Q2

AKASTOR

SECOND QUARTER AND
HALF YEAR RESULTS 2019

HIGHLIGHTS

- Revenue of NOK 1 304 million in the quarter with growth of 49 percent from previous year
- EBITDA of NOK 114 million in the quarter
- First Geo and AGR merger completed, presented as a new segment AGR
- MHWirth completed acquisition of Bronco Manufacturing in June
- Order intake of NOK 1.8 billion in the quarter, resulting in order backlog of NOK 3.5 billion

KEY FIGURES

Akastor Group

NOK million	Q2 19	Q2 18	YTD 2019	YTD 2018
Revenue and other income	1 304	873	2 375	1 754
EBITDA	114	78	206	141
EBIT	27	31	58	47
CAPEX and R&D capitalization	23	8	39	25
NCOA	876	617	876	617
Net capital employed	5 236	6 035	5 236	6 035
Order intake	1 786	1 635	2 932	2 703
Order backlog	3 529	2 907	3 529	2 907
Net interest-bearing debt	898	1 306	898	1 306
Employees	2 179	1 970	2 179	1 970

Portfolio Companies Q2 2019

NOK million	MHWirth	AKOFS Offshore *)	AGR	Other Holdings
Revenue and other income	1 013	234	156	144
EBITDA	109	104	(1)	6
Order backlog	2 985	5 579	260	284
Employees	1 531	240	350	298

*) *presented at 100% basis*

01. PERFORMANCE SUMMARY Q2 2019

- Total revenues were NOK 1 304 million, up 49% compared with the same quarter previous year
- EBITDA was NOK 114 million, including positive effect of IFRS 16 Leases of NOK 30 million
- Net interest-bearing debt was NOK 898 million, increased by NOK 608 million in the quarter. The increase is impacted by financing of acquisition of Bronco Manufacturing and the external debt in AGR.
- Order intake in the quarter was NOK 1.8 billion, including the new drilling equipment package from Keppel FELS, with end client Awilco Drilling.
- Order backlog was NOK 3.5 billion at the end of the quarter.

02. PORTFOLIO COMPANIES

MHWIRTH

MHWirth reported revenues of NOK 1 013 million in the second quarter, up 49 percent from second quarter 2018. Revenues for the first half year were NOK 1 916 million, an increase of 36 percent from 2018.

EBITDA was NOK 109 million (including NOK 18 million effect of IFRS 16) in the quarter, giving an EBITDA margin of 10.8 percent, compared with NOK 68 million in the second quarter 2018. For the first six months of the year, EBITDA ended at NOK 197 million (including NOK 34 million effect of IFRS 16), compared with NOK 137 million in 2018.

The acquisition of Bronco Manufacturing LLC was completed with accounting effect as of June 7, 2019. The company contributed revenues of NOK 19 million in Q2 and EBITDA of NOK 4 million. Acquisition-related costs of NOK 5 million were included as operating expenses in MHWirth.

The working capital level (NCOA) of MHWirth increased by NOK 365 million (of which NOK 126 million from Bronco Holdings) during the quarter to NOK 1 099 million. The increase is partly due to growth in services and single equipment revenues, as well as normal fluctuations in the working capital for projects.

Order intake in the second quarter was NOK 1 599 million, while for the first six months of the year order intake was NOK 2 611 million. The most significant contract in the quarter was the contract with Keppel FELS, with Awilco Drilling as the end client, for delivery of one drilling equipment package for a new semisubmersible drilling rig for harsh environment. This was the first out of three options, and the second drilling package for a floating drilling rig that has been awarded since the downturn started in 2014. Contract value is approximately USD 100 million.

The global drilling market remains challenging with many idle drilling rigs impacting the rig rates negatively. However, during 2018 and 2019 the trend has slowly improved with more rigs in operation, resulting in increases in both service revenues and single equipment sales. In addition, the demand for new digital technologies for upgrading old rigs has contributed to the revenue growth of MHWirth during the last 12 months.

As per Q2 2019, MHWirth had 1 531 employees.

AKOFS Offshore

AKOFS Offshore reported revenues of NOK 234 million in the second quarter, compared with NOK 289 million in the second quarter 2018. Revenues for the first half year were NOK 491 million, compared with NOK 551 million in the previous year. EBITDA was NOK 104 million in the quarter, compared with NOK 123 million in the second quarter 2018. For the first half year EBITDA was NOK 240 million, compared with NOK 209 million in 2018.

Skandi Santos had another weak quarter with revenue utilization of 58%, explained by operational issues in the beginning of the quarter and a planned maintenance stop at the end of the quarter. The vessel is back in ordinary operations from July. Aker Wayfarer had another strong quarter operationally with a revenue utilization of 95% in the quarter.

AKOFS Seafarer is currently in the yard in Norway for upgrading of the vessel and preparation for the contract with Equinor. The commencement of the five year contract is still expected to take place in the first half of 2020. A separate financing of the investments in the vessel is expected to be completed during the third quarter this year, at which time the financing from Akastor will be repaid.

The order backlog ended at NOK 5 579 million. The company had 240 employees at the end of the quarter.

AGR

The merger between First Geo and AGR was completed on April 2, 2019. Thus, as of second quarter 2019 the combined entity with the new name AGR will be reported as a separate reportable segment. Historical numbers for the segment include only First Geo.

AGR reported revenues of NOK 156 million and a negative EBITDA of NOK 1 million in the second quarter.

Most of the AGR business comes from the offshore markets in Norway, UK, Gulf of Mexico and Australia. In Norway, the demand for consultants has been strong with substantial revenue growth compared with 2018. In UK, the tender activity is high, but revenues and profitability have been disappointing so far in 2019. In Gulf of Mexico, revenues are growing slowly from a low level, and the business is still not profitable. Finally, in Australia revenues and earnings are stable, but on a low level.

OTHER HOLDINGS

Other Holdings reported revenues of NOK 144 million in the second quarter compared with NOK 150 million in the same quarter previous year. EBITDA was NOK 6 million in the quarter.

Step Oiltools had revenues of NOK 76 million and an EBITDA of NOK 12 million in the quarter, compared with NOK 61 million and NOK 1 million respectively in 2018. Cool Sorption had revenues of NOK 35 million and an EBITDA of NOK 5 million in the quarter, compared with NOK 28 million and NOK 3 million respectively in 2018. The remaining revenue and EBITDA in this segment come from the Real Estate portfolio (subletting of office leasing contracts) as well as corporate expenses.

03. AKASTOR GROUP

Performance
Akastor group's revenues in the second quarter were NOK 1 304 million, while EBITDA in the second quarter was NOK 114 million. Revenues for the first half year were NOK 2 375 million compared with NOK 1 754 million in the previous year. EBITDA was NOK 206 million for the first half year, an increase of NOK 65 million from the same period in 2018. The new lease standard IFRS 16 is implemented as of January 1, 2019, which has a positive impact on EBITDA of NOK 57 million for the first half year.

Depreciation, amortization and impairment amounted to NOK 87 million in the quarter and NOK 148 million for the first half year. This includes depreciation and impairment of Right-of-use assets (IFRS 16 impact) of NOK 35 million for the second quarter and NOK 56 million for the first half year.

Net financial expenses were NOK 53 million for the quarter and NOK 16 million for the first half year. Net financial items in 2019 included financial changes of lease liabilities of NOK 9 million for the quarter and NOK 17 million for the first half year.

Net tax expenses were NOK 12 million in the second quarter and NOK 18 million for the first half year. The effective tax rates are influenced by various non-taxable items, non-recognized deferred tax assets, and mix of revenue generated in jurisdictions with various tax rates.

The result from continuing operations was negative NOK 38 million for the second quarter and positive NOK 24 million for the first half year. The net loss for the group was NOK 78 million for the second quarter and NOK 16 million for the first half year.

Net profit from discontinued operations was negative NOK 40 million in the quarter and first half year. This includes negative effect on re-assessment of the provision for guaranteed preferred return to our joint venture partners in AKOFS Offshore, offset by a positive effect from a settlement related to the MPO arbitration award that was announced earlier this year.

Financial Position
Net current operating assets were NOK 876 million at the end of June, an increase of NOK 354 million since previous quarter and an increase of NOK 501 million since year-end 2018.

Net cash flow from operations was negative NOK 143 million in the quarter and NOK 237 million for the first half year. The cash flow from investing activities was negative NOK 479 million and NOK 595 million for the quarter and first half year, respectively, mainly explained by acquisition of Bronco Manufacturing of USD 31.5 million and increased loan to AKOFS of NOK 173 million.

Net debt was NOK 1 430 million at the end of the period, while net interesting-bearing debt (excluding lease liabilities from IFRS 16) was NOK 898 million. Net interest-bearing debt is increased in the quarter, partially explained by financing of acquisition of Bronco Manufacturing and AGR's bank debt (non-recourse to Akastor) of NOK 154 million.

The liquidity reserve at the end of the quarter was approximately NOK 1.3 billion, with cash and bank deposits of NOK 281 million and undrawn committed credit facilities of NOK 1.0 billion.

The equity ratio was 40 percent at the end of June 2019.

Related Party Transactions
Please see note 10 for a summary of significant related party transactions that occurred in the first half year of 2019.

Principle Risks and Uncertainty
Akastor and each of its portfolio companies are exposed to various forms of market, operational and financial risks. The market situation for the oil services segments in which Akastor operates, remains challenging with low activity and weak market conditions. On the operational side, sound project execution by the portfolio companies without cost overruns as well as securing new orders are substantial factors to the companies' financial performance. Results also depend on costs, both the portfolio companies' own costs and those charged by suppliers, as well as interest expenses, exchange rates and customers' ability to pay. Akastor and its portfolio companies are exposed to financial market risks including changes in currency rates and hedge activities, interest rates, tax, credit and counterparty risks, as well as risks associated with access to and terms of financing.

In addition, these companies, through their business activities within their respective sectors and countries, are also exposed to legal/compliance and regulatory/political risks, e.g. political decisions on international sanctions that impact supply and demand of the services offered by the portfolio companies, as well as environmental regulations. As an investment company, Akastor and its portfolio companies from time to time engage in mergers and acquisitions and other transactions that could expose the companies to financial and other non-operational risks, such as warranty and indemnity claims and price adjustment mechanisms.

To manage and mitigate risks within Akastor, risk evaluation is an integral part of all business activities. As owner, Akastor actively supervises risk management in its portfolio companies through participation on board of each portfolio company, and by defining a clear set of risk management and mitigation processes and procedures that all portfolio companies must adhere to. Akastor's Annual Report 2018 provides more information on risks and uncertainties.

The Akastor Share
The company had a market capitalization of NOK 3.2 billion on July 16, 2019. The company owned 2 390 215 own shares at the end of the quarter.

Fornebu, July 16, 2019
The Board of Directors and CEO of Akastor ASA

04. DECLARATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and the CEO have today considered and approved the consolidated condensed financial statements for the six months ended June 30, 2019, with comparatives for the corresponding period of 2018 for Akastor Group.

The Board has based this declaration on reports and statements from the group's CEO, the results of the group's activities, and other information that is essential to assess the group's position.

To the best of our knowledge:

- The consolidated condensed financial statements for the six months ended June 30, 2019 have been prepared in accordance with IAS 34 - Interim Financial Reporting and additional disclosure requirements under the Norwegian Securities Trading Act.
- The information provided in the financial statements gives a true and fair portrayal of Akastor Group's assets, liabilities, profit and overall financial position as of June 30, 2019.
- The information provided in the report for the first half 2019 provides a true and fair overview of the development, performance, financial position, important events and significant related party transactions in the accounting period as well as the most significant risks and uncertainties facing Akastor Group.

Fornebu, July 16, 2019
The Board of Directors and CEO of Akastor ASA

Kristian M. Røkke | Chairman

Lone Fønss Schrøder | Deputy Chairman

Øyvind Eriksen | Director

Kathryn M. Baker | Director

Sarah Ryan | Director

Henning Jensen | Director

Asle Christian Halvorsen | Director

Stian Sjølund | Director

Karl Erik Kjelstad I CEO

AKASTOR GROUP INTERIM FINANCIAL STATEMENTS SECOND QUARTER AND HALF YEAR 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

NOK million	note	Second quarter 2019	Second quarter 2018	First half 2019	First half 2018	Full year 2018
Revenues and other income	7	**1 304**	873	**2 375**	1 754	3 800
Operating expenses		**(1 190)**	(795)	**(2 168)**	(1 613)	(3 509)
Operating profit before depreciation, amortization and impairment		**114**	78	**206**	141	290
Depreciation, amortization and impairment		**(87)**	(47)	**(148)**	(94)	(181)
Operating profit (loss)		**27**	31	**58**	47	109
Net financial items	8	**(53)**	103	**(16)**	54	(200)
Profit (loss) before tax		**(26)**	134	**42**	102	(91)
Tax income (expense)		**(12)**	(14)	**(18)**	(15)	(103)
Profit (loss) from continuing operations		**(38)**	121	**24**	86	(194)
Net profit (loss) from discontinued operations		**(40)**	(372)	**(40)**	(357)	(128)
Profit (loss) for the period		**(78)**	(251)	**(16)**	(271)	(322)
Attributable to:						
Equity holders of Akastor ASA		**(74)**	(251)	**(12)**	(271)	(322)
Non-controlling interests		**(4)**	-	**(4)**	-	-
Basic/diluted earnings (loss) per share (NOK)		**(0.27)**	(0.93)	**(0.05)**	(1.00)	(1.19)
Basic/diluted earnings (loss) per share continuing operations (NOK)		**(0.13)**	0.44	**0.10**	0.32	(0.71)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK million	First half 2019	First half 2018	Full year 2018
Net profit (loss) for the period	**(16)**	(271)	(322)
Other comprehensive income:			
Cash flow hedges, effective portion of changes in fair value	**66**	-	(80)
Cash flow hedges, reclassification to income statement	**-**	(13)	(43)
Change in fair value reserve	**4**	(29)	(37)
Currency translation differences	**(63)**	(173)	51
Currency translation differences, reclassification to income statement	**-**	-	(442)
Share of OCI from equity-accounted investees	**14**	-	(44)
Deferred tax effect	**(14)**	3	30
Net items that may be reclassified to profit or loss	**7**	(212)	(565)
Remeasurement gain (loss) net defined benefit liability	**-**	-	(4)
Deferred tax of remeasurement gain (loss) net defined benefit liability	**-**	-	-
Net items that will not be reclassified to profit or loss	**-**	-	(4)
Total comprehensive income (loss) for the period, net of tax	**(10)**	(482)	(891)
Attributable to:			
Equity holders of Akastor ASA	**(6)**	(482)	(891)
Non-controlling interests	**(4)**	-	-

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK million	*note*	June 30 2019	December 31 2018
Deferred tax assets		**350**	374
Intangible assets		**1 524**	1 260
Property, plant and equipment		**758**	825
Right-of-use assets		**520**	-
Other non-current assets		**62**	62
Non-current finance lease receivables		**19**	-
Equity-accounted investees and other investments		**2 590**	2 557
Non-current interest-bearing receivables		**10**	-
Total non-current assets		**5 833**	5 077
Current operating assets	*11*	**4 056**	3 472
Current interest-bearing receivables		**521**	257
Current finance lease receivables		**21**	-
Cash and cash equivalents		**281**	198
Total current assets		**4 879**	3 927
Total assets		**10 712**	9 005
Equity attributable to equity holders of Akastor ASA		**4 297**	4 317
Non-controlling interests		**24**	-
Total equity		**4 321**	4 317
Deferred tax liabilities		**8**	9
Employee benefit obligations		**319**	332
Other non-current liabilities and provisions		**496**	556
Non-current borrowings		**1 692**	588
Non-current lease liabilities		**493**	-
Total non-current liabilities		**3 008**	1 485
Current operating liabilities and provisions	*11*	**3 197**	3 189
Current borrowings		**19**	14
Current lease liabilities		**168**	-
Total current liabilities		**3 384**	3 203
Total equity and liabilities		**10 712**	9 005

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The statement includes discontinued operations prior to their disposal unless otherwise stated.

	Second quarter		First half		Full year
NOK million	2019	2018	2019	2018	2018
Profit (loss) for the period	**(78)**	(251)	**(16)**	(271)	(322)
(Profit) loss for the period - discontinued operations	**40**	372	**40**	357	128
Depreciations, amortization and impairment continuing operations	**87**	47	**148**	94	181
Other adjustments for non-cash items and changes in operating assets and liabilities	**(192)**	51	**(409)**	120	327
Net cash from operating activities	**(143)**	219	**(237)**	300	315
Acquisition of property, plant and equipment	**(5)**	(5)	**(6)**	(21)	(95)
Payments for capitalized development	**(18)**	(3)	**(33)**	(4)	(36)
Proceeds (payments) related to sale of subsidiaries, net of cash	**(29)**	1	**(30)**	(11)	1 103
Acquisition of subsidiaries, net of cash	**(237)**	-	**(237)**	-	-
Cash flow from other investing activities	**(191)**	(576)	**(289)**	(659)	(726)
Net cash from investing activities	**(479)**	(584)	**(595)**	(695)	247
Changes in external borrowings	**753**	622	**955**	600	(411)
Instalment of lease liabilities	**(37)**	-	**(71)**	-	(70)
Proceeds from sale of treasury shares	**-**	-	**4**	-	-
Net cash from financing activities	**715**	622	**888**	600	(481)
Effect of exchange rate changes on cash and cash equivalents	**21**	(69)	**26**	(17)	(50)
Net increase (decrease) in cash and cash equivalents	**114**	188	**83**	188	30
Cash and cash equivalents at the beginning of the period	**167**	168	**198**	168	168
Cash and cash equivalents at the end of the period	**281**	356	**281**	356	198

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK million	*note*	Contributed equity and retained earnings	Other reserves	Total equity attributable to the parent	Non-controlling interests	Total equity
Equity as of December 31, 2018		4 063	253	**4 317**	-	**4 317**
Adjustment on initial application of IFRS 16	*4*	(6)	-	**(6)**	-	**(6)**
Equity as of January 1, 2019		**4 057**	**253**	**4 311**	**-**	**4 311**
Total comprehensive income		(12)	7	**(6)**	(4)	**(10)**
Acquisition of subsidiaries		(12)	-	**(12)**	27	**15**
Sale of treasury shares to employees		4	-	**4**	-	**4**
Equity as of June 30, 2019		**4 037**	**260**	**4 297**	**24**	**4 321**
Equity as of January 1, 2018		4 415	862	5 277	-	5 277
Adjustment on initial application of IFRS 15 and IFRS 9		(26)	(45)	(71)	-	(71)
Equity as of January 1, 2018		4 389	817	5 206	-	5 206
Total comprehensive income		(271)	(212)	(482)	-	(482)
Equity as of June 30, 2018		4 118	605	4 724	-	4 724

NOTES

NOTE 1 - GENERAL

Akastor (the group) consists of Akastor ASA and its subsidiaries. Akastor ASA is a limited liability company incorporated and domiciled in Norway and whose shares are publicly traded.

The group is an oil-services investment company with a portfolio of industrial holdings and other investments. Akastor is listed on the Oslo Stock Exchange under the ticker AKA. Please refer to note 34 *Group companies* in Akastor's Annual Report 2018 for more information on the group's structure.

Akastor's Annual Report for 2018 is available at www.akastor.com.

NOTE 2 - BASIS FOR PREPARATION

The condensed consolidated financial statements of Akastor comprise the group and the group's interests in equity-accounted investees. As a result of rounding differences, numbers or percentages may not add up to the total.

Akastor's condensed interim financial statements for the six months ended June 30, 2019 are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information and disclosures required for a complete set of annual consolidated financial statements, and should be read in conjunction with Akastor's Annual Report 2018. The accounting policies applied in these financial statements are the same as those applied in the group's consolidated financial statements as for the year ended December 31, 2018, except for changes in significant accounting policies related to the application of IFRS 16, which are described in note 4.

The condensed consolidated interim financial statements are unaudited.

NOTE 3 - JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the accounting policies, management makes judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates is recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of uncertainty in the estimates are consistent with those applied to the consolidated financial statements as for the period ended December 31, 2018.

NOTE 4 - Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in Akastor's consolidated financial statements for the year ended December 31, 2018.

Akastor has adopted IFRS 16 Leases from January 1, 2019. The effects of applying this standard are described below.

IFRS 16 Leases

The standard replaces IAS 17 Leases and the related interpretations. The new standard introduces a single, on-balance sheet lease accounting model for lessees, with optional exemptions for short-term leases and leases of low value items. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. With regards to lessor accounting, the requirements remain similar to the current standard.

On transition to IFRS 16, the group has applied the new standard using the modified retrospective approach. The cumulative effect of initial application is recognized as an adjustment to the opening balance of retained earnings as of January 1, 2019. Under this transition method, the comparable information presented for 2018 has not been restated.

The group has elected to apply the following practical expedients on transition to IFRS 16, as described in Akastor's Annual Report 2018:

• Relied on assessment of whether leases were onerous applying IAS 37 on December 31, 2018 as an alternative to performing an impairment review of right-of-use assets for all its leases on January 1, 2019.
• Applied the short-term lease practical expedient to leases ending within 2019.
• Excluded initial direct costs from measurement of right-of-use assets at the date of initial application.

Impact on transition to IFRS 16

At transition, for operating leases under IAS 17 in which the group is a lessee, lease liabilities are measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate as of January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Before the adoption of IFRS 16, the group classified its sub-leases, in which the group is a lessor, as operating leases. At transition, some of the sub-leases are reclassified as finance leases with reference to the right-of-use assets arising from the head leases. Finance lease receivables are recognized for the sub-leases classified as finance lease under IFRS 16.

The following table summarizes the impact of transition to IFRS 16 on the group's consolidated statement of financial position as of January 1, 2019. Please refer to Note 2 in Akastor's Annual Report 2018 for more descriptions of impact of adopting IFRS 16 for the group as a lessee and as a lessor.

NOK million	Impact of adopting IFRS 16 at January 1, 2019
Right-of-use assets	525
Finance lease receivables	55
Trade and other receivables	(16)
Total assets	**564**
Equity	(6)
Lease liabilities	683
Provisions	(113)
Total equity and liabilities	**564**

The table below represents a reconciliation of the group's operating lease commitment as reported under IAS 37 as of December 31, 2018, and the lease liabilities recognized as of January 1, 2019. The weighted-average discount rate applied is 5.3%.

NOK million	January 1, 2019
Operating lease commitments at December 31, 2018	937
Recognition exemption for short-term leases	(66)
Effect of discounting	(188)
Lease liabilities recognized at January 1, 2019	**683**

Impact for the period

The following tables summarize the impact of adopting IFRS 16 on the group's interim financial statements of income and cash flows for the period ended on June 30, 2019. The group presents right-of-use assets and lease liabilities separately in the statement of financial position .

Condensed interim consolidated income statement

NOK million	First half 2019
Revenues and other income	(16)
Operating expenses	74
Operating profit before depreciation, amortization and impairment (EBITDA)	57
Depreciation and impairment	(56)
Net financial items	(14)
Tax income (expense)	2
Profit (loss) for the period	**(12)**

Condensed interim consolidated statement of cash flows

NOK million	First half 2019
Net cash from operating activities	56
Net cash from investing activities	15
Net cash from financing activities	(71)
Net increase (decrease) in cash and cash equivalents	-

Summary of new accounting policies

- Right-of-use assets

The group recognizes right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurement of the lease liability. The cost of right-of-use asset includes the amount of lease liability recognized, initial direct costs incurred, and the lease payments made at or before the commencement date less any lease incentives received. The right-of-asset is generally depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment of non-financial assets as described in Note 3 in Akastor's Annual Report 2018.

- Lease liabilities

At the lease commencement date, the group recognizes lease liability measured at the present value of the lease payments over the lease term, discounted using the group's incremental interest rate. Generally, the lease payments include fixed payments and variable lease payments that depend on an index or rate. The variable lease payment that does not depend on an index or rate is recognized as expense in the period in which it is incurred.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or as appropriate, changes in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

- Short term leases and leases of low-value items

The group applies the recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option (short-term leases). The group also applies recognition exemption to leases that are considered of low-value items, mainly IT equipment and office equipment. Lease payments on short-term leases and leases of low-value items are recognized as expenses on a straight-line basis over the lease term.

- Lease term

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease if it is reasonably certain not to be exercised. The group applies judgment in evaluating whether it is reasonably certain to exercise a renewal option, considering all relevant factors that create economic incentive to exercise the renewal option.

NOTE 5 - Business combinations

On April 2, 2019, Akastor completed the transaction to merge First Geo AS (First Geo) and AGR Bidco AS (AGR). The transaction was carried out primarily as an asset deal, whereby assets in the old AGR legal structure and three legal entities were transferred to a new legal structure AGR AS. Akastor contributed 100% of its shares in First Geo AS to AGR AS to form the combined AGR/First Geo group (referred as a new portfolio company AGR). After the transaction, Akastor holds 100% of the shares and 55% of the economic interest in the merged company AGR. Silverfleet Capital, DNB Bank ASA and Nordea Bank Abp, filial i Norge (together the AGR stakeholders) hold the remaining 45% economic interest. In addition, AGR AS has rolled over NOK 270 million of the debt, of which DNB, Nordea and Akastor holds NOK 90 million each.

On June 7, 2019, Akastor, through its portfolio company MHWirth, acquired 100% ownership interest in Bronco Manufacturing LLC (Bronco) for a cash consideration of USD 31.5 million at a cash-free and debt-free basis. Bronco is consolidated as part of MHWirth.

The acquired AGR business contributed revenues of NOK 134 million and net loss of NOK 8 million, while Bronco contributed revenues of NOK 19 million and net profit of NOK 3 million for the period from the acquisition date to June 30, 2019. If the acquisition of AGR and Bronco had occurred on January 1, 2019, management estimates that consolidated revenue and profit after tax for the half year ended June 30, 2019 would have been NOK 2 615 million and negative NOK 7 million, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2019.

Details of the purchase consideration, net asset acquired and goodwill are as follows:

Consideration transferred

NOK million	AGR	Bronco
Cash consideration	-	271
Fair value of non-cash consideration	6	-
Total consideration transferred	**6**	**271**

Acquisition-related costs of NOK 5 million are included in "operating expenses" in profit or loss.

Identifiable assets and liabilities acquired

NOK million	AGR	Bronco
Property, plant and equipment	2	4
Right-of-use assets	42	9
Intangible assets	39	13
Deferred tax assets	12	-
Inventories	-	99
Trade and other receivables	106	45
Cash and cash equivalents	32	2
Other assets	3	1
External borrowings	(152)	(5)
Deferred tax liabilities	(8)	-
Lease liabilities	(41)	(9)
Trade and other payables	(109)	(24)
Other liabilities	(1)	-
Total net identifiable assets acquired	**(76)**	**135**

In AGR, the fair values of intangible asset (mainly customer relationships and brand name) and external borrowings have been determined on a provisional basis. In Bronco, the assessment of fair values of identifiable assets and liabilities is still ongoing. The preliminary calculations of goodwill are shown as below.

Goodwill arising from the acquisitions

NOK million	AGR	Bronco
Fair value of consideration transferred	6	271
Non-controlling interests measured at fair value	10	-
Fair value of net identifiable assets	76	(135)
Goodwill	**92**	**136**

The group has chosen to recognize the non-controlling interests at its fair value at acquisition of AGR primarily by applying an income based approach. The goodwill from acquisition of AGR is mainly attributable to the skills and technical talent of AGR's work force and the synegies expected to be achieved from merging the company with First Geo.

NOTE 6 - OPERATING SEGMENTS

Akastor identifies its reportable segments and discloses segment information under IFRS 8 *Operating Segments*. See note 6 *Operating segments* in Akastor's Annual Report 2018 for descriptions of Akastor's management model and operating segments as well as accounting principles used for segment reporting.

The merged portfolio company AGR is identified as a reportable segment for Akastor. First Geo, previously included in the segment "Other holdings", has been included in the segment "AGR" as of June 30, 2019. Historical information has been restated.

Q2 2019

NOK million	MHWirth	AKOFS Offshore	AGR	Other holdings	Total operating segments	Adjustment of AKOFS Offshore	Eliminations	Total Akastor
External revenue and other income	1 007	234	156	141	**1 538**	(234)	-	**1 304**
Internal revenue	6	-	-	2	**8**	-	(8)	-
Total revenue	**1 013**	**234**	**156**	**144**	**1 546**	(234)	(8)	**1 304**
Operating profit before depreciation, amortization and impairment (EBITDA)	109	104	(1)	6	**218**	(104)	-	**114**
Operating profit (loss) (EBIT)	57	24	(6)	(24)	**51**	(24)	-	**27**
Capital expenditure and R&D capitalization	21	110	2	-	**133**	(110)	-	**23**

Q2 2018

NOK million	MHWirth	AKOFS Offshore	AGR	Other holdings	Total operating segments	Adjustment of AKOFS Offshore	Eliminations	Total Akastor
External revenue and other income	674	289	47	143	1 153	(280)	-	873
Internal revenue	7	-	-	7	13	-	(13)	-
Total revenue	681	289	47	150	1 167	(280)	(13)	873
Operating profit before depreciation, amortization and impairment (EBITDA)	68	123	10	(8)	193	(115)	-	78
Operating profit (loss) (EBIT)	36	(280)	10	(23)	(257)	288	-	31
Capital expenditure and R&D capitalization	8	(1)	-	1	8	-	-	8

Half year 2019

NOK million	MHWirth	AKOFS Offshore	AGR	Other holdings	Total operating segments	Adjustment of AKOFS Offshore	Eliminati ons	Total Akastor
External revenue and other income	1 900	491	186	289	**2 866**	(491)	-	**2 375**
Internal revenue	16	-	-	3	**19**	-	(19)	**-**
Total revenue	**1 916**	**491**	**186**	**292**	**2 885**	(491)	(19)	**2 375**
Operating profit before depreciation, amortization and impairment (EBITDA)	197	240	1	8	**447**	(240)	-	**206**
Operating profit (loss) (EBIT)	104	79	(4)	(42)	**137**	(79)	-	**58**
Capital expenditure and R&D capitalization	37	254	2	1	**293**	(254)	-	**39**
Net current operating assets (NCOA)	1 099	138	2	(225)	**1 014**	(138)	-	**876**
Net capital employed	2 883	3 520	154	1 157	**7 714**	(2 478)	-	**5 236**

Half year 2018

NOK million	MHWirth	AKOFS Offshore	AGR	Other holdings	Total operating segments	Adjustment of AKOFS Offshore	Eliminati ons	Total Akastor
External revenue and other income	1 401	551	80	258	2 289	(534)	-	1 754
Internal revenue	11	-	-	8	19	-	(19)	-
Total revenue	1 412	551	80	266	2 308	(534)	(19)	1 754
Operating profit before depreciation, amortization and impairment (EBITDA)	137	209	13	(25)	334	(192)	-	141
Operating profit (loss) (EBIT)	72	(273)	13	(55)	(242)	289	-	47
Capital expenditure and R&D capitalization	11	10	-	4	25	-	-	25
Net current operating assets (NCOA)	671	217	(7)	(47)	834	(217)	-	617
Net capital employed	2 347	2 203	12	1 473	6 035	-	-	6 035

NOTE 7 - Revenue from contracts with customers

Revenue from contracts with customer in the scope of IFRS 15 is disaggregated in the following table by major contract and revenue types and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with revenue information as shown in note 6 Operating segments.

Half year 2019

NOK million	MHWirth	AKOFS Offshore	AGR	Other holdings	Adjustment of AKOFS Offshore	Total Akastor
Major contract/revenue types						
Construction revenue	1 052	-	-	84	-	**1 136**
Sale of standard products	389	-	7	72	-	**468**
Service revenue	456	152	179	50	(152)	**685**
Total revenue from contracts with customer	**1 898**	**152**	**186**	**206**	**(152)**	**2 290**
Timing of revenue recognition						
Transferred over time	1 509	152	179	134	(152)	**1 821**
Transferred at point in time	389	-	7	72	-	**468**
Total revenue from contracts with customer	**1 898**	**152**	**186**	**206**	**(152)**	**2 290**
Lease revenue and other income	2	340	-	83	(340)	**85**
Total external revenue and other income in segment reporting	**1 900**	**491**	**186**	**289**	**(491)**	**2 375**

Half year 2018

NOK million	MHWirth	AKOFS Offshore	AGR	Other holdings	Adjustment of AKOFS Offshore	Total Akastor
Major contract/revenue types						
Construction revenue	774	-	-	24	-	798
Sale of standard products	269	-	6	48	-	323
Service revenue	350	178	74	76	(178)	500
Total revenue from contracts with customers	1 393	178	80	148	(178)	1 621
Timing of revenue recognition						
Transferred over time	1 124	178	74	100	(178)	1 298
Transferred at point in time	269	-	6	48	-	323
Total revenue from contracts with customers	1 393	178	80	148	(178)	1 621
Lease revenue and other income	8	373	-	109	(357)	134
Total external revenue and other income in segment reporting	1 401	551	80	258	(534)	1 754

NOTE 8 - NET FINANCIAL ITEMS

NOK million	Second quarter 2019	Second quarter 2018	First half 2019	First half 2018	Full year 2018
Net interest expenses on financial liabilities measured at amortized costs	**(15)**	(18)	**(27)**	(35)	(75)
Net financial charges of lease liabilities	**(9)**	-	**(17)**	-	-
Interest income on debt instruments at FVOCI	**19**	14	**38**	28	61
Profit (loss) from equity-accounted investees	**(54)**	(24)	**(68)**	(50)	(157)
Dividend income from equity instrument	**17**	39	**33**	39	71
Net change in fair value of financial assets at FVTPL	**(12)**	26	**29**	38	(71)
Net foreign exchange gain (loss)	**7**	31	**4**	8	(2)
Other financial income (expenses)	**(6)**	34	**(8)**	26	(26)
Net financial items	**(53)**	103	**(16)**	54	(200)

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified by the levels in the fair value hierarchy. See note 32 *Financial instruments* in Akastor's Annual Report 2018 for more information about valuation methodologies and the group's financial instruments. The estimated fair values of material financial instruments are as below:

NOK million	Fair value hierarchy	Fair value as of June 30, 2019	Fair value as of December 31, 2018
Financial assets measured at fair value			
- Hedging instruments	Level 2	**12**	117
Fair value through P&L (FVTPL)			
- Equity securities	Level 1	**83**	76
- Equity securities	Level 3	**873**	849
- Warrants	Level 3	**50**	33
- Contingent considerations	Level 3	**65**	65
Fair value through Other comprehensive income (FVOCI)			
- Debt instruments	Level 3	**540**	512
Financial liabilities measured at fair value			
- Hedging instruments	Level 2	**(29)**	(210)
- Deferred settlement obligations	Level 3	**(422)**	(408)

NOTE 10 - RELATED PARTIES

All transactions with related parties have been carried out based on arm's length terms. For detailed descriptions of related party transactions, please refer to note 35 Related parties in Akastor's Annual Report 2018.

Aker entities

Below is a summary of transactions and balances between Akastor and the subsidiaries and associates of Aker ASA - referred as "Aker Entities".

Income statement

	First half	
NOK million	2019	2018
Revenue	**90**	82
Operating costs	**(7)**	(19)
Depreciation and impairment	**(16)**	-
Net financial items	**(2)**	-
Included in Net profit from discontinued operations		
- Revenue	**-**	3
- Net financial items	**-**	(112)

Financial position - Assets (Liabilities)

	June 30	December 31
NOK million	2019	2018
Right-of-use assets	**54**	-
Finance lease receivables	**33**	-
Trade receivables	**29**	28
Lease liabilities	**(86)**	-
Trade payables	**(3)**	-

Other related parties

As of June 30, 2019, Akastor has interest-bearing receivables against AKOFS Offshore, a joint venture, amounting to NOK 521 million.

At June 28, 2019, Akastor granted a subordinated loan of NOK 10 million to Aker Pensjonskasse. The loan has maturity in June 2030 with interest rate at 7% p.a.

NOTE 11 - CURRENT OPERATING ASSETS AND LIABILITIES

NOK million	June 30 2019	December 31 2018
Inventories	**654**	548
Trade receivables	**1 214**	1 410
Current tax assets	**4**	4
Derivative financial instruments, assets	**12**	117
Other receivables and assets	**2 172**	1 391
Total current operating assets	**4 056**	3 472
Trade payable	**308**	236
Provisions	**152**	236
Current tax liabilities	**9**	8
Derivative financial instruments, liabilities	**29**	210
Other payables and liabilities	**2 699**	2 498
Total current operating liabilities and provisions	**3 197**	3 189

NOTE 12 - SHARE CAPITAL AND EQUITY

Total outstanding shares are 274 000 000 at par value NOK 0.592 per share. As of June 30, 2019, Akastor ASA holds 2 390 215 treasury shares. The weighted average number of ordinary shares outstanding, adjusted for treasury shares, is 271 486 043 for the first half year ended June 30, 2019.

ALTERNATIVE PERFORMANCE MEASURES

Akastor discloses alternative performance measures as a supplement to the consolidated financial statements prepared in accordance with IFRS. Such performance measures are used to provide an enhanced insight into the operating performance, financing abilities and future prospects of the company. These measures are calculated in a consistent and transparent manner and are intended to provide enhanced comparabilities of the performance from period to period. It is Akastor's experience that these measures are frequently used by securities analysts, investors and other interested parties.

Definitions

EBITDA - Earnings before interest, tax, depreciation and amortization, corresponding to "Operating profit before depreciation, amortization and impairment" in the consolidated income statement.

EBIT - Earnings before interest and tax, corresponding to "Operating profit (loss)" in the consolidated income statement.

Capex and R&D capitalization - a measure of expenditure on PPE or intangible assets that qualify for capitalization

Net current operating assets (NCOA) - a measure of working capital. It is calculated by current operating assets minus current operating liabilities, excluding financial assets or financial liabilities related to hedging activities

Net capital employed - a measure of all assets employed in the operation of a business. It is calculated by non-current assets (excluding non-current interest bearing receivables) and finance lease receivables added by net current operating asset, minus non-current operating liabilities (deferred tax liabilities, employee benefit obligations, other non-current liabilities and total lease liabilities)

Gross debt - Sum of current and non-current borrowings

Net debt - Gross debt minus cash and cash equivalents

Net interesting bearing debt - Net debt minus interest-bearing receivables

Equity ratio - a measure of investment leverage, calculated as total equity divided by total assets at the reporting date

Liquidity reserve - comprises cash and cash equivalents and undrawn committed credit facilities

Order intake - represents the expected contract value from the contracts or orders that are entered into or committed in the reporting period

Order backlog - represents the remaining unearned contract value from the contracts that are already entered into or committed at the reporting date

Reconciliations

The tables below show reconciliations of alternative performance measures to the line items in the consolidated financial statements according to IFRS.

Net current operating assets (NCOA)

NOK million	June 30 2019	December 31 2018
Current operating assets	**4 056**	3 472
Less:		
Current operating liabilities	**3 197**	3 189
Derivative financial instruments	**(17)**	(92)
Net current operating assets	**876**	375

Net capital employed (NCE)

NOK million	June 30 2019	December 31 2018
Total non-current assets	**5 833**	5 077
Net current operating assets (NCOA)	**876**	375
Current finance receivables	**21**	-
Less:		
Non-current interest-bearing receivables	**10**	-
Deferred tax liabilities	**8**	9
Employee benefit obligations	**319**	332
Other non-current liabilities	**496**	556
Total lease liabilities	**661**	-
Net capital employed	**5 236**	4 556

Gross/Net debt/NIBD

NOK million	June 30 2019	December 31 2018
Non-current borrowings	**1 692**	588
Current borrowings	**19**	14
Gross debt	**1 711**	601
Less:		
Cash and cash equivalents	**281**	198
Net debt	**1 430**	403
Less:		
Non-current interest-bearing receivables	**10**	-
Current interest-bearing receivables	**521**	257
Net interest bearing debt (NIBD)	**898**	146

Equity ratio

NOK million	June 30 2019	December 31 2018
Total equity	**4 321**	4 317
divided by Total assets	**10 712**	9 005
Equity ratio	**40 %**	48 %

Liquidity reserve

NOK million	June 30 2019	December 31 2018
Cash and cash equivalents	**281**	198
Undrawn committed credit facilities	**1 022**	2 000
Liquidity reserve	**1 303**	2 198

Financial Calendar
Third quarter results 2019, October 29, 2019.

Contact Information
Leif Borge
Chief Financial Officer

Tel: +47 917 86 291
E-mail: leif.borge@akastor.com
Visiting address: Oksenøyveien 10,
NO-1366 Lysaker, Norway

For more information, please visit
www.akastor.com/investors