

# Q3

Q3 2014 REPORT



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# HIGHLIGHTS

## KEY FIGURES

NOK 1000	Jul-Sep 2014 (unaudited)	Jul-Sep 2013 (unaudited)	Jan-Sep 2014 (unaudited)	Jan-Sep 2013 (unaudited)
Operating revenue	3 806	-387	3 489	3 402
Operating profit (-loss) before depreciation (EBITDA)	-334	-1 590	-926	1 707
Operating profit/(-loss) (EBIT)	-966	-1 590	-1 557	1 707
<b>Net profit/(-loss)</b>	<b>-1 308</b>	<b>-1 590</b>	<b>-1 511</b>	<b>1 712</b>
<b>Total comprehensive income</b>	<b>-15 295</b>	<b>6 776</b>	<b>-40 990</b>	<b>20 611</b>
<b>Basic and diluted earnings per share NOK</b>	<b>-0,01</b>	<b>-0,02</b>	<b>-0,01</b>	<b>0,02</b>

## DEMERGER

The demerger as described in the second quarter report was completed the 21 October. Assets transferred to the Group through the demerger of Ferncliff TIH 1 AS were shares and ownership in SDS Standard Drilling Plc, Prospector Offshore Drilling S.A, as well as Vallhall Fotballhall KS, Vallhall Fotballhall AS and Vallhall Fotballhall Drift AS ("Vallhall"). All of which the Group held shares and ownership in before the demerger. The demerger has accounting effect as of 1 July, hence the demerger is included in the third quarter financials. Share issuance of 89,056,319 shares as settlement of the demerger, is included in outstanding shares as of 1 July and 30 September for accounting purposes and calculation of earnings per share.

## RESULTS

Saga Tankers group reports a net total comprehensive income for the third quarter 2014 of NOK -15.3 million.

EBITDA for the third quarter was NOK 2.8 million.

Earnings per share (EPS) for the third quarter were NOK -0.01.

The Group has during the quarter sold all but one of its shares in Prospector Offshore Drilling S.A, including shares from the demerger, in total 9,578,120 shares. The sale resulted in a profit of

NOK 8.0 million, whereas NOK 13.9 million are reclassification of profit formerly accounted as other comprehensive income.

The average number of shares in the quarter was 175,833,728. As per the end of the period, the outstanding number of shares was 175,833,728. Shares issued as settlement of the demerger are included in the basis for the calculation of average number of shares on 1 July, corresponding to the date of recognition of the assets. Pertaining to company law however, the shares were formally issued at completion of merger 21 October. Hence issued shares are not included in the disclosure of shareholders as of 30 September 2014.

The Group's condensed unaudited financial statements for the third quarter of 2014 are enclosed.

## Current Investments

The Group currently holds investments in S.D Standard Drilling PLC classified as financial assets held for sale. This includes 46,162,068 shares from the demerger. An impairment of NOK 7.9 million was made on this investment in third quarter. The Group's investment in Vallhall is reclassified from associates to subsidiaries with minority interest in third quarter. This as the shares received by the Group through the demerger results in the Group

having a controlling interest. As of 1 July the Vallhall investment is fully consolidated in the Group. The Vallhall investment contributed with a net profit of NOK 0.7 million, including NOK 0.3 million to non-controlling interest. In addition, the demerger resulted in a one-time write-down of the carrying value of the investment held in Vallhall prior to the demerger. The write-down of NOK -3.2 million is disclosed as other losses.

The Group has a cash holding of NOK 186.4 million.

## Future

The Group will continuously evaluate investment opportunities that may arise based on the present framework surrounding the industries in which it operates.

Whether the Group will invest in asset or equity depends on investment opportunities that may arise as well as the equity and funding market at the time being. The Company does not rule out investing in debt related instruments in industries in which the Company operates.

## STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this report may constitute forward looking statements. The forward looking statements in this report are based on various

assumptions, many of which are based upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult to predict and beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

Oslo, 27 November 2014

The Board of Directors

# CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

<i>NOK 1000</i>	<b>Jul-Sep 2014</b>	<b>Jul-Sep 2013*</b>	<b>Jan-Sep 2014</b>	<b>Jan-Sep 2013*</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net gain / (loss) from available for sale assets	123	-387	-193	3 402
Other income	3 682	-	3 682	-
<b>Operating revenues</b>	<b>3 806</b>	<b>-387</b>	<b>3 489</b>	<b>3 402</b>
General administrative and operating expenses	4 586	1 155	6 446	3 242
Depreciation/Amortization (Note 2)	631	-	631	-
Other losses/(gains)	3 162	-	3 162	-53
<b>Operating expenses</b>	<b>8 379</b>	<b>1 155</b>	<b>10 239</b>	<b>3 189</b>
<b>Operating profit/(-loss)</b>	<b>-4 573</b>	<b>-1 542</b>	<b>-6 749</b>	<b>213</b>
Interest income	259	-	647	7
Interest expense	-601	-	-601	-2
Other financial items	3 607	-47	4 439	1 495
<b>Net financial items</b>	<b>3 265</b>	<b>-47</b>	<b>4 485</b>	<b>1 499</b>
<b>Share of profit from associates</b>	<b>-</b>	<b>-</b>	<b>753</b>	<b>-</b>
<b>Profit/(-loss) before tax</b>	<b>-1 308</b>	<b>-1 590</b>	<b>-1 511</b>	<b>1 712</b>
Taxes	-	-	-	-
<b>Net profit/(-loss)</b>	<b>-1 308</b>	<b>-1 590</b>	<b>-1 511</b>	<b>1 712</b>
Change in available-for-sale assets	-13 987	8 366	-39 479	18 899
<b>Other comprehensive income</b>	<b>-13 987</b>	<b>8 366</b>	<b>-39 479</b>	<b>18 899</b>
<b>Total comprehensive income</b>	<b>-15 295</b>	<b>6 776</b>	<b>-40 990</b>	<b>20 611</b>
Attributable to:				
Non-controlling interests	326	-	326	-
Shareholders' interests	-15 620	6 776	-41 316	20 611
<b>Basic and diluted earnings per share NOK**</b>	<b>-0.01</b>	<b>-0.02</b>	<b>-0.01</b>	<b>0.02</b>
Average number of shares in the period**	175 833 728	86 777 409	116 462 849	86 777 409
Number of shares outstanding at period end**	175 833 728	86 777 409	175 833 728	86 777 409

\*Impairment on available for sale assets of TNOK 387 in Q3 and TNOK 17 523 accumulated was presented as a separate item in the interim reporting in 2013. This is now included in the net gain (-loss) from available for sale assets.

\*\* Number of shares and earnings per shares are including shares issued 21 October 2014 as settlement for the demerger as per 1 July 2014 in order to correspond with the recognition of assets transferred from Ferncliff TIH 1 AS.

# CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

<i>NOK 1000</i>	<b>30.09.2014</b>	<b>31.12.2013</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Deferred tax assets	46	-
Fixed assets (note 2)	94 962	-
Available-for-sale financial assets (note 5)	62 100	99 731
Associates	-	15 074
<b>Total non-current assets</b>	<b>157 108</b>	<b>114 805</b>
<b>Current assets</b>		
Trade receivables	1 083	-
Other current assets	102 266	65
Cash and cash equivalents	186 410	102 864
<b>Total Current assets</b>	<b>289 759</b>	<b>102 930</b>
<b>TOTAL ASSETS</b>	<b>446 867</b>	<b>217 735</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	86 777	86 777
Not registered share capital	89 056	-
Other Equity	883 696	883 696
<b>Total paid-in-capital</b>	<b>1 059 529</b>	<b>970 473</b>
Accumulated losses	-791 954	-790 117
Not registered capital increase	95 203	-
Other components of equity	-2 648	36 831
Non-controlling interests	23 947	-
<b>Total equity</b>	<b>384 079</b>	<b>217 187</b>
<b>Non- current liabilities</b>		
Long term interest bearing debt	59 000	-
<b>Total non-current liabilities</b>	<b>59 000</b>	<b>-</b>
<b>Current liabilities</b>		
Tax payable	33	-
Other current liabilities and accruals	3 756	548
<b>Total current liabilities</b>	<b>3 789</b>	<b>548</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>446 867</b>	<b>217 735</b>

# CONSOLIDATED CONDENSED CASH FLOW STATEMENT

<i>NOK 1000</i>	<b>Jan-sep 2014</b>	<b>Jan-sep 2013</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit before tax	-1 511	1 712
Profit share from associates	-753	-
Interest income	-	-7
Interest expenses	-	2
Depreciation	631	-
Impairment charge	8 230	17 523
Loss/(gain) on Available-for-sale financial assets	-8 037	-
Other losses/(gains)	3 162	-53
Foreign exchange losses/(gains)	-4 439	-
Increase/decrease receivables and prepayments	-243	33
Increase/decrease payables and accruals	1 064	-19 007
<b>Net cash flow from operating activities</b>	<b>-1 896</b>	<b>203</b>
Investment in Available-for-sale financial assets	-	- 31 898
Divestment in Available-for-sale financial assets	66 609	-
Net payment from/(to) associates	3 447	-
Cash holdings in new subsidiaries	12 044	-
Proceeds from sale of other fixed assets	-	331
<b>Net cash flow from investing activities</b>	<b>82 100</b>	<b>-31 567</b>
Repayments of long term borrowing	-652	-
Transaction costs demerger	-446	-
<b>Net cash flow from financing activities</b>	<b>-1 098</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>	<b>79 106</b>	<b>-31 364</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>102 864</b>	<b>146 852</b>
<b>Cash and cash equivalents at end of period</b>	<b>186 410</b>	<b>115 488</b>
<b>Net foreign exchange difference (unrealized)</b>	<b>4 439</b>	<b>-</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Jan-Sep 2014 (Unaudited)									
<i>NOK 1000</i>	Share capital	Not registered share capital	Other equity	Acc. losses	Not registered capital increase	Available for sale financial assets reserve	Exchange difference currency translations	Non-controlling interest	<b>Total</b>
<b>Equity as at 1 January 2014</b>	<b>86 777</b>	-	<b>883 696</b>	<b>-790 117</b>	-	<b>39 479</b>	<b>-2 648</b>	-	<b>217 187</b>
Net profit/(-loss)	-	-	-	-1 837	-	-	-	326	-1 511
Other comprehensive income	-	-	-	-	-	-39 479	-	-	-39 479
<b>Total comprehensive income</b>	-	-	-	<b>-1 837</b>	-	<b>-39 479</b>	-	<b>326</b>	<b>-40 990</b>
Demerger 1 July	-	89 056	-	-	95 650	-	-	-	176 358
Non-controlling interest acquired	-	-	-	-	-	-	-	23 621	23 621
Transaction costs	-	-	-	-	-446	-	-	-	-1 804
<b>Equity per ending balance 30 June 2014</b>	<b>86 777</b>	<b>89 056</b>	<b>883 696</b>	<b>-791 954</b>	<b>95 203</b>	-	<b>-2 648</b>	<b>23 947</b>	<b>384 079</b>

2013 (Audited)						
<i>NOK 1000</i>	Share capital	Other equity	Accumulated losses	Available for sale financial assets reserve	Exchange difference currency translations	<b>Total</b>
<b>Equity as at 1 January 2013</b>	<b>86 777</b>	<b>883 696</b>	<b>-794 446</b>	<b>3 033</b>	<b>-2 648</b>	<b>176 411</b>
Net profit/(-loss)	-	-	4 329	-	-	4 329
Other comprehensive income	-	-	-	36 446	-	36 446
<b>Total comprehensive income</b>	-	-	<b>4 329</b>	<b>36 446</b>	-	<b>40 775</b>
<b>Equity per ending balance 31 December 2013</b>	<b>86 777</b>	<b>883 696</b>	<b>-790 117</b>	<b>39 479</b>	<b>-2 648</b>	<b>217 187</b>



# NOTES

## NOTE 1 – BASIS FOR PREPARATION

The Company's condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as approved by the EU and requirements in the Norwegian Securities Trading Act. This condensed interim financial statement for the third quarter is adopted by the Board of Directors on 27 November 2014.

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those presented in the Annual Report of 2013. Available for sale financial assets are measured at fair value. Changes in fair value are booked as other comprehensive income provided that no impairment is present.

### Foreign currency

The financial statements are presented in NOK. NOK is also the functional currency for all the companies in the Group as of 1 January 2013.

## NOTE 2 – FIXED ASSETS

<i>NOK 1000</i>	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Other assets and activated costs</b>	<b>Total</b>
Acquisition cost, 1 January 2014	-	-	-	-
Assets received through demerger	91 529	3 828	237	95 593
<b>Acquisition cost, ending balance 30 September 2014</b>	<b>91 529</b>	<b>3 828</b>	<b>237</b>	<b>95 593</b>
Accumulated depreciation, 1 January 2014	-	-	-	-
Depreciation	-462	-170	-	-631
<b>Accumulated depreciation, ending balance 30 September 2014</b>	<b>-462</b>	<b>-170</b>	<b>-</b>	<b>-631</b>
<b>Net carrying amount, ending balance 30 September 2014</b>	<b>91 067</b>	<b>3 658</b>	<b>237</b>	<b>94 962</b>

## NOTE 3 – OPERATING SEGMENTS

The Group is investing in financial instruments traded in active markets. These are further described in note 5.

For management purposes, the Company's business is not organized into separate operating segments and hence only has one reportable operating segment which is in line with the consolidated figures presented in this report. Group financing is also monitored on a Group basis.

## NOTE 4 – SAGA AGNES CLAIM SUMMARY

As informed in the annual report for 2013, the Charterers of Saga Agnes AS has presented the Group with a claim of about USD 2 million related to the time charterparty for the vessel "Saga Agnes". The matter will be resolved through arbitration. The Group has made no provisions for this claim as it is considered to be unsubstantiated.

## NOTE 5 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 Oct 2014	31 Dec 2013
At 1 January	99 731	34 648
Additions	-	66 468
Assets received through demerger	65 089	-
Impairment	-8 230	-17 523
Change in available-for-sale financial assets	-	36 446
Disposals	-94 489	-20 308
<b>Total</b>	<b>62 100</b>	<b>99 731</b>

Available-for-sale financial assets include the following:

	Fair value hierarchy	2014	2013
Listed shares	Level 1	62 100	99 731
<b>Total</b>		<b>73 922</b>	<b>99 731</b>

The entire change in available-for-sale financial assets during the quarter relates to financial instruments within the level 1 category of the fair value hierarchy. The fair value hierarchy is described below.

### Fair value hierarchy

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data, for example discounted cash flow technique.

The financial assets are denominated in NOK and are measured at fair value. Listed shares are valued at values quoted in active markets as of 30.09.2014. Impairment of financial assets has been recognized through the income statement.

## NOTE 6 – 20 LARGEST INVESTORS

NAME	03.10.2014
1 SPETALEN *	96,55 %
2 KOLBERG MOTORS AS	0,31 %
3 NORDSTJERNEN AS	0,27 %
4 KOLBERG	0,27 %
5 SKIBSAKTIESELSKAPET ABACO	0,23 %
6 KRISTIAN HODNE AS	0,19 %
7 RAMS AS	0,18 %
8 JEBSEN	0,13 %
9 NISTUÅ II AS	0,12 %
10 GADD HOLDING	0,12 %
11 MYKLAND INVEST AS	0,12 %
12 NGUYEN	0,12 %
13 PAK INVEST AS	0,09 %
14 DNB NOR MARKETS, AKSJEHAND/ANALYSE	0,09 %
15 VOLDMO	0,08 %
16 INITIUM INVEST AS	0,07 %
17 BUSINESSPARTNER AS	0,05 %
18 PEDRO EIENDOM	0,05 %
19 NORDNET PENSJONSFORSIKRING	0,05 %
20 JAGUAR FUND INVEST 2015 AS	0,05 %
<b>TOTAL</b>	<b>99,14 %</b>

\* Not including 89 056 319 shares issued as settlement of demerger.

## NOTE 7 – DEMERGER

On 21 October 2014 the Group completed a demerger, transferring certain assets owned by Ferncliff TIH 1 AS. The demerger has effect for accounting purposes from 1 July 2014.

The demerger consists only of shares and ownership in companies already in the investment portfolio of Saga Tankers Group.

Assets received through the demerger:

Company	Sagas share and ownership interest pre transaction	Shares and ownership interest comprised by the demerger	Saga share and ownership post Transaction
Vallhall Fotballhall KS	17.23 % ownership interest	32.072 % ownership interest	49.305 % ownership interest
Vallhall Fotballhall AS	526 579 shares (19.15 % of total outstanding shares)	980 006 shares (35.64 % of total outstanding shares)	1 506 585 shares (54.79 % of total outstanding shares)
Vallhall Fotballhall Drift AS	600 shares (20.00 % of total outstanding shares)	1 055 shares (35.17 % of total outstanding shares)	1 655 shares (55.17 % of total outstanding shares)
Prospector Offshore Drilling S.A	3 810 048 shares (4.03 % of total outstanding shares)	5 768 072 shares (6.10 % of total outstanding shares)	9 578 120 shares (10.13 % of total outstanding shares)
SD Standard Drilling Plc	3 517 996 shares (1.34 % of total outstanding shares)	46 162 086 shares (17.62 % of total outstanding shares)	49 680 082 shares (18.96 % of total outstanding shares)

Ferncliff TIH 1 AS, the demerged company, is owned 100 % by Mr. Øystein Stray Spetalen. The demerger was settled by issuance of 89 056 319 new shares to Mr. Øystein Stray Spetalen based on the fair value distribution between the assets in the demerger and Saga Tankers Group pre the demerger.

The transaction is considered to combine entities under common control and the assets transferred constitutes a business. Therefore, the transaction is outside the scope of IFRS 3. The Group has chosen to follow the principle of continuity.

## NOTE 7 – DEMERGER - CONTINUED

### Opening balance for demerger

NOK 1000	As reported 30.06.2014 pre demerger	Assets merged into Saga Tankers ASA Company	Adjustments from NGAAP to IFRS, Company to Group	Complete accounts for Vallhall companies	Eliminations regarding Vallhall companies	Opening balance 01.07.2014 post demerger
Note	1	2	3	4	5	6
<b>ASSETS</b>						
<b>Non-current assets</b>						
Deferred tax assets	-	-	-	46	-	46
Available-for-sale financial assets	73 922	169 026	465	-	-	243 413
Associates	12 381	7 333	7 883	4 217	-31 813	-
Surplus value	-	-	-	-	3 162	3 162
Fixed assets	-	-	-	95 593	-	95 593
<b>Total non-current assets</b>	<b>86 303</b>	<b>176 358</b>	<b>8 348</b>	<b>99 857</b>	<b>-28 652</b>	<b>342 214</b>
<b>Current assets</b>						
Trade receivables	-	-	-	1 027	-	1 027
Other current assets	41	-	-	1 176	-	1 217
Cash and cash equivalents	105 625	-	-	12 044	-	117 669
<b>Total Current assets</b>	<b>105 666</b>	<b>-</b>	<b>-</b>	<b>14 247</b>	<b>-</b>	<b>119 914</b>
<b>TOTAL ASSETS</b>	<b>191 969</b>	<b>176 358</b>	<b>8 348</b>	<b>114 104</b>	<b>-28 652</b>	<b>462 127</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Share capital	86 777	89 056	-	-	-	175 834
Other Equity	883 696	-	-	-	-	883 696
<b>Total paid-in-capital</b>	<b>970 473</b>	<b>89 056</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 059 530</b>
Accumulated losses	-790 321	87 302	7 883	52 273	-52 273	-695 136
Other components of equity	11 339	-	465	-	-	11 804
<b>Minority interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23 621</b>	<b>23 621</b>
<b>Total equity</b>	<b>191 492</b>	<b>176 358</b>	<b>8 348</b>	<b>52 273</b>	<b>-28 652</b>	<b>399 818</b>
<b>Non-current liabilities</b>						
Long term interest bearing debt	-	-	-	59 652	-	59 652
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59 652</b>	<b>-</b>	<b>59 652</b>
<b>Current liabilities</b>						
Tax Payable	-	-	-	33	-	33
Other current liabilities and accruals	477	-	-	2 146	-	2 623
<b>Total current liabilities</b>	<b>477</b>	<b>-</b>	<b>-</b>	<b>2 179</b>	<b>-</b>	<b>2 179</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>191 969</b>	<b>176 358</b>	<b>8 348</b>	<b>114 104</b>	<b>-28 652</b>	<b>462 127</b>

#### Notes:

- Balance sheet as reported by 30.06.2014
- Book value of assets merged into parent company Saga Tankers ASA in accordance with NGAAP as applied by the company
- Adjustment of shares in Prospector Offshore Drilling S.A. from NGAAP (cost price) to IFRS (fair value). Adjustment of Vallhall from cost price shares, to associated value according to Group value from demerged group.
- Complete balance and profit and loss accounts for Vallhall companies, now considered subsidiaries.
- Elimination of investment in subsidiaries, introducing non-controlling interest and reclassification of surplus value from associate to identifiable asset
- Sum of reported balance and appropriate adjustments creating post demerger balance as per 01.07.2014.



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