology.

In the first half of 2018, the company launched a pilot project where 12 banks are currently testing a beta version of the platform.

In June 2018, the company closed a financing round (Series A) of MUSD 16. Kistefos chose to participate in the share issue alongside new shareholders such as ING Ventures, BNP Paribas, Tech Mahindra and SAP.

Bilagos AS (19.8 % ownership)

Bilagos develops the accounting robot SEMINE with artificial intelligence, which will automate accounting and invoice management for companies, accounting agencies and the public sector. The market is facing a large-scale digitalization and automation of the accounting industry, and Bilagos is a Norwegian company with ambitions to innovate the industry with new, advanced technology.

The company has in the first half of 2018 continued the development of SEMINE together with its pilot companies, and Bilagos aims for a commercial launch in the fourth quarter of 2018.

Risk

The parent company and the Group are exposed to different types of risk. The risk scenario has not changed significantly during

the current accounting term. The risk elements are addressed in Kistefos' report for 2017 and in the interim reports prepared by the Group's subsidiaries.

Other

The half-year 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 gives a true and fair view of the company and the Group's assets, liabilities, financial position and overall result.

Further, the half year report provides a description of the most material risk factors and uncertainties the Group is facing.

Outlook for the second half of the year

Several of the Group's most important subsidiaries experience strong absolute and relative growth in good market conditions.

The Board expects Advanzia Bank to continue its profitable growth in the future.

In Western Bulk, improvement in profitability is expected to continue in the second half of this year.

There is still expected to be a weak development in the markets where Viking Supply Ships operate.

VSS 'sales of the three icebreakers will give the group significant liquidity and open up new investment opportunities in the future.

Kistefos AS

Oslo, 22 August 2018

KISTEFOS GROUP

Parent company			PROFIT AND LOSS STATEMENT	Group		
1.1-31.12 2017	1.1-30.6 2017	1.1-30.6 2018	<i>Amounts in NOK 000s</i>	1.1-30.6 2018	1.1-30.6 2017	1.1-31.12 2017
			OPERATING INCOME			
0	0	0	Freight revenues ships	4 030 714	3 647 834	7 146 558
0	0	0	Sales revenue	287 411	191 844	393 865
0	0	0	Interest income, bank activities	961 680	707 678	1 796 166
	0		Gain (loss) on disposal of fixed assets / operations	0	111	112
7 128	549	42	Other operating income	(5 659)	28 030	40 532
7 128	549	42	Total operating income	5 274 146	4 575 498	9 377 234
			OPERATING EXPENSES			
0	0	0	Cost of goods sold	69 799	33 466	65 101
0	0	0	Operating expenses ships	3 850 464	3 568 603	6 887 775
0	1	0	Interest expenses, bank activities	514 335	367 118	635 968
32 633	11 368	20 020	Wages and salaries	300 308	263 036	563 792
679	338	341	Depreciation and write-downs of fixed and intangible assets	273 363	101 918	285 176
50 791	19 452	155 133	Other operating expenses	311 638	141 473	734 111
84 103	31 159	175 494	Total operating expenses	5 319 908	4 475 613	9 171 923
(76 975)	(30 610)	(175 451)	OPERATING RESULT	(45 762)	99 884	205 310
			FINANCIAL INCOME AND EXPENSES			
413 083	241 501	0	Income / (expense) from group companies and associated companies	1 884	13	213
17 437	9 408	4 555	Interest received from group companies	0	0	0
4 658	941	826	Other interest received	4 782	10 481	17 002
(21 551)	8 158	(11 373)	Gain / (losses) on shares and other financial instruments	(11 158)	250 004	328 836
12 788	(4 662)	2 345	Other financial income	18 118	105 944	136 762
(715 000)	0	0	Change in value of shares and other financial instruments	0	0	(11 170)
(27 227)	(14 634)	(10 954)	Interest paid to group companies	(0)	(0)	0
(103 446)	(40 976)	(47 987)	Other interest expenses	(120 509)	(105 435)	(234 445)
(14 465)	(4 310)	(6 215)	Other financial expenses	(36 719)	(18 579)	(49 328)
(433 724)	195 426	(68 802)	Net financial income / (expenses)	(143 602)	242 428	187 871
(510 700)	164 817	(244 253)	Operating result before taxes	(189 364)	342 312	393 181
12 062	15 731	20 734	Taxes	(73 042)	(61 065)	(52 075)
(498 637)	180 548	(223 520)	RESULT AFTER TAX	(262 406)	281 247	341 105

KISTEFOS GROUP

<u>Parent company</u>		BALANCE SHEET	<u>Group</u>		
31.12. 2017	30.6. 2018	<i>Amounts in NOK 000s</i>	30.6. 2018	30.6. 2017	31.12. 2017
ASSETS					
FIXED ASSETS					
0	19 750	Deferred tax assets	24 902	44 523	17 396
0	0	Goodwill	(12 067)	(2 721)	8 082
0	0	Other intangible assets	482 725	526 571	479 002
0	19 750	Total intangible assets	495 560	568 373	504 480
0	0	Property and real estate	34 474	26 446	34 381
0	0	Ships, PSV and AHTS	2 535 887	2 985 184	2 783 901
2 733	2 392	Operating equipment, FF&E, machines etc.	86 667	7 802	24 842
2 733	2 392	Total tangible fixed assets	2 657 028	3 019 431	2 843 123
2 203 014	2 203 014	Investments in subsidiaries	0	0	0
228 024	288 119	Loans to group companies	0	0	0
0	0	Restricted bank deposits	70 331	52 587	59 977
6 563	4 269	Other long-term receivables	20 547	113 919	12 136
2 437 601	2 495 402	Total financial fixed assets	90 879	166 506	72 113
2 440 334	2 517 544	Total fixed assets	3 243 467	3 754 310	3 419 716
CURRENT ASSETS					
0	0	Goods for sale and consumption	378 107	281 608	174 708
55	37	Accounts receivable	252 017	172 481	247 860
0	0	Loans and advances, bank activities	12 608 863	11 121 688	0
145 067	104 012	Loans to group companies	19 567	14 514	20 061
134 496	129 580	Other receivables	449 898	244 328	609 444
279 618	233 629	Total goods for sale and receivables	13 708 453	11 834 619	1 052 073
194 621	202 980	Shares and other financial instruments	528 813	488 109	646 066
0	0	Cash balances, bank activities	3 500 898	3 016 682	4 563 882
525 239	394 154	Cash and cash equivalents	933 359	868 699	1 056 611
999 478	830 762	Total current assets	18 671 522	16 208 109	7 318 631
3 439 812	3 348 306	TOTAL ASSETS	21 914 989	19 962 418	22 830 836

KISTEFOS GROUP

BALANCE SHEET

Group

31.12. 2017	30.6. 2018	<i>Amounts in NOK 000s</i>	30.6. 2018	30.6. 2017	31.12. 2017
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					
869 691	646 171	Other Equity	538 390	1 189 279	1 013 381
Minority interests					
			773 643	782 318	807 146
1 258 027	1 034 507	Total Equity	1 700 368	2 359 933	2 208 864
LONG TERM LIABILITIES					
984	0	Deferred taxes	67 620	149 602	91 078
0	0	Pension liabilities	51 433	35 993	49 330
0	0	Liabilities to financial institutions	2 445 090	2 432 568	2 395 717
575 022	753 731	Liabilities to group companies	16 975	(0)	(0)
1 280 000	1 510 000	Unsecured bond-loans	1 781 000	1 271 001	1 551 001
0	0	Subordinated loan, bank	85 223	85 194	85 001
0	19 088	Other long-term liabilities	25 032	9 090	20 268
1 856 006	2 282 820	Total other long-term liabilities	4 472 374	3 983 448	4 192 393
SHORT TERM LIABILITIES					
0	0	Credit balances, bank activities	14 536 996	12 725 024	15 294 827
3 111	3 881	Trade creditors	149 961	105 131	115 328
0	0	Taxes payable	12 973	14 024	210 129
2 483	2 453	Government taxes, holiday pay, tax deductions	17 108	19 262	21 032
296 507	0	Liabilities to group companies	0	0	170 500
23 677	24 646	Other short-term liabilities	1 025 209	755 597	617 763
325 778	30 979	Total short-term liabilities	15 742 247	13 619 039	16 429 579
2 181 785	2 313 799	Total liabilities	20 214 621	17 602 487	20 621 973
3 439 812	3 348 306	TOTAL EQUITY AND LIABILITIES	21 914 989	19 962 419	22 830 836

Oslo, August 22 2018

KISTEFOS GROUP

Parent Company		CASHFLOW STATEMENT	Group	
2017	30.6. 2018	Amounts in NOK 000s	30.6. 2018	2017
CASH FLOW FROM OPERATIONAL ACTIVITIES				
(510 700)	(244 253)	Pre-tax profit	(189 364)	393 181
0	0	Taxes (paid) / repaid during the year	(107 504)	(62 571)
679	341	Depreciations	273 363	285 176
0	0	(Gain) / loss from sale of fixed assets	0	(112)
(6 323)	11 373	Net (gain) / loss on sale of shares and other financial instruments	11 158	(328 836)
7 043	18	Change in accounts receivables	(520 531)	(3 159 456)
1 625	770	Change in accounts payables	(723 199)	5 316 485
(353 325)	0	Income from subsidiaries and associated companies	0	(213)
715 000	0	Change in value of shares and other financial instruments	(0)	11 170
6 093	53 993	Change in other receivables and other liabilities	(94 892)	(202 118)
(139 908)	(177 759)	A = Net cash flow from operating activities	(1 350 969)	2 252 706
CASH FLOW FROM INVESTMENT ACTIVITIES				
0	0	Reduction/(increase) in operating equipment, FF&E, buildings/real estate etc.	32 701	(14 968)
0	0	Reduction/(increase) ships	15 614	(615)
0	0	Reduction/(increase) other immaterial assets	26 744	(272 484)
(23 208)	0	Reduction/(increase) investments in subsidiaries/associated companies	0	0
(64 975)	(8 359)	Reduction/(increase) shares and other financial instruments	21 640	280 504
0	0	Change in restricted bank deposits	(10 355)	(1 367)
(34 272)	7 210	Change in other receivables	(8 412)	63 655
0	0	Cash in acquired/sold subsidiaries	0	0
(117 010)	(54 252)	Change in receivables to group companies	0	14 513
(239 466)	(55 401)	B = Net cash flow from investment activities	77 933	69 237
CASH FLOW FROM FINANCING ACTIVITIES				
0	0	Increase/(reduction) liabilities to financial institutions	7 684	158 492
480 000	230 000	Increase/(reduction) unsecured bond loan	230 000	277 938
(24 897)	0	Increase/(reduction) other long-term liabilities	(2 941)	(134 161)
(200 000)	(170 500)	Capital increase/(dividend)	(166 312)	(221 131)
388 365	42 573	Reduction / (Increase) in loan to group companies	0	0
643 468	102 073	C = Net cash flow from financing activities	68 430	81 137
Other Changes				
0	0	Cash in new subsidiaries in the Group	18 370	477
0	0	Other changes, accounting principles, and currency fluctuations	0	190 420
0	0	D = Net other changes	18 370	190 897
264 094	(131 087)	A+B+C+D = Net change in bank deposits and cash	(1 186 236)	2 593 977
261 145	525 239	Bank deposits and cash as per 1 January	5 620 494	3 026 517
525 239	394 154	Bank deposits and cash as per 31 December	4 434 257	5 620 494

Balance of bank deposits and cash consists of:

Deposits bank activities

3 500 898

Other bank deposits and cash

933 359