

Q3

Q3 2017 REPORT



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HIGHLIGHTS

KEY FIGURES

NOK 1000	Jul-Sep 2017 (unaudited)	Jul-Sep 2016 (unaudited)	Jan-Sep 2017 (unaudited)	Jan-Sep 2016 (unaudited)
Operating revenues	3 993	3 768	55 975	131 147
Operating profit (-loss) before depreciation (EBITDA) (1)	266	-4 178	42 624	112 765
Operating profit/(-loss) (EBIT) (2)	-393	-4 908	40 648	110 574
Net profit/(-loss)	-151	-4 916	41 258	111 180
Total comprehensive income	-6 997	21 281	11 616	-107 248
Value adjusted equity per share (NOK) (3)	1,51	2,89	1,51	2,89
Basic and diluted earnings per share NOK	-0,00	-0,02	0,15	0,39

(1) EBITDA can be calculated from the statement of income by deducting interest income, interest expenses and depreciation from the profit/(loss) before taxes.

(2) EBIT can be calculated from the statement of income by deducting interest income and interest expenses from the profit/(loss) before taxes.

(3) Value adjusted equity has been calculated through application of market value for assets and liabilities traded in quoted markets, and book value for other assets and liabilities. As traded assets and liabilities are carried at fair value in the balance sheet, the VAE per share equals total equity excluding non-controlling interests per outstanding share.

RESULTS

Saga Tankers Group ("The Group") reports a net total comprehensive income for the third quarter 2017 of NOK - 7.0 million (NOK 11.6 million for first nine months of 2017). The negative result is due to decline in market value for the investments (excluding Vallhall).

Operating revenues of NOK 4 million and general administrative expenses from Vallhall are consolidated in the income statement. Revenues from Vallhall are according to budget and in line with last year's earnings. The interest bearing debt in the balance sheet relates to mortgage on the Vallhall-Arena.

EBITDA for the third quarter was NOK 0.3 million (NOK 42.6 million for first nine months of 2017).

Earnings per share (EPS) for the third quarter were NOK 0.00 (NOK 0.15 for the first nine months of 2017).

The average number of outstanding shares in the quarter was 266,149,831. As per the end of the period, the outstanding number of shares was

266,149,831. The Group held as per second quarter an additional 20,582,780 shares in treasury. These shares were cancelled 18 August 2017; hence, shares issued at the end of third quarter have been adjusted accordingly.

The Group's condensed unaudited financial statements for the third quarter of 2017 are enclosed.

Current Investments

The Group currently holds investments classified as financial assets available for sale with a fair value of NOK 323.2 million. The fair value of the investments by the end of third quarter is as follows:

Pareto Bank ASA	NOK 182 million
SD Standard Dr. Plc	NOK 90 million
Vistin Pharma ASA	NOK 42 million
Other investments	NOK 9 million

Net negative changes in market value of NOK 6.8 million for these investments were booked as other comprehensive income in third quarter 2017.

The Group has a cash holding of NOK 62.9 million at the end of third quarter, after distributions to shareholders of NOK 391 million.

Subsequent events

The Group has been allocated in total 38.2 million shares in SD Standard Drilling Plc in an equity offering of NOK 200 million directed towards existing shareholders. SD Standard Drilling Plc has used the proceeds for the acquisition of two large-size platform supply vessels.

The Group's total allocation amounts to NOK 50 million.

As a result, the Groups ownership in SD Standard Drilling Plc increases to 20.22 %.

Outlook

The Group has a solid balance sheet, with an equity ratio of 89 %.

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, 28 November 2017

The Board of Directors

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

<i>NOK 1000</i>	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Other Income	3 993	3 640	14 114	14 491
Net gain/(-loss) from available for sale assets	-	128	41 861	116 656
Other gains/(-losses)	-	-	-	-
Operating revenues	3 993	3 768	55 975	131 147
General administrative expenses	3 717	6 016	13 820	15 424
Depreciation (note 5)	659	730	1 976	2 191
Net loss/(-gain) from available for sale assets	-	-	-	-
Operating expenses	4 375	6 746	15 797	17 615
Operating profit/(-loss)	-382	-2 978	40 179	113 532
Interest income	617	424	1 783	1 923
Interest expense	-376	-432	-1 172	-1 318
Other financial items	-11	0	469	-136
Net financial items	231	-8	1 080	470
Share of profit from associates (note 3)	-	-1 930	-	-2 822
Taxes	-	-	-	-
Net profit/(-loss)	-151	-4 916	41 258	111 180
Change in available-for-sale assets	-6 846	27 058	-29 158	-215 707
Exchange difference currency translations	-	-861	-484	-2 721
Other comprehensive income	-6 846	26 197	-29 643	-218 428
Total comprehensive income	-6 997	21 281	11 616	-107 248
Attributable to:				
Non-controlling interests	599	389	1 920	1 870
Shareholders' interests	-7 596	20 892	9 696	-109 118
Basic and diluted earnings per share NOK	0,00	-0,02	0,15	0,39
Average number of shares in the period	266 149 831	279 732 611	266 149 831	281 288 167
Number of shares outstanding at period end	266 149 831	279 732 611	266 149 831	279 732 611

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

<i>NOK 1000</i>	30.09.2017	31.12.2016
	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS		
Non-current assets		
Available-for-sale financial assets (note 4)	323 181	298 480
Fixed assets (note 5)	93 266	89 513
Associates (note 3)	-	36 223
Total non-current assets	416 447	424 216
Current assets		
Other current assets	2 436	625
Cash and equivalents	62 857	439 060
Total current assets	65 294	439 685
TOTAL ASSETS	481 740	863 901
EQUITY AND LIABILITIES		
Equity		
Share capital	2 661	286 733
Own shares	-	-20 583
Other equity	859 577	987 329
Total paid-in-capital	862 239	1 253 479
Accumulated losses	-518 810	-558 148
Other components of equity	59 110	88 753
Non-controlling interests	25 605	23 685
Total equity	428 144	807 768
LIABILITIES		
Non-current liabilities		
Long-term interest bearing debt	43 000	46 000
Deferred tax	173	173
Total non-current liabilities	43 173	46 173
Current liabilities		
Short-term interest bearing debt	4 000	4 000
Tax payable	-	14
Other current liabilities and accruals	6 423	5 945
Total current liabilities	10 423	9 959
Total liabilities	53 597	56 133
TOTAL EQUITY AND LIABILITIES	481 740	863 901

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

<i>NOK 1000</i>	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(Audited)</i>
Profit before tax	41 258	111 180	110 540
Profitshare from associates	-	2 822	1 074
Depreciation (note 5)	1 976	2 191	2 632
Net loss/(-gain) from AVA asset	-41 861	-116 656	-116 656
Other losses/(-gains)	-	-	-
Foreign exchange losses/(gains)	-480	136	136
Income tax paid	-45	-43	-109
Increase/decrease receivables and prepayments	-1 781	59	908
Increase/decrease payables and accruals	479	321	695
Net cash flow from operating activities	-453	8	-781
Investment in AVA Financial assets	-48 710	-113 246	-184 160
Divestment in AVA Financial assets	72 935	257 809	257 809
Net divestment/(-investment) trading	-	466	466
Net cash effect new subsidiaries	-	-	-
Net cash effect disposal of subsidiaries	-	-	-
Investment in fixed assets	-5 729	-	-38
Net cash flow from investing activities	18 495	145 028	74 076
Repayments of long term borrowings	-3 000	-3 000	-4 000
Dividends paid to non-controlling interests	-	-	-4 070
Acquisition of own shares	-	-17 300	-52 637
Distributions to controlling interests	-391 240	-	-
Net cash flow from financing activities	-394 240	-20 300	-60 706
Net change in cash and cash equivalents	-376 198	124 736	12 589
Cash and equivalents at beginning of period	439 060	426 606	426 606
Net cash in merger at carryover basis	-	-	-
Net foreign exchange differences (unrealised)	-5	-136	-136
Cash and equivalents at end of period	62 857	551 206	439 060

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Jan-Sep 2017 (Unaudited)								
<i>NOK 1000</i>	Issued capital	Own shares	Other equity	Accumulated losses	Available for sale reserve	Exchange difference currency translations	Non-controlling interests	Total
Equity as at 1 January 2017	286 733	-20 583	987 329	-558 149	90 917	-2 164	23 685	807 768
Net profit/(-loss)	-	-	-	39 338			1 920	41 258
Other comprehensive income	-	-	-		-29 158	-484		-29 643
Total comprehensive income	-	-	-	39 338	-29 158	-484	1 920	11 616
Cancellation of own shares	-20 583	20 583	-	-	-	-	-	-
Dividends/repayment to shareholders	-263 488	-	-127 752	-	-	-	-	-391 240
Equity per ending balance 30 September 2017	2 661	-	859 577	-518 810	61 758	-2 648	25 605	428 144
Jan-Dec 2016 (Audited)								
<i>NOK 1000</i>	Issued capital	Own shares	Other paid in equity	Accumulated losses	Available for sale reserve	Exchange difference currency translations	Non-controlling interests	Total
Equity as at 1 January 2016	286 733	-	924 814	-572 318	296 887	-1 317	26 112	960 911
Net profit/(-loss)	-	-	-	108 738			1 643	110 380
Other comprehensive income	-	-	-	-	-205 970	-846		-206 816
Total comprehensive income	-	-	-	108 738	-205 970	-846	1 643	-96 436
Reclassification merged equity*	-	-	94 569	-94 569	-	-	-	-
Acquired own shares	-	-20 583	-32 054	-	-	-	-	-52 637
Dividends to minority interests	-	-	-	-	-	-	-4 070	-4 070
Equity per ending balance 31 December 2016	286 733	-20 583	987 329	-558 149	90 917	-2 164	23 685	807 768

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 28 November 2017.

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those presented in the Annual Report of 2016. 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 subsidiaries in the Group.

NOTE 2 – OPERATING SEGMENTS

The management monitors the net income from investments in financial assets and liabilities, and the revenues from lease and operation of property on a separate basis.

	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016
<i>NOK 1000</i>			
Net income financial assets	41 861	116 656	116 656
Revenues from lease and operation of property	13 952	13 761	18 252
Other income	162	729	729

NOTE 3 – ASSOCIATES

<i>NOK 1000</i>	SD Standard Drilling Plc
Carrying amount, 31 December 2016	36 223
Reclassified to Available-for-sale financial assets*	-36 223
Carrying amount, 30 September 2017	-

* The Group held 46.16 % of the outstanding shares in SD Standard Drilling Plc as per end of 2016. On the basis of the significant influence the Group through its ownership could impose, the investment was acknowledged as an associated company. During first quarter of 2017, SD Standard Drilling Plc completed several equity issues. Although the Group has participated in some of these issuance, the Group only held 14.92 % of the outstanding shares at the end of first quarter. Based on this assessment the investment has been reclassified from Associated to Available-for-sale financial assets.

The ownership has since that increased, and references are made to note 7 Subsequent events for further information.

NOTE 4 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 Sep 2017	31 Dec 2016	
<i>NOK 1000</i>			
At 1 January	298 480	461 908	
Additions	48 710	184 160	
Assets received through merger and demerger	-	-	
Currency translations	-	-	
Impairment	-	-	
Increase/(Decrease) in value recognized as other comprehensive income	-29 158	-205 970	
Reclassified as subsidiaries	-	-	
Reclassified from associates due to dilution and loss of significant influer	36 223	-	
Disposals	-31 074	-141 618	
Total	323 181	298 480	
Available-for-sale financial assets include the following:			
	Fair value hierarchy	30 Sep 2017	31 Dec 2016
Listed shares	Level 1	314 577	289 877
Non-listed shares	Level 2	8 604	8 604
Total		323 181	298 480

The entire change in available-for-sale financial assets during the quarter relates to financial instruments that fall 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 September 2017. No impairment of financial assets has been recognized through the income statement in 2017.

NOTE 5 – FIXED ASSETS

	Bulidings	Machinery & equipment	Capitalized costs - work in progress	Land	Total
2017					
<i>NOK 1000</i>					
Aquisition cost, opening balance 01.01.17	91 529	4 357	38	199	96 122
Acquisitions during the period	5 651	79	-	-	5 729
Diposals during the period	-	-	-	-	-
Aquisition cost at 30.09.17	97 179	4 436	38	199	101 852
Accumulated depreciation, opening balance 01.01.17	-5 441	-1 169	-	-	-6 609
Depreciation	-1 694	-282	-	-	-1 976
Accumulated depreciation disposed assets	-	-	-	-	-
Accumulated depreciation at 30.09.17	-7 135	-1 451	-	-	-8 586
Net book value at 30.09.17	90 044	2 985	38	199	93 266

	Buildings	Machinery & equipment	Capitalized costs - work in progress	Land	Total
2016					
<i>NOK 1000</i>					
Acquisition cost, opening balance 01.01.16	91 529	4 319	38	199	96 084
Acquisitions during the period	-	38	-	-	38
Disposals during the period	-	-	-	-	-
Acquisition cost at 31.12.16	91 529	4 357	38	199	96 122
Accumulated depreciation, opening balance 01.01.16	-3 182	-796	-	-	-3 978
Depreciation	-2 259	-373	-	-	-2 632
Accumulated depreciation disposed assets	-	-	-	-	-
Accumulated depreciation at 31.12.16	-5 441	-1 169	-	-	-6 609
Net book value at 31.12.16	86 088	3 188	38	199	89 513

NOTE 6 – 20 LARGEST INVESTORS

02.10.2017 NAME	Of total shares
1 ØYSTEIN STRAY SPETALEN *	64,94 %
2 ALLUM HOLDING AS *	15,59 %
3 APOLLO ASSET LIMITED	3,19 %
4 PARK LANE FAMILY OFFICE AS	2,73 %
5 FERNCLIFF AS *	2,34 %
6 BJØRN BAKKEN	1,56 %
7 UTHALDEN A/S	1,46 %
8 WIECO AS	0,96 %
9 TIGERSTADEN AS	0,94 %
10 BJØRN HÅVARD BRÆNDEN	0,71 %
11 STATE STREET BANK AND TRUST COMP	0,66 %
12 BJØRN OLSEN	0,45 %
13 BHB CAPITAL MANAGEMENT AS	0,42 %
14 DIRK BLAAUW	0,41 %
15 KÅRE KLAVENES	0,36 %
16 JÆDEREN AS	0,30 %
17 GREENWAY AS	0,26 %
18 GUNERIUS INVEST AS	0,23 %
19 VERPENTANGEN AS	0,22 %
20 CONSUS FX AS	0,17 %
Total	97,91 %

* Controlled by board member Øystein Stray Spetalen, representing 82.87 % of outstanding shares.

NOTE 7 – SUBSEQUENT EVENTS

The Group has been allocated in total 38.2 million shares in SD Standard Drilling Plc in an equity offering of NOK 200 million directed towards existing shareholders. This include allocation in both tranches of the equity issue. Total investment amounts to NOK 50 million.

As a result, the Groups ownership in SD Standard Drilling Plc increases to 20.22 %. A new assessment regarding the Groups level of control in this investment will be made in the fourth quarter.

SD Standard Drilling Plc will use the proceeds for the acquisition of two large-size platform supply vessels.

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