

Holmetjern Invest AS

Management Report

Per Q2 2018

Organization no. 912 810 089



Background

Holmetjern Invest AS (“HTI”, “The Company”) was founded by Kolbjørn and Karl Albrecht Selmer in 2014. The company is one of the largest residential developers in Middle-Norway, with a total portfolio of approximately 4.500 units which will be developed during the next 15-20 years together with partners. The management team has extensive experience, with a proven track record from developing over 650.000 sqm in the past years. The team has experience within real estate and real estate development, sales and marketing, economy, financing and law related to real estate. The company co-invests together with partners with the same investment philosophy and same proven track record as Holmetjern Invest. One of the main partners is the co-operative building society TOBB, which in average builds 300 units per year and has 700 real estate companies under management.

The main investment, both in size and value, is the Overvik investment in Trondheim. Total 2.500 units will be developed during the next two decades. The development and sale of the first phase will start Autumn 2018. The first plot is a joint project with TOBB and an investor consortium where Holmetjern Invest is the main owner. Estimated cash flow to HTI from the Overvik investment is estimated to be approximately NOK 1.6 billions during the next years.

This report is prepared by 30 June 2018, in accordance with NGAAP. The effect of positive value changes will not affect the financial reporting since NGAAP, unlike IFRS, is based on historical cost. The value increase of NOK 59m, based on updated appraisals from Akershus Eiendom AS, compared to December 2017 is therefore not recognized in the financial reporting. The Company will convert to IFRS during 2018, hence the report per Q4 2018 will therefore be prepared in accordance to IFRS.

Development on Group level for the first 6 months of 2018 has been as expected, and in accordance with previous presentations. However, we would like to highlight the good development in Oreid and also the fact that the zoning plan for Overvik is approved by the City Counsel of Trondheim in June 2018.

Consolidated Interim Financial Statements

Holmetjern Invest AS

30 June 2018



**HOLMETJERN
INVEST**

Parent Company				Group	
30.6.2018	30.6.2017	NOTE	OPERATING PROFIT	30.6.2018	30.6.2017
			Revenue from operations		
0	3 100 000		Revenue	2 726 993	5 220 691
0	0		Other operating income	0	0
0	3 100 000	2	Total revenue	2 726 993	5 220 691
			Expenses from operations		
0	2 750 000		Cost of goods sold	97 444	3 183 985
0	0		Change in inventories	2 280 000	0
513 365	576 967		Personnel expenses	1 927 649	2 914 749
0	0		Depreciation and amortisation	134 288	156 174
7 630 584	3 335 867		Other operating expenses	10 307 291	13 694 794
8 143 949	6 662 834		Total operating expenses	14 746 672	19 949 702
-8 143 949	-3 562 834		OPERATING PROFIT	-12 019 679	-14 729 011
			FINANCIAL INCOME AND EXPENSES		
			Financial income		
0	0		Income from subsidiaries	550 000	0
550 000	0		Income from associated companies	2 500 000	0
2 500 000	0		(Other) interest income	4 308 601	14 723
2 044 310	0		(Other) finance income	270	5 919 608
0	5 918 716		Total financial income	7 358 871	5 934 331
5 094 310	5 918 716		Financial expenses		
			Write-down of financial assets	0	0
0	0		(Other) interest expenses	8 051 262	11
6 315 660	0		Other financial expense	750 000	405 483
0	398 124		Total financial expenses	8 801 263	405 494
6 315 660	398 124		NET FINANCIAL INCOME	-1 442 392	5 528 837
-1 221 350	5 520 592		PROFIT BEFORE INCOME TAX	-13 462 071	-9 200 174
-9 365 299	1 957 758		Income tax expense	-3 096 276	-2 208 042
-2 154 019	469 862		NET PROFIT AND LOSS FOR THE YEAR	-10 365 795	-6 992 132
-7 211 280	1 487 896	2	Allocation of net profit		
			Transferred from other equity	-9 182 588	-3 963 197
-7 211 280	1 487 896		Allocated to other equity	0	0
0	0		Minority share of profit	-1 183 207	-3 028 936
0	0		Dividends	0	0
-7 211 280	1 487 896	5	TOTAL ALLOCATED	-10 365 795	-6 992 132

Group Financial Statements
Holmetjern Invest AS
Balance sheet

Parent Company			Group				
30.06.2018	30.06.2017	31.12.2017	NOTE	ASSETS	30.06.2018	30.06.2017	31.12.2017
				Fixed intangible and tangible assets			
				Intangible assets			
0	0	0		Goodwill	6 975 452	6 989 715	6 975 452
3 662 215	-82 274	1 508 196		Deferred tax asset	7 582 643	5 415 839	4 486 367
3 662 215	-82 274	1 508 196		Total intangible assets	14 558 095	12 405 554	11 461 819
				Tangible assets			
0	0	0		Land, buildings and other property	44 367	379 903	48 367
0	0	0		Machinery and plant	55 200	142 125	55 200
133 099	161 405	133 099		Other tangible assets	324 052	178 163	426 650
133 099	161 405	133 099		Total tangible assets	423 619	700 191	530 217
				Financial fixed assets			
6 176 798	15 103 130	4 676 798		Investments in subsidiaries	1 461 000	10 952 940	0
0	0	0		Investments in joint ventures	0	0	0
20 269 930	0	18 908 410		Investments in joint associated companies	31 209 123	10 373 585	29 847 603
39 396 480	14 145 126	11 086 408		Investments in shares	39 435 480	14 145 126	11 086 408
0	0	0	9	Bonds	0	0	0
32 423 141	0	39 132 333	7	Loans to group companies	0	0	13 809 010
2 509 900	0	9 900		Other receivables	82 735 499	0	58 897 191
100 776 249	29 248 256	73 813 849		Total financial fixed assets	154 841 102	35 471 651	113 640 212
104 571 563	29 327 387	75 455 144		Total fixed assets	169 822 816	48 577 396	125 632 248
				Current assets			
32 405 475	39 618 663	32 405 475	3,1	Inventories	492 981 601	446 514 920	473 005 342
				Receivables			
98 438	0	56 250		Trade receivables	721 889	517 837	99 147
18 893 937	23 451 499	18 893 937	7	Group receivables	0	0	0
0	342 816	4 626		Other receivables	609 501	58 108 656	3 283 391
18 992 375	23 794 315	18 954 813		Total receivables	1 331 390	58 626 493	3 382 538
				Investments			
0	0	0		Quoted investment shares	0	0	0
0	0	0		Total Investments	0	0	0
47 631 522	7 048 609	3 236 383		Cash and cash equivalents	59 243 868	15 686 782	9 641 222
99 029 372	70 461 587	54 596 671		Total current assets	553 556 859	520 828 195	486 029 102
203 600 935	99 788 974	130 051 815		TOTAL ASSETS	723 379 675	569 405 591	611 661 350

Group Financial Statements
Holmetjern Invest AS
Balance sheet

Parent Company					Group		
30.06.2018	30.06.2017	31.12.2017	NOTE	EQUITY AND DEBT	30.06.2018	30.06.2017	31.12.2017
				Equity			
				Paid-in equity			
30 000	30 000	30 000	4,5	Share capital	30 000	30 000	30 000
0	0	0		Own shares	0	0	0
10 459	10 459	10 459		Premium fund	0	0	0
0	0	0		Other paid-in equity	0	0	0
40 459	40 459	40 459		Total paid-in equity	30 000	30 000	30 000
				Retained earnings			
39 477 951	38 013 581	46 689 231		Other equity	23 629 045	38 318 043	32 811 633
39 477 951	38 013 581	46 689 231		Total retained earnings	23 629 045	38 318 043	32 811 633
0	0	0		Minority interests	63 806 458	71 828 317	64 989 664
39 518 410	38 054 040	46 729 690	5	Total equity	87 465 503	110 176 361	97 831 297
				Liabilities			
				Provisions for liabilities			
0	0	0	6	Pension liabilities	0	0	0
0	0	0		Other provisions	0	0	0
0	0	0		Total provisions	0	0	0
				Other non-current liabilities			
0	0	0		Debt to financial institutions	151 340 000	0	46 783 541
112 000 000	0	0	9	Debt securities issued	112 000 000	0	0
0	0	31 018 186		Other non-current liabilities	305 982 443	372 531 758	386 548 085
0	0	0	7	Debt to group companies	0	0	0
112 000 000	0	31 018 186		Total other non-current liabilities	569 322 443	372 531 758	433 331 626
				Current liabilities			
0	0	0		Liabilities to financial institutions	0	0	0
307 260	74 509	585 034		Trade creditors	1 022 770	2 728 657	5 086 374
0	0	0		Tax payable	0	769 502	0
60 996	57 564	98 393		Public taxes payable	601 271	362 271	684 887
10 000 000	10 000 000	10 000 000		Dividends	23 106 063	22 820 239	21 106 063
2 096 434	51 592 756	41 620 512		Other short-term liabilities	41 861 626	59 627 905	53 428 213
39 617 835	10 105	0	7	short-term liabilities to group companies	0	388 898	192 890
52 082 525	61 734 934	52 303 939		Total current liabilities	66 591 730	86 697 472	80 498 427
164 082 525	61 734 934	83 322 125		TOTAL LIABILITIES	635 914 173	459 229 230	513 830 053
203 600 935	99 788 974	130 051 815		TOTAL EQUITY AND DEBT	723 379 675	569 405 591	611 661 350

Trondheim, 30. June 2018

Cash flow statement

	30.06.2018	30.06.2017
Cash flow from operations		
Profit before income taxes	-13 462 071	-9 200 174
Taxes paid in the period	174 232	-1 235 610
Depreciation	134 288	156 174
Change in inventory	-19 976 259	-10 869 150
Change in trade debtors	-622 742	342 326
Change in trade creditors	-4 063 604	-995 708
Change in other provisions	-257 849	-539 049
Net cash flow from operations	<u>-38 074 005</u>	<u>-22 341 191</u>
Cash flow from investments		
Purchase of fixed tangible assets	-27 690	-173 289
Purchase of fixed intangible assets	0	-14 263
Payments on the loan receivable group (short-term/long-term)	-38 000 000	0
Deposits on other loan receivable (short-term/long-term)	32 223 427	23 860 218
Purchase of shares and bonds, and contributions to subsidiaries	-31 171 592	-12 642 984
Net cash flow from investments	<u>-36 975 855</u>	<u>11 029 682</u>
Cash flow from financing		
New debt issued	122 652 506	2 613 226
Payment of dividend	2 000 000	0
Net cash flow from financing	<u>124 652 506</u>	<u>2 613 226</u>
Net cash flow for the period	<u>49 602 646</u>	<u>-8 698 283</u>
Exchange gains / (losses) on cash and cash equivalents	0	
Cash and cash equivalents at the beginning of the period	9 641 222	24 385 065
Cash and cash equivalents at the end of the period	<u>59 243 868</u>	<u>15 686 782</u>
Consist of:		
Cash and cash equivalents	<u>59 243 868</u>	<u>15 686 782</u>

Group financial statement
Holmetjern Invest AS

Notes to interim report 30.06.2018

Note 1 Accounting Principles

General Accounting Principles

The interim report per Q2 2018 is prepared in accordance to IAS 34. The interim report is prepared with the same accounting principles and calculations as described in the annual financial statement for 2017, and should be read in this context.

Segment reporting

Financial information about segments is presented in note 2.

Note 2 Segment Information

Products and services

30.06.2018	Real estate	Subsea	Other	Eliminations	Group
Revenue	-	2 726 993	-	-	2 726 994
Other operating income	0	0	0	0	0
Total revenue	0	2 726 993	0	0	2 726 994
Cost of goods sold	0	97 444	0	0	97 444
Changes in inventories	0	2 280 000	0	0	2 280 000
Depreciation and amortisation	108 000	1 359 252	0	0	1 467 252
Other operating expenses	9 341 623	1 538 419	21 934	0	10 901 976
Operating profit	-9 449 623	-2 548 122	-21 934	0	-12 019 679
Income from subsidiaries	550 000	0	0	0	550 000
Income from associated companies	2 500 000	0	0	0	2 500 000
Net financial income	-4 271 350	-221 042	0	0	-4 492 392
Profit before income tax	-10 670 973	-2 769 164	-21 934	0	-13 462 071
Income tax expense	-2 454 324	-636 908	-5 045	0	-3 096 276
Net profit and loss for the year	-8 216 649	-2 132 256	-16 889	0	-10 365 795

Assets

Fixed assets	337 048 525	1 893 027	5 045	-170 741 615	168 204 982
Current assets	660 933 580	8 464 975	7 096	-115 848 792	553 556 859
Total assets	997 982 105	10 358 002	12 141	-286 590 407	721 761 841

Equity and debt

Equity	168 267 024	3 128 396	-101 652	-83 828 265	87 465 503
Debt	829 715 082	7 229 604	113 793	-202 762 141	634 296 338
Total equity and debt	997 982 106	10 358 000	12 141	-286 590 406	721 761 841

30.06.2017	Real estate	Subsea	Other	Eliminations	Group
Revenue	3 100 000	2 120 691	-	-	5 220 692
Other operating income	0	0	0	0	0
Total revenue	3 100 000	2 120 691	0	0	5 220 692
Cost of goods sold	2 750 000	433 985	0	0	3 183 985
Changes in inventories	0	0	0	0	0
Depreciation and amortisation	114 710	1 640 581	0	0	1 755 291
Other operating expenses	12 831 118	2 109 743	69 565	0	15 010 426
Operating profit	-12 595 828	-2 063 618	-69 565	0	-14 729 011
Income from subsidiaries	0	0	0	0	0
Income from associated companies	0	0	0	0	0
Net financial income	5 521 341	7 496	0	0	5 528 837
Profit before income tax	-7 074 487	-2 056 122	-69 565	0	-9 200 174
Income tax expense	-1 697 877	-493 469	-16 696	0	-2 208 042
Net profit and loss for the year	-5 376 610	-1 562 653	-52 869	0	-6 992 132

Assets

Fixed assets	64 714 231	719 880	16 695	-16 873 411	48 577 395
Current assets	726 100 597	8 780 401	34 093	-233 076 469	501 838 622
Total assets	790 814 828	9 500 281	50 788	-249 949 880	550 416 017

Equity and debt

Equity	188 495 412	3 263 824	-30 330	-81 552 546	110 176 360
Debt	602 319 416	6 236 457	81 117	-168 397 333	440 239 657
Total equity and debt	790 814 828	9 500 281	50 787	-249 949 879	550 416 017

The Financial Statement and Balance sheet is based on the interim financial report as it presented for Holmetjern Invest management. Holmetjern Invest Group has companies in development, buying, selling and rental of real estate. Other parts of the group deliver products and services to the subsea industry. The numbers build on Holmetjern Invest governance model and accounting principles.

Note 3 Inventory

Parent Company			Group	
30.6.18	30.6.17		30.6.18	30.6.17
30 000 000	38 250 000	Land	487 167 048	495 417 046
2 405 475	1 368 663	Manufacturing costs	65 861 642	15 635 080
0	0	Goods at work	6 907 766	2 417 648
32 405 475	39 618 663	Total	559 936 456	513 469 774

The inventory contains of activated costs of development of land. This is developed for the purpose of selling it and is therefor treated as development of goods. This is in accordance with Regnskapsloven § 5-4 and NRS 1. Inventory is assessed at full production costs

Note 4 Share capital and shareholder information

Share capital as of 30.06.18 contains:

	Number of shares	Value per	Book value
Ordinary shares	30 000	1,00	30 000

Ownership structure
Share holders pr. 30.06.

	Company number	Number of shares	Shareholding
Selmer Holding AS	989 278 037	21 375	71,25 %
Snowy Invest AS	912 799 891	7 125	23,75 %
Singsaker Eiendom AS	958 086 628	1 500	5,00 %
Totalt antall aksjer		30 000	100,00 %

Note 5 Equity

Parent company

	Share capital	Share premiur	Retained earnings	Total equity
Equity 01.01.	30 000	10 459	46 689 231	46 729 690
Capital increase	0	0	0	0
This periods profits	0	0	-7 211 280	-7 211 280
Other changes	0	0	0	0
Equity 30.06	30 000	10 459	39 477 951	39 518 410

Group

	Share capital	Share premium	Retained	Minority interests	Total equity
Equity 01.01.	30 000	12 570	32 810 629	64 978 099	97 831 298
Sales to minority interests	0	0	0	0	0
Emission to minority interests	0	0	0	0	0
Share deposits minority interests	0	0	0	0	0
This periods profits	0	0	-9 182 588	-1 183 207	-10 365 795
Equity 30.06	30 000	12 570	23 628 041	63 794 892	87 465 503

Note 6 Pensions

The group is obliged to have an occupational pension scheme in accordance with the "lov om obligatorisk tjenestepensjon" and has a pension scheme in accordance with this law.

Note 7 Balances with companies in the same group

Parent company

	Other short-term receivables		Long-term receivables	
	30.6.18	31.12.17	30.6.18	31.12.17
In the same group	7 938 835	23 451 499	23 879 475	0
Associated companies	17 948 768	-	10 352 462	0
Total	7 938 835	23 451 499	34 231 937	0

	Other short-term liabilities		Other long-term liabilities	
	30.6.18	31.12.17	30.6.18	31.12.17
In the same group	0	0	0	0
Associated companies	0	0	0	0
Total	0	0	0	0

Group

	Other short-term receivables		Long-term receivables	
	30.6.18	31.12.17	30.6.18	31.12.17
In the same group	38 388 835	23 451 499	124 755 471	93 660 332
Associated companies	17 948 768	0	60 867 644	0
Total	56 337 603	23 451 499	185 623 115	93 660 332

	Other short-term liabilities		Other long-term liabilities	
	30.6.18	31.12.17	30.6.18	31.12.17
In the same group	38 388 835	23 381 807	124 755 471	93 660 332
Associated companies	0	0	0	0
Total	38 388 835	23 381 807	124 755 471	93 660 332

Note 8 Information about related parties/ single transactions

The parent company is Selmer Holding AS, which owns 71,25% of the shares in Holmetjern Invest AS. There have not been transactions with closely related parties during this fiscal year.

Note 9 Financial instruments

Ticker	From date	To date	Type	Interest rate	Payments	Outstanding	Undrawn	Net
NO0010815632	16.02.2018	16.02.2022	Without deduction	3 mnd NIBOR	quarterly	150 000 000	38 000 000	112 000 000

Note 10 Fair value of land

The group's operations involve the development of land and residential and commercial property with subsequent sales. The Group's development sites are classified as goods and are recorded at the lower of cost and net selling price. The fair value of the Group is based on significant other non-observable inputs, based on the valuation hierarchy of IFRS 13.

30.06.2018	Nivå 1	Nivå 2	Nivå 3	Sum
Amount in NOK				
Land	-	-	1 086 700 000	1 086 700 000

Level 1 inputs: Given market value of equivalent asset or debt

Level 2 inputs: Significant other observable input for equivalent assets

Level 3 inputs: Significant other non-observable input