

Akastor ASA

First Quarter Results 2019



AKASTOR

Karl Erik Kjelstad (CEO) & Leif Borge (CFO)

Fornebu | 2 May 2019

Presenters and agenda



Karl Erik Kjelstad
Chief Executive Officer

Group highlights

Portfolio companies highlights



Leif Borge
Chief Financial Officer

Financial update

Q&A session

Q1 2019 highlights

Revenue	EBITDA	Net Capital Employed	Net Interest Bearing Debt
NOK 1.1bn	NOK 92m	NOK 4.7bn	NOK 290m

- Revenue of NOK 1.1 billion, 21% percent growth year-on-year
 - Revenue of NOK 258 million from AKOFS Offshore (not consolidated)
- EBITDA of NOK 92 million
 - Including positive effect of IFRS 16 (new leasing standard) of NOK 27 million
 - EBITDA of NOK 136 million from AKOFS Offshore (not consolidated)
- Net interest-bearing debt of NOK 290 million, increase of NOK 144 million in the quarter
 - Excluding net lease liabilities effect from IFRS 16 of NOK 590 million
- First Geo and AGR merger successfully completed in April – will be consolidated from Q2 2019
- In April MHWirth was awarded contract for new drilling equipment package from Keppel FELS, ultimate client Awilco Drilling (first out of three options)

Note: Financial figures for Q1 2019 and onwards include effects of IFRS 16, comparative figures have not been re-stated

Portfolio companies highlights

Akastor portfolio composition

Industrial investments

	<p>100%</p> <p>Leading global provider of first-class drilling systems, products and services</p>
	<p>50%</p> <p>Global provider of subsea well construction and intervention services</p>
	<p>55%¹⁾</p> <p>Global provider of well design and drilling project management, HSEQ, reservoir and field management services</p>
	<p>100%</p> <p>Global provider of solids control and drilling waste management services</p>
	<p>100%</p> <p>Supplier of vapour recovery technology, systems and services to O&G installations</p>

Financial investments

	<p>17%</p> <p>Global O&G manpower specialist</p>
	<p>USD 75m preferred equity</p> <p>International drilling, well service and engineering company with 2 000 employees and operations in more than 20 countries</p>
	<p>50%</p> <p>Company owning 5 mid-sized AHTS vessels operated by DOF ASA</p>
	<p>5.5%</p> <p>Drilling Contractor with two semisubmersible drilling units plus one under construction</p>

1) Economic ownership | 100% legal ownership

Portfolio Highlights Q1 2019



- Still limited newbuilding activity in the market
- Slow recovery of services, stronger demand for upgrading rigs with Digital Technologies
- Revenues of NOK 904 million in Q1, 24% growth year-on-year
- EBITDA of NOK 88 million (including effect of IFRS 16 of NOK 17 million) with a margin of 9.7%



- Low utilization on Skandi Santos due to technical issues
- Steady operations continue for Aker Wayfarer
- Upgrade project for Seafarer proceeding according to plan, start-up operation in H1 2020
- Revenues of NOK 258 million, EBITDA of NOK 136 million (100% basis)



- **NES Global Talent** – Continued strong contract activity, with further increase in total number of contractors
- **Step Oiltools** – Revenue growth of 10% year-on-year with EBITDA margin of 7%
- **First Geo¹⁾** – To be merged with AGR from Q2
- **Cool Sorption** – Solid Q1 financials mainly driven by one large project

1) AGR will be consolidated from Q2 2019

Key drivers in favour of increased investments in offshore

The oil price has rallied +42% YTD...

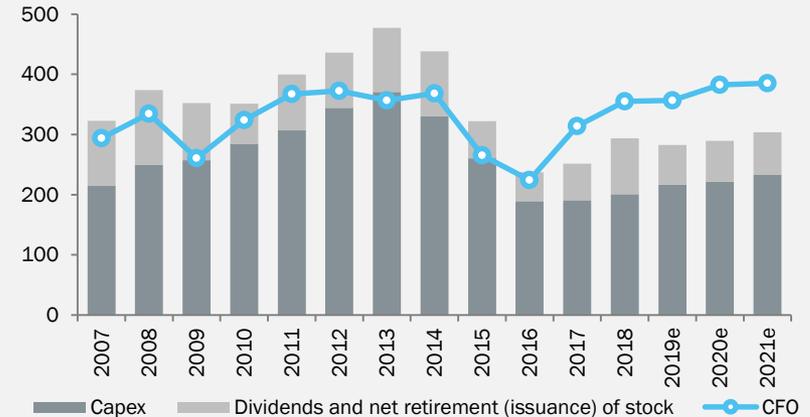
Brent oil price (USD/bbl)



Source: Factset 29.04.2019

...OilCo's has the capital available...

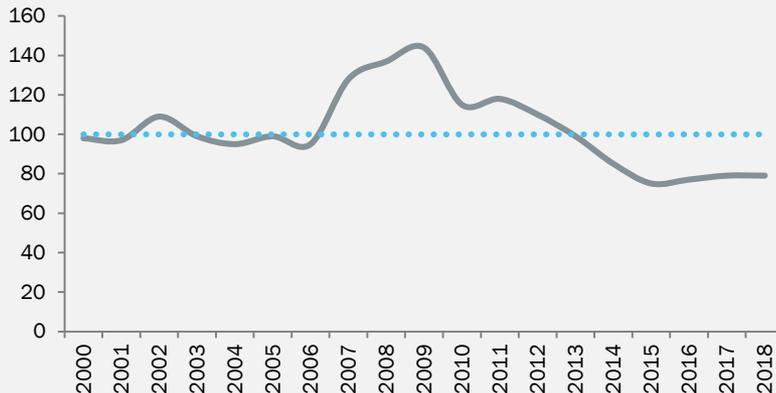
Total cash flows for top 20 listed integrated E&P companies (USDbn)



Source: Factset - consensus estimates

...and motivation for increased spending with declining reservoirs...

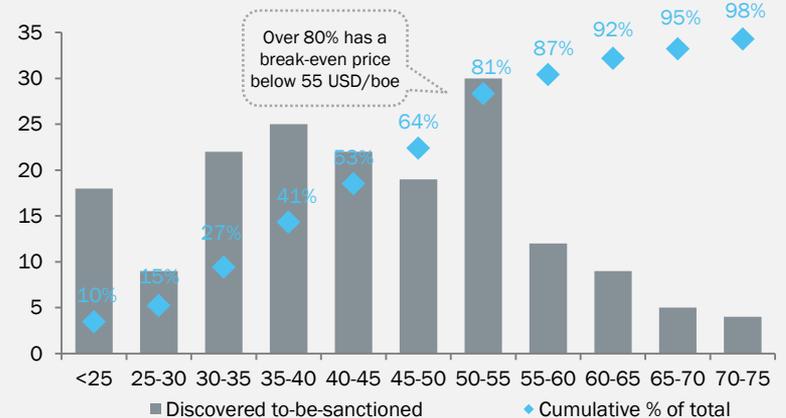
Average 1P reserve replacement ratio (%)



Source: Rystad Energy

...and attractive well economics

Global offshore oil and gas resources (billion boe) to be sanctioned in 2019-2025e



Source: Rystad Energy

Financial update

Financials Q1 2019

NOK million	Q1 2019	Q1 2018
Revenue	1 070	881
EBITDA	92	63
EBIT	31	16
Net financials	37	(49)
Profit (loss) before tax	68	(32)
Tax income (expense)	(6)	(2)
Profit (loss) from continuing operations	62	(34)
Net profit (loss) from disc. operations	-	15
Profit (loss) for the period	62	(19)
Order intake	1 146	1 068
Order backlog	2 756	2 123
NCOA	521	687
Net Capital Employed	4 721	7 196

Q1 2019 highlights

- Revenues up 21% compared with Q1 2018
- EBITDA of NOK 92 million includes effect from IFRS 16 (new leasing standard) of NOK 27 million
- Depreciation of NOK 61 million includes effect from IFRS 16 of NOK 21 million
- Net financial items of NOK 37 million include non-cash items from financial investments of NOK 54 million and net effect from IFRS 16 of NOK 7 million

Note: Financial figures for Q1 2019 and onwards include effects of IFRS 16, comparative figures have not been re-stated

Key financials reconciliation

Revenue (NOK million)	Q1 2019	Q1 2018
MHWirth	904	731
Step Oiltools	58	53
First Geo	30	32
Cool Sorption	60	17
Other	30	54
Elimination	(11)	(6)
Reported Group revenue	1 070	881
AKOFS Offshore (100%)	258	262

EBITDA (NOK million)	Q1 2019	Q1 2018
MHWirth	88	69
Step Oiltools	4	2
First Geo	2	3
Cool Sorption	9	(0)
Other	(10)	(10)
Reported Group EBITDA	92	63
AKOFS Offshore (100%)	136	86

Net financial items (NOK million)	Q1 2019	Q1 2018
Odfjell Drilling	47	-
Awilco Drilling	13	15
NES Global Talent	17	10
DOF Deepwater	(6)	(26)
AKOFS Offshore	(9)	-
Contribution from financial investments	62	(1)
Net interest exp. on external borrowings	(12)	(17)
Net interest exp. on lease liabilities	(8)	-
Net foreign exchange gain (loss)	(3)	(23)
Other financial income (expenses)	(2)	(8)
Net financial items	37	(49)

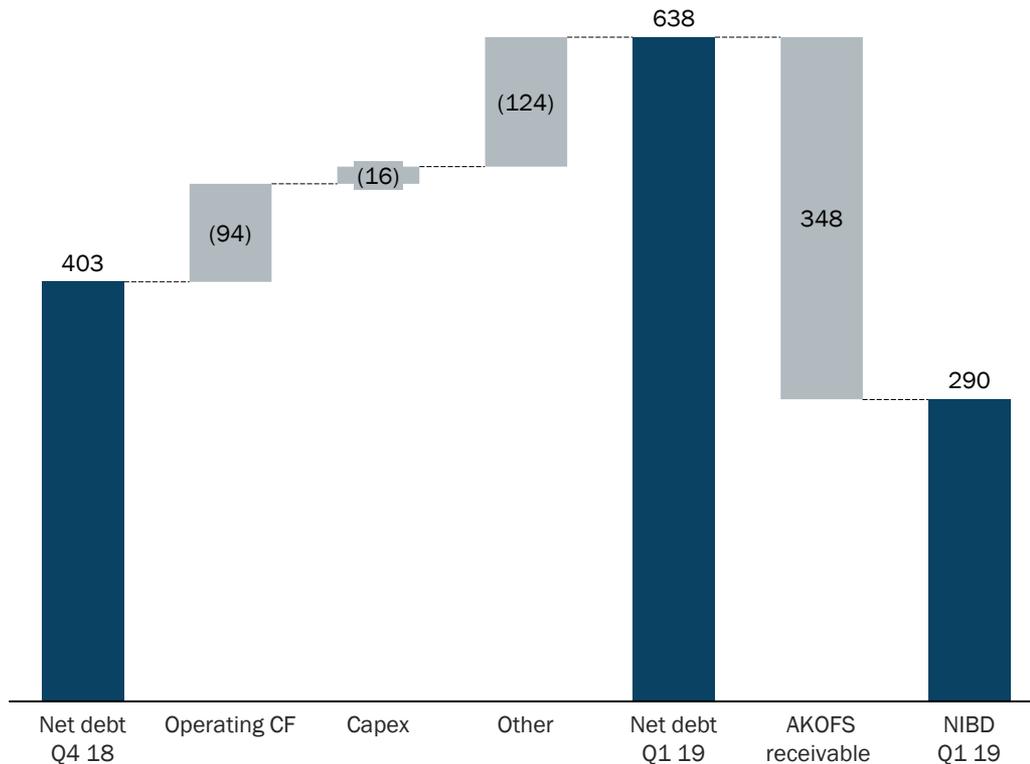
- **Odfjell Drilling:** the result of NOK 47 million includes cash interests of NOK 8 million, PIK interests of NOK 8 million and valuation effects on the warrant structure of NOK 31 million
- **DOF Deepwater and AKOFS Offshore:** the negative results represent 50% of the companies' net profit – depreciation and financial costs explaining the negative results

Note: Financial figures for Q1 2019 and onwards include effects of IFRS 16, comparative figures have not been re-stated

Cash flow and net debt position

Net debt bridge

NOK million



Q1 2019 highlights

- Net interest-bearing debt position increased by NOK 144 million to NOK 290 million
- Other Net Debt increase of NOK 124 million mainly driven by lease payments and funding of Seafarer capex
- Liquidity reserve of NOK 2.0 billion
- Operating CF impacted negatively by increased working capital of NOK 148 million

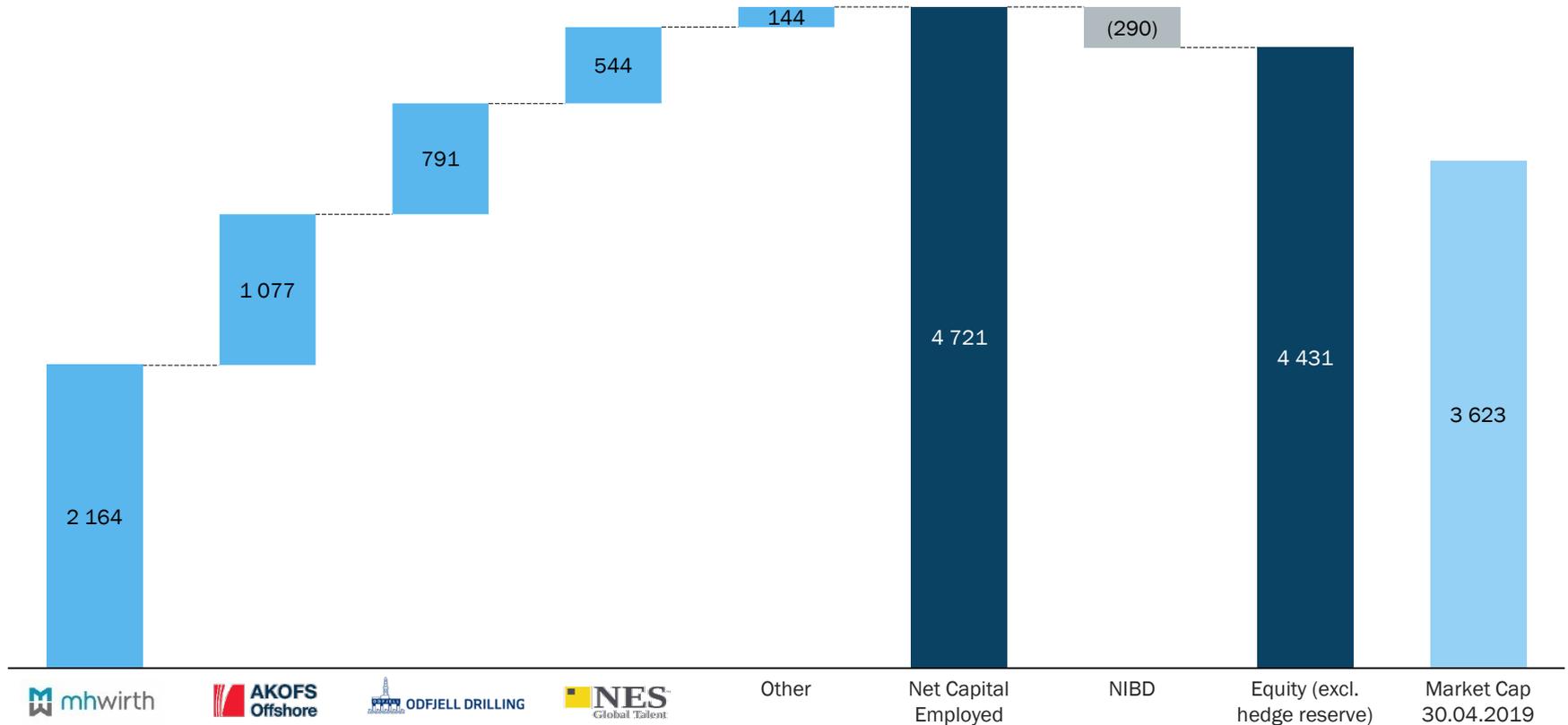
NOK million

Q1 2019

Non-current bank debt	789
Current bank debt	17
Cash and cash equivalents	(167)
Net debt	638
AKOFS receivable	(348)
Net interest bearing debt (NIBD)	290

Net Capital Employed as per Q1 2019

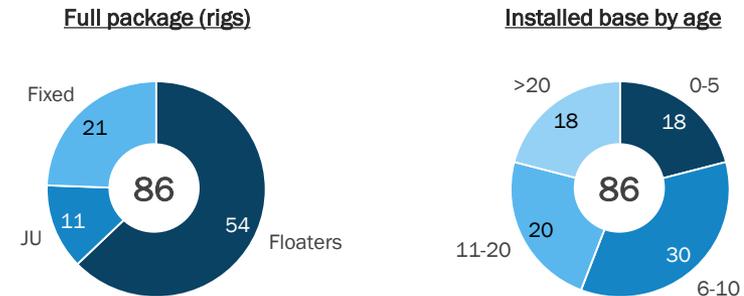
NOK million



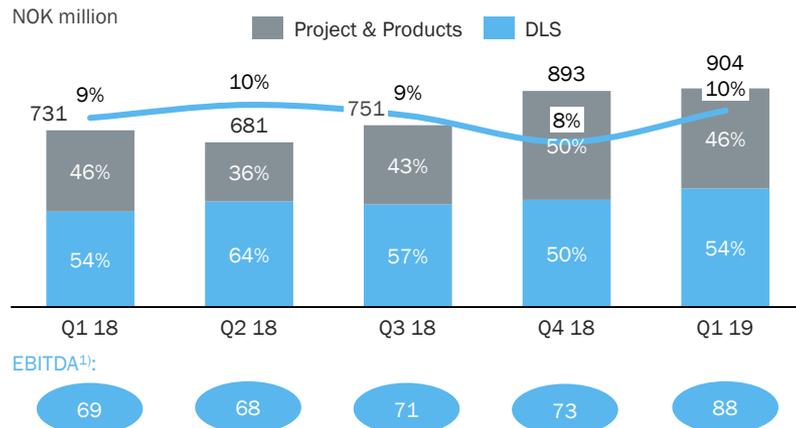
Highlights Q1 2019

- Project & Products revenues for Q1 were NOK 414 million, an increase of 23% compared to last year
- DLS revenues for Q1 were NOK 490 million, an increase of 24% compared to last year
- First quarter EBITDA of NOK 88 million (9.7% margin), including effect of IFRS 16 (new leasing standard) of NOK 17 million
- Order backlog and order intake for the first quarter amounted to NOK 2.4 billion and NOK 1.0 billion, respectively (Awilco II not included in Q1 order intake and backlog)

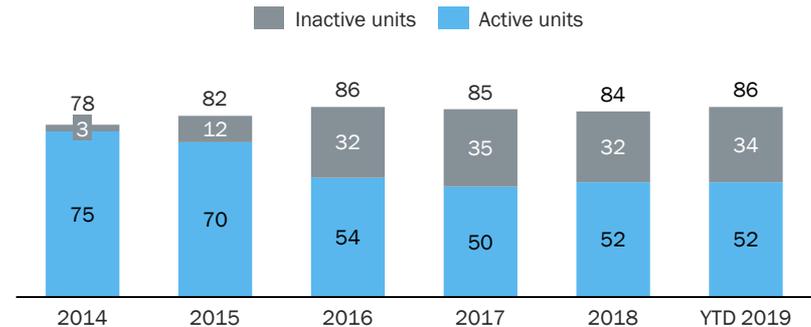
Installed base per Q1 2019



Quarterly development in revenues and EBITDA-margin¹⁾



MHWirth installed base hit turning point mid 2017



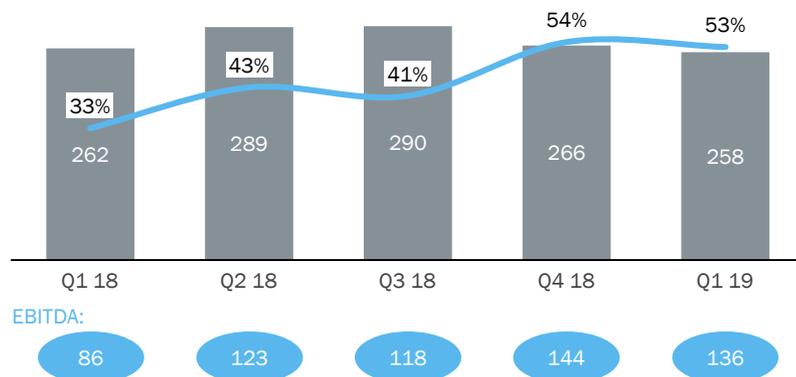
1) Financial figures for Q1 2019 and onwards include effects of IFRS 16, comparative figures have not been re-stated

Highlights Q1 2019

- Revenues for Q1 of NOK 258 million
- EBITDA of NOK 136 million, increase from 2018 mainly due to consolidation of Avium Subsea (which is owned 100% by AKOFS Offshore after the transaction with Mitsui)
- Skandi Santos with low revenue utilization of 76% in the quarter due to several operational issues that continued into April
- Aker Wayfarer continues to have good operational utilization
- Seafarer upgrade ongoing according to plan

Quarterly development in revenues and EBITDA-margin¹⁾

NOK million



1) Figures presented on a 100% basis. Financial figures for Q1 2019 and onwards include effects of IFRS 16, comparative figures have not been re-stated

Fleet overview

Vessels	Loc.	2018	2019	2020	2021
Akofs Seafarer	Norway	Preparation / Yard			Equinor (ends Q1 2025, 3 years option)
Aker Wayfarer	Brazil	Petrobras (ends YE 2022, 5 years option)			
Skandi Santos	Brazil	Petrobras (ends Q2 2020)			



NES Global Talent



Recent development

- Continued strong contract activity, with further increase in total number of contractors
- Growth versus last year driven by solid organic growth as well as acquisitions completed in 2018
- Performance driven by Contract Engineering, but also strong performance within Managed Solutions, driven by growth in specific customer accounts
- Akastor holds ~17% economic interest in NES

Award winning workforce solution specialist

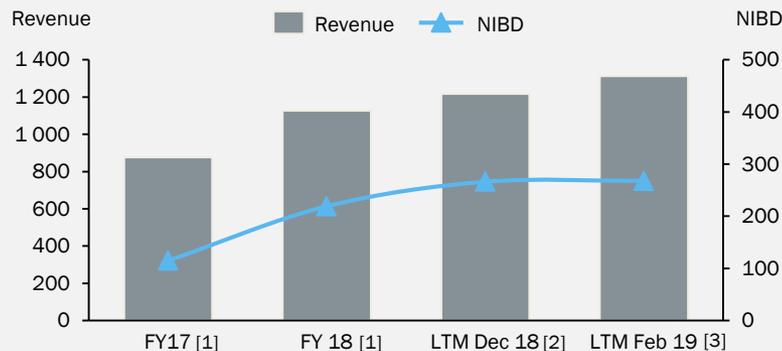
Global organization with local client touch-points through a network of ~50 global locations

Strategically located in most attractive specialist engineering markets

Database of 650,000+ engineer contractors



Financial development (USD million)¹⁾



[1] FY end 31st October [2] LTM per December 2018 [3] LTM per February 2019

1) Figures presented on 100% basis



Contract Engineering

Search, placement and ongoing support of contract engineers

NES charges a margin on contractors salary



Managed Solutions

Outsourced, exclusive global recruitment services

NES' offering includes recruitment process outsourcing, global mobility and consultancy



Permanent Placement

Engineering positions filled on a permanent basis

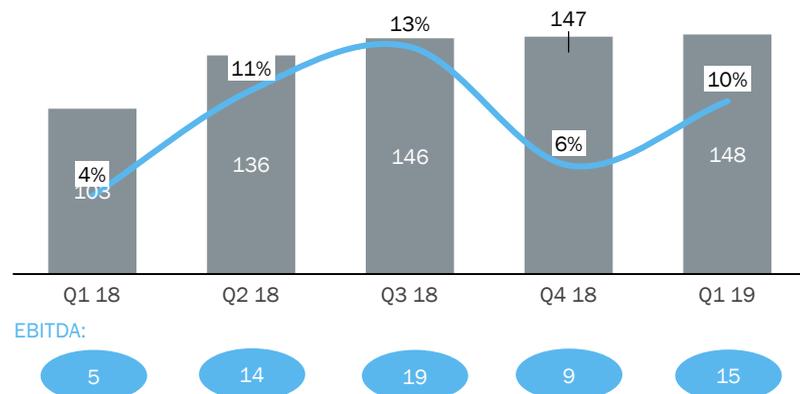
Charge one-time fee of the engineer's annual salary

Other Holdings

Highlights Q1 2019

- Revenues for the first quarter were NOK 148 million, an increase of 45% compared to last year. EBITDA of NOK 15 million, up 10 million from last year
- Step Oiltools:** Revenues in Q1 of NOK 58 million, in line with Q1 2018. EBITDA of NOK 4 million, up NOK 2 million from last year
- First Geo:** Revenue in Q1 of NOK 30 million, down 8% compared with previous year. EBITDA of NOK 2 million
- Cool Sorption:** Revenues in Q1 of NOK 60 million, up NOK 43 million from previous year. EBITDA of NOK 9 million, up NOK 9 million from last year

Quarterly development in revenues and EBITDA-margin¹⁾

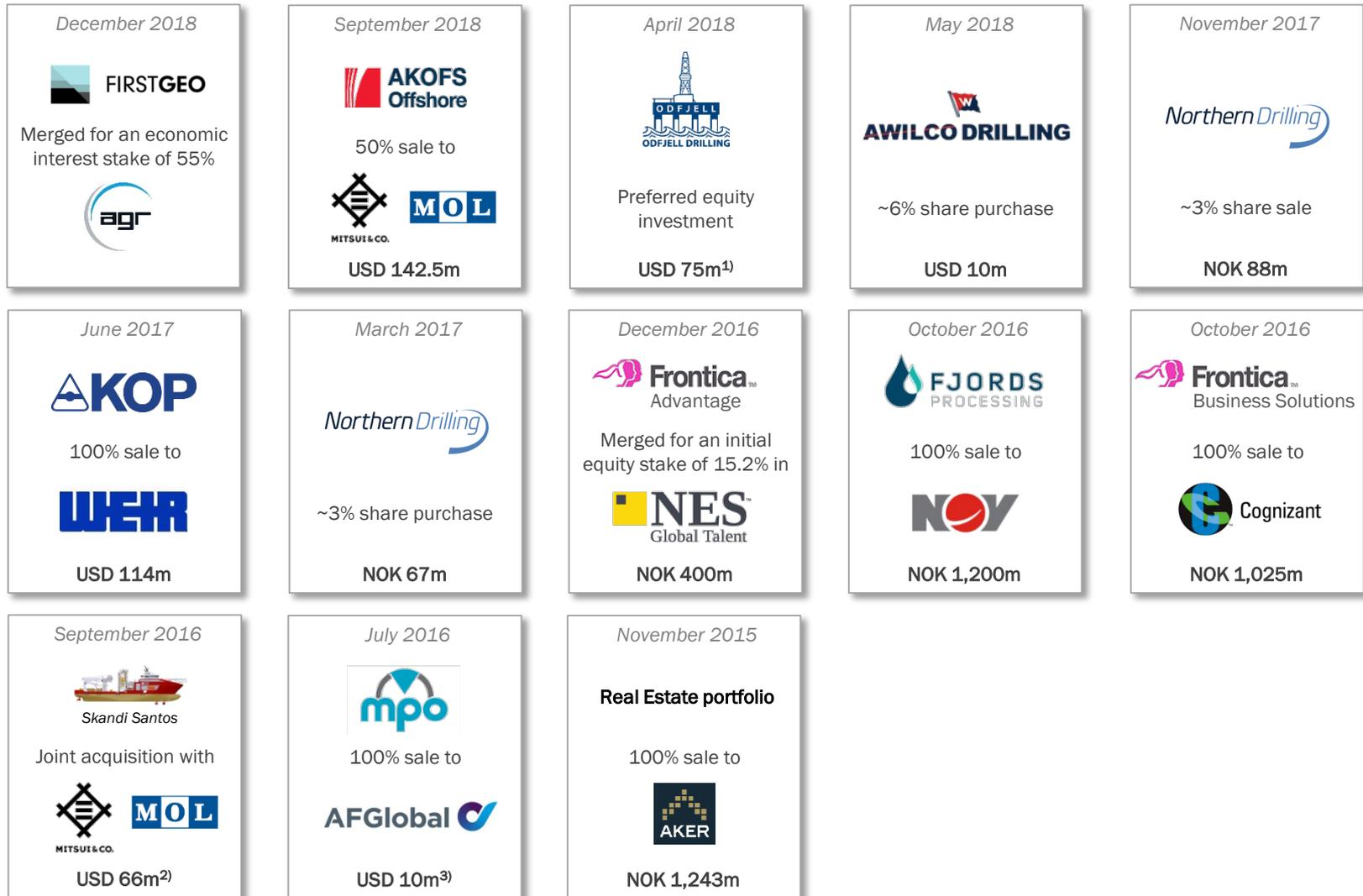


¹⁾ Pro-forma figures for Step Oiltools, First Geo and Cool Sorption. Financial figures for Q1 2019 and onwards include effects of IFRS 16, comparative figures have not been re-stated



Appendix

Transactions track-record since inception in 2014



1) Pref shares USD 75m + warrants 2) cash gain 3) Plus earnout of max USD 65m

ODL preferred equity and warrant instrument



Preferred equity of USD 75m

Instrument description:

- 5% cash dividend + 5% PIK per annum (semi-annual payment)
- Call price: 125% year 2, 120% year 3, 115% year 4, 110% year 5, 105% year 6, 100% thereafter
- Cash dividend step-up: 8.0% p.a. from year 7 and an additional 1.0% step-up per year until a maximum cash dividend of 10.0% p.a.
- Commitment fee of USD 5.75 million to be paid in Q2 2019
- Certain rights and covenants¹⁾ in favor of Akastor

Instrument payment profile:

USDm	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e
Cash Dividend	2.2	3.9	4.1	4.3	4.5	4.8	8.0	9.5	11.0
Acc. PIK	77.2	81.1	85.2	89.5	94.1	98.8	103.8	109.1	114.6
Call price incl. PIK		99.9	100.2	100.8	101.6	102.6	103.8	109.1	114.6
<i>Dividend</i>	5%	5%	5%	5%	5%	5%	8%	9%	10%
<i>PIK interest</i>	5%	5%	5%	5%	5%	5%	5%	5%	5%
<i>Call price</i>	<i>n.a.</i>	125%	120%	115%	110%	105%	100%	100%	100%

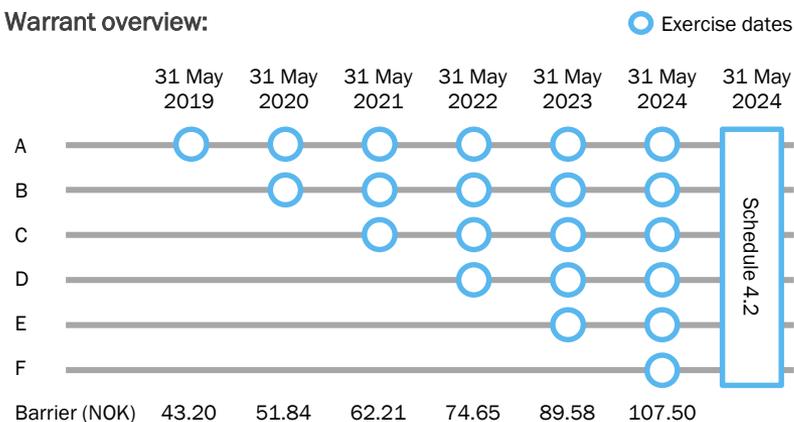
1) The agreement contain several covenants, including but not limited to an obligation not to pay dividends or other distributions exceeding 50% of the net profit from the preceding year (unless a similar portion of the preference capital is repaid prior to the distribution), and in any case not pay dividends or make distributions after year 6. Also the agreement includes a change of control covenant pertaining to restructurings with the effect that Odfjell Partner's shareholding falls below 25%

Warrant structure

Instrument description:

- The total warrant issue comprise six tranches with 987,500 warrants per tranche, amounting to a total 5,925,000 warrants. Furthermore, one warrant can be exercised for one share (1-to-1 ratio) for a price of USD 0.01 per share. Maximum number of share allocation if share price in ODL has increased with 20% p.a.

Warrant overview:



- Schedule 4.2: If any warrants remain unexercised at the ultimate exercise date in 2024, the holder will receive a number of shares determined linearly according to:

$$\text{Remaining warrants} \times \frac{\text{Max}[(\text{Share price @ 31 May 2024}) - 36]}{(107.5 - 36)}$$

Condensed consolidated Income Statement

NOK million	First Quarter		Full Year
	2019	2018	2018
Revenue and other income	1 070	881	3 800
Operating expenses	(978)	(818)	(3 509)
EBITDA	92	63	290
Depreciation, amortization and impairment	(62)	(47)	(181)
Operating profit (loss)	31	16	109
Net financial items	37	(49)	(200)
Profit (loss) before tax	68	(32)	(91)
Tax income (expense)	(6)	(2)	(103)
Profit (loss) from continuing operations	62	(34)	(194)
Net profit (loss) from discontinued operations	-	15	(128)
Profit (loss) for the period	62	(19)	(322)

Note: Financial figures before 01.01.2019 are not restated for IFRS 16

Condensed consolidated statement of financial position

NOK million	March 31 2019	December 31 2018
Deferred tax asset	366	374
Intangible assets	1 258	1 260
Property, plant and equipment	776	825
Right-of-Use assets	496	-
Other non-current assets	62	62
Non-current finance lease receivables	20	-
Equity accounted investees and other Investments	2 622	2 557
Total non-current assets	5 600	5 078
Current operating assets	3 377	3 472
Current interest-bearing receivables	348	257
Current finance lease receivables	27	-
Cash and cash equivalents	167	198
Total current assets	3 920	3 927
Total assets	9 519	9 005
Equity attributable to equity holders of Akastor ASA	4 352	4 317
Total equity	4 352	4 317
Deferred tax liabilities	7	9
Employee benefit obligations	323	332
Other non-current liabilities and provisions	460	556
Non-current borrowings	789	588
Non-current lease liabilities	477	-
Total non-current liabilities	2 056	1 485
Current operating liabilities and provisions	2 935	3 189
Current borrowings	17	14
Current lease liabilities	161	-
Total current liabilities	3 112	3 203
Total liabilities and equity	9 519	9 005

Note: Financial figures before 01.01.2019 are not restated for IFRS 16

Condensed Consolidated Statement of Cash flows

NOK million	First Quarter		Full Year
	2019	2018	2018
Profit (loss) for the period	62	(19)	(322)
(Profit) loss for the period – discontinued operations	-	(15)	128
Depreciation, amortization and impairment – continuing operations	62	47	181
Other adjustments for non-cash items and changes in operating assets and liabilities	(217)	68	327
Net cash from operating activities	(94)	81	315
Acquisition of property, plant and equipment	(1)	(16)	(95)
Payments for capitalized development	(15)	(2)	(36)
Proceeds (payments) related to sale of subsidiaries, net of cash	(1)	(12)	1 103
Cash flow from other investing activities	(98)	(82)	(726)
Net cash from investing activities	(116)	(111)	247
Changes in external borrowings	202	(1)	(411)
Principal payments of lease liabilities	(33)	(21)	(70)
Proceeds from sale of treasury shares	4	-	-
Net cash from financing activities	173	(22)	(481)
Effect of exchange rate changes on cash and cash equivalents	5	52	(50)
Net increase (decrease) in cash and cash equivalents	(31)	-	30
Cash and cash equivalents at the beginning of the period	198	168	168
Cash and cash equivalents at the end of the period	167	167	198

Note: Financial figures before 01.01.2019 are not restated for IFRS 16

Alternative Performance Measures (1 of 2)

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 group.

These measures are calculated in a consistent and transparent manner and are intended to provide enhanced comparability 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.

- **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
- **Order intake** – represents the estimated 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 or orders that are already entered into or committed at the reporting date
- **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 net current operating assets added by non-current assets and finance lease receivables minus deferred tax liabilities, employee benefit obligations, other non-current liabilities and total lease liabilities
- **Gross debt** - sum of current and non-current borrowings, which do not include lease liabilities
- **Net debt** - gross debt minus cash and cash equivalents
- **Net interest-bearing debt (NIBD)** – net debt minus non-current and current 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

Alternative Performance Measures (2 of 2)

NOK million	March 31 2019	December 31 2018
Non-current borrowings	789	588
Current borrowings	17	14
Gross debt	805	601
Less:		
Cash and cash equivalents	167	198
Net debt	638	403
Less:		
Current interest-bearing receivables	348	257
Net interest-bearing debt (NIBD)	290	146

NOK million	March 31 2019	December 31 2018
Total equity	4 352	4 317
Divided by Total assets	9 519	9 005
Equity ratio	46%	48%
Cash and cash equivalents	167	198
Undrawn committed credit facilities	1 788	2 000
Liquidity reserve	1 955	2 198

NOK million	March 31 2019	December 31 2018
Current operating assets	3 377	3 472
Less:		
Current operating liabilities	2 935	3 189
Derivative financial instruments	(79)	(92)
Net current operating assets (NCOA)	521	375
Plus:		
Total non-current assets	5 600	5 078
Current finance lease receivables	27	-
Less:		
Deferred tax liabilities	7	9
Employee benefit obligations	323	332
Other non-current liabilities	460	556
Total lease liabilities	638	-
Net capital employed	4 721	4 556

Key figures

AKASTOR GROUP

NOK million	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	2018
Operating revenue and other income	881	873	955	1 090	1 070	3 800
EBITDA	63	78	87	63	92	290
EBIT	16	31	41	21	31	109
CAPEX and R&D capitalization	17	8	68	37	16	131
NCOA	687	617	547	375	521	375
Net capital employed	7 196	7 461	4 771	4 556	4 721	4 556
Order intake	1 068	1 635	799	980	1 146	4 481
Order backlog	2 123	2 907	2 759	2 692	2 756	2 692
Employees	1 991	1 970	1 790	1 775	1 812	1 775

Note: Financial figures before 01.01.2019 are not restated for IFRS 16

Split per Company (1 of 3)

MHWIRTH

NOK million	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	2018
Revenue and other income	731	681	751	893	904	3 055
EBITDA	69	68	71	73	88	281
EBIT	37	36	39	45	47	156
CAPEX and R&D capitalization	4	8	11	36	16	58
NCOA	782	671	613	405	487	405
Net capital employed	2 499	2 347	2 258	2 113	2 164	2 113
Order intake	724	1 466	640	713	1 013	3 544
Order backlog	1 709	2 504	2 398	2 282	2 394	2 282
Employees	1 437	1 412	1 422	1 424	1 457	1 424

Note: Financial figures before 01.01.2019 are not restated for IFRS 16

Split per Company (2 of 3)

AKOFS OFFSHORE ¹⁾

NOK million	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	2018
Revenue and other income	262	289	290	266	258	1 107
EBITDA	86	123	118	144	136	471
EBIT	7	(280)	78	68	56	(127)
CAPEX and R&D capitalization	11	(1)	54	124	144	188
NCOA	238	217	214	180	76	180
Net capital employed	3 954	3 629	4 778	4 915	4 883	4 915
Order intake	(26)	2 936	42	4	-	2 956
Order backlog	4 340	6 633	6 286	6 250	5 937	6 250
Employees	185	186	190	202	237	202

1) Figures presented on a 100% basis. Akastor's share of net profit from the joint venture is presented as part of "net financial items"

Note: Financial figures before 01.01.2019 are not restated for IFRS 16

Split per Company (3 of 3)

OTHER HOLDINGS

NOK million	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	2018
Revenue and other income	148	197	197	207	178	749
EBITDA	(14)	2	5	(11)	4	(18)
EBIT	(29)	(13)	(8)	(24)	(16)	(74)
CAPEX and R&D capitalization	3	1	2	2	-	8
NCOA	(95)	(54)	(66)	(30)	34	(30)
Net capital employed	743	1 485	1 372	1 357	1 479	1 357
Order intake	345	174	156	267	136	943
Order backlog	416	404	361	408	362	408
Employees	369	372	368	351	355	351

Note: Financial figures before 01.01.2019 are not restated for IFRS 16

Effects from IFRS 16 Leases implementation

Q1 2019

NOK million	MHWirth	Step Oiltools	Real estate and holding companies	Akastor
Revenue and other income	-	-	(8)	(8)
EBITDA	17	1	9	27
Depreciation	(14)	-	(8)	(21)
EBIT	3	1	1	5
Net financial items	(5)	-	(2)	(7)
EBT	(2)	1	(1)	(1)

Note: IFRS 16 Leases is implemented with effect from January 1, 2019. Financial figures from prior periods are not restated. See Note 2 in Akastor's Annual Report 2018 for more information.

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