

Akastor ASA

Second Quarter Results 2019



AKASTOR

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

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Presenters and agenda



Karl Erik Kjelstad
Chief Executive Officer

Group highlights

Portfolio highlights



Leif Borge
Chief Financial Officer

Financial update

Q&A session

2Q 2019 highlights

Revenue	EBITDA	Net Capital Employed	Net Interest Bearing Debt
NOK 1.3bn	NOK 114m	NOK 5.2bn	NOK 898m





- Revenue of NOK 1.3 billion, 49 percent growth year-on-year
 - Revenue of NOK 234 million from AKOFS Offshore (not consolidated)
- EBITDA of NOK 114 million
 - Including positive effect of IFRS 16 (new leasing standard) of NOK 30 million
 - EBITDA of NOK 104 million from AKOFS Offshore (not consolidated)
- Net interest-bearing debt of NOK 898 million, increase of NOK 608 million in the quarter
 - NOK 154 million external debt in AGR (non recourse to Akastor)
 - Acquisition of Bronco Manufacturing cash effect of NOK 269 million
 - Cash Flow from operations negative with NOK 143 million, mainly due to increase in working capital
- MHWirth completes acquisition of Bronco Manufacturing in June 2019, strengthening its onshore aftermarket services

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





Portfolio companies highlights

Akastor portfolio composition

Industrial investments

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

Financial investments

	Global O&G manpower specialist	17%
	International drilling, well service and engineering company with 2 000 employees and operations in more than 20 countries	USD 75m preferred equity
	Company owning 5 mid-sized AHTS vessels operated by DOF ASA	50%
	North Sea Drilling Contractor, owning and operating Harsh Environment Semi-Submersible rigs	5.6%

1) Economic ownership | 100% legal ownership

Portfolio Highlights 2Q 2019



- Solid order intake of NOK 1.6 billion including new drilling equipment package from Keppel FELS (Awilco II)
- Acquisition of Bronco Manufacturing closed in June 2019
- Good activity within Services and Single Equipment, but still limited newbuilding activity
- Revenues of NOK 1 billion in 2Q, 49% growth year-on-year. EBITDA of NOK 109 million (including effect of IFRS 16 of NOK 18 million) with a margin of 10.8%



- Steady operations continue for Aker Wayfarer
- Skandi Santos revenue utilization impacted by planned engine overhaul
- AKOFS Seafarer financing proceeding according to plan and is expected to be completed in 3Q 19
- Revenues of NOK 234 million, EBITDA of NOK 104 million (100% basis)



- **AGR** – Good growth for consulting services in Norway, but slower recovery in other regions
- **Cool Sorption** – Good financial performance in 2Q driven by one large project
- **NES Global Talent** – Continued strong activity level, with total number of contractors increasing steadily
- **Step Oiltools** – Continued steady performance and increased EBITDA from operational efficiency

MHWirth strengthens onshore aftermarket services through acquisition of Bronco Manufacturing

Transaction rationale



Bronco brings MHWirth with an immediate and established presence in the onshore drilling market



Both businesses are complementary with regards to each respective product portfolio and market areas (offshore/onshore)



MHWirth's aim is to increase Bronco's market share globally through utilizing MHWirth's established offshore relationships and to strengthen the position in the US onshore market by leveraging the relationships of MHWirth's new management team



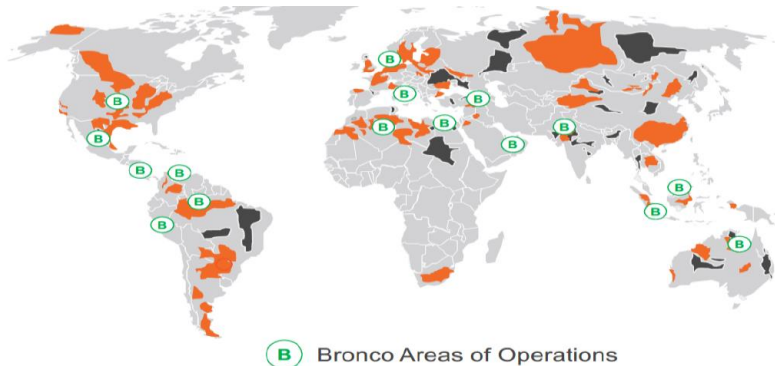
Key areas for cost synergies include efficient use of facilities, improved supply chain management, corporate overhead and optimization of R&D spending

Bronco Manufacturing in brief

About Bronco Manufacturing

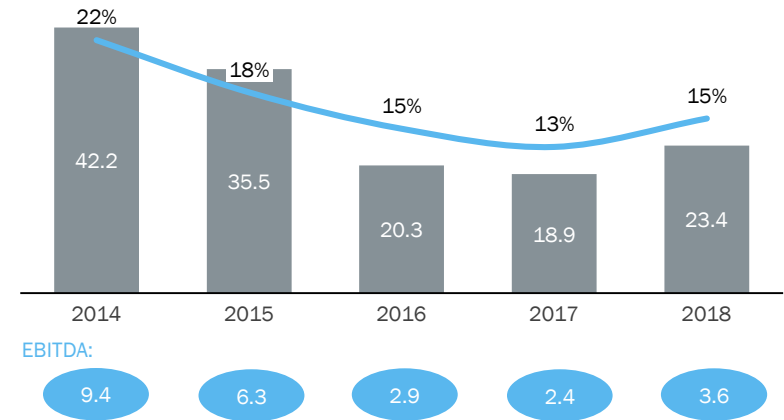
- Founded in 1984 and headquartered in Tulsa (US), Bronco is a leading provider of critical aftermarket solutions and products to the global onshore and offshore drilling market
- Bronco's primary product offering includes components and spare parts for Mud Pumps, Drawworks, Travelling Blocks, Hooks, Swivels, Rotary Tables, Mobile Rig and Iron Roughneck
- Bronco has in-house manufacturing capabilities, engineering and design expertise, global scales of operations, long-standing customer relationships, and a broad product portfolio

Global geographic footprint



Key financials

Revenue (USDm) vs EBITDA margin



Financial update

Financial highlights 2Q 2019

NOK million	2Q 2019	2Q 2018	1H 2019	1H 2018
Revenue	1 304	873	2 375	1 754
EBITDA	114	78	206	141
EBIT	27	31	58	47
Net financials	(53)	103	(16)	54
Profit (loss) before tax	(26)	134	42	102
Tax income (expense)	(12)	(14)	(18)	(15)
Profit (loss) from continuing operations	(38)	121	24	86
Net profit (loss) from disc. operations	(40)	(372)	(40)	(357)
Profit (loss) for the period	(78)	(251)	(16)	(271)
Order intake	1 786	1 635	2 932	2 703
Order backlog	3 529	2 907	3 529	2 907
NCOA	876	617	876	617
Net Capital Employed	5 236	6 035	5 236	6 035

2Q 2019 highlights

- Revenues in 2Q up 49% year-over-year
- EBITDA of NOK 114 million includes effect from IFRS 16 (new leasing standard) of NOK 30 million
- Depreciation, amortization and impairment of NOK 87 million includes effect from IFRS 16 of NOK 35 million
- Net financial items of negative NOK 53 million include net non-cash items from financial investments of NOK 39 million and net effect from IFRS 16 of NOK 7 million

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

Key financials reconciliation

Revenue (NOK million)	2Q 2019	2Q 2018	1H 2019	1H 2018
MHWirth	1 013	681	1 916	1 412
AGR	156	47	186	80
Step Oiltools	76	61	134	114
Cool Sorption	35	28	95	45
Other	33	70	63	124
Elimination	(8)	(13)	(19)	(19)
Reported Group revenue	1 304	873	2 375	1 754
AKOFS Offshore (100%)	234	289	491	551

EBITDA (NOK million)	2Q 2019	2Q 2018	1H 2019	1H 2018
MHWirth	109	68	197	137
AGR	(1)	10	1	13
Step Oiltools	12	1	16	3
Cool Sorption	5	3	14	3
Other	(11)	(4)	(22)	(14)
Reported Group EBITDA	114	78	206	141
AKOFS Offshore (100%)	104	123	240	209

Net financial items (NOK million)	2Q 2019	2Q 2018	1H 2019	1H 2018
Odfjell Drilling	15	52	61	52
Awilco Drilling	(16)	26	(4)	42
NES Global Talent	25	14	41	23
DOF Deepwater	(28)	(24)	(34)	(50)
AKOFS Offshore	(26)	-	(34)	-
Contribution from financial investments	(31)	69	31	67
Net interest exp. on external borrowings	(15)	(18)	(27)	(35)
Net interest exp. on lease liabilities	(9)	-	(17)	-
Net foreign exchange gain (loss)	7	31	4	8
Other financial income (expenses)	(5)	21	(24)	14
Net financial items	(53)	103	(16)	54

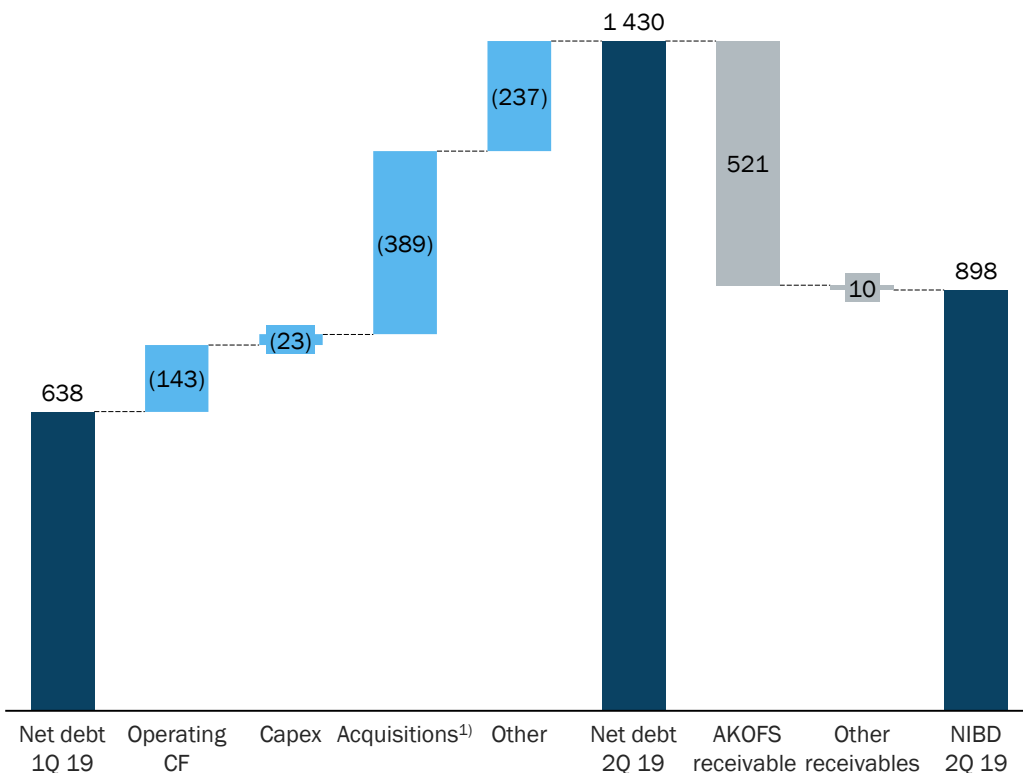
- **Odfjell Drilling:** the result of NOK 15 million includes cash interests of NOK 8 million, PIK interests of NOK 8 million and valuation effects on the warrant structure of negative NOK 2 million
- **DOF Deepwater and AKOFS Offshore:** the negative results represent 50% of the companies' net profit – depreciation, impairment and financial costs explaining the negative results

Note: Financial figures for 1Q 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



¹⁾ Acquisitions include cash effect of NOK 269 million from Bronco acquisition and net debt of NOK 120 million in AGR.

2Q 2019 highlights

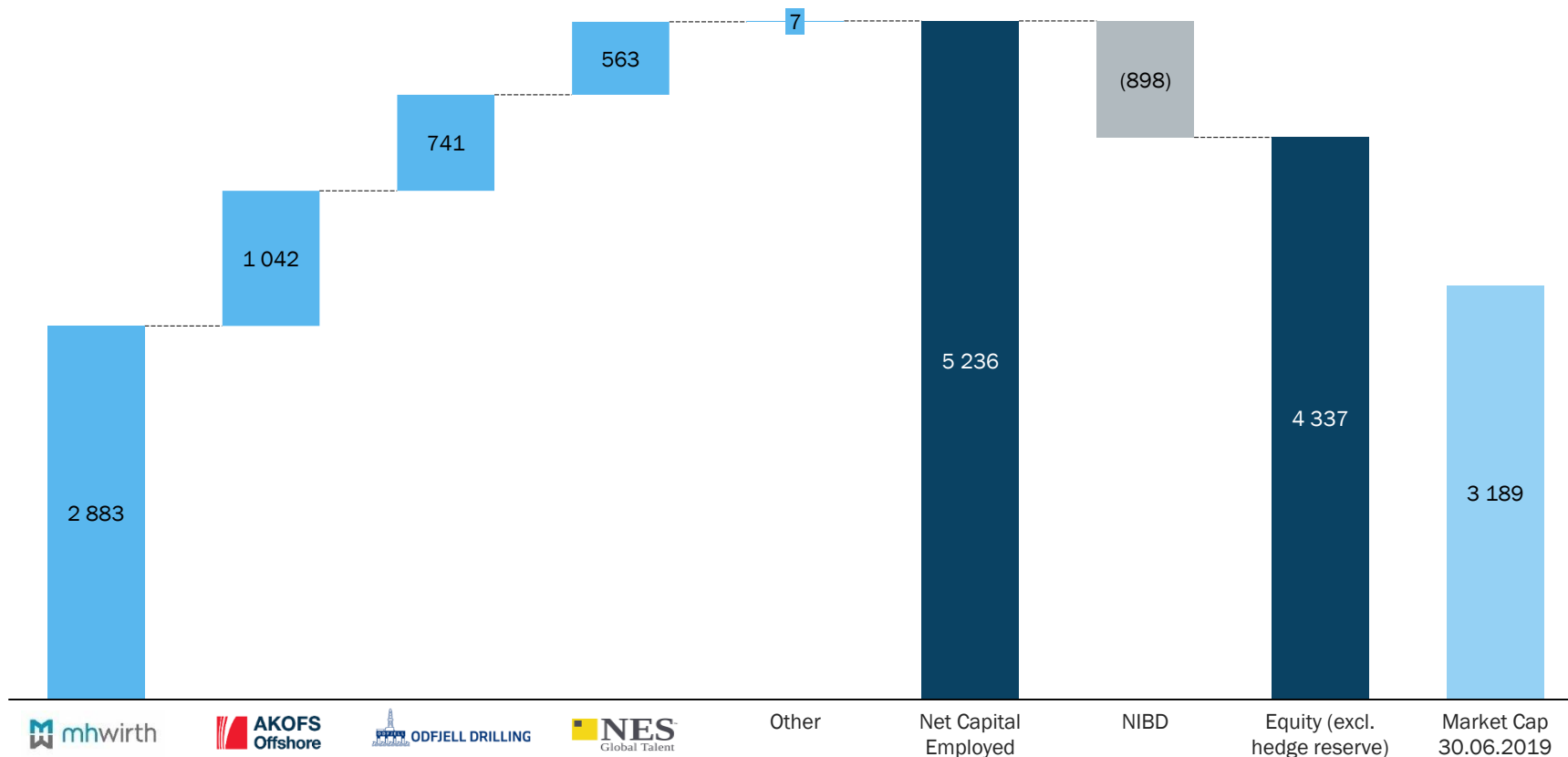
- Net interest-bearing debt position increased by NOK 608 million to NOK 898 million
- Other Net Debt increase mainly driven by lease payments and funding of Seafarer capex
- Liquidity reserve of NOK 1.3 billion
- Operating CF impacted negatively by increased working capital of NOK 354 million

NOK million

	2Q 2019
Non-current bank debt	1 538
Current bank debt	19
Non-recourse AGR debt	154
Cash and cash equivalents	(281)
Net debt	1 430
AKOFS receivable	(521)
Other receivables	(10)
Net interest bearing debt (NIBD)	898

Net Capital Employed as per 2Q 2019

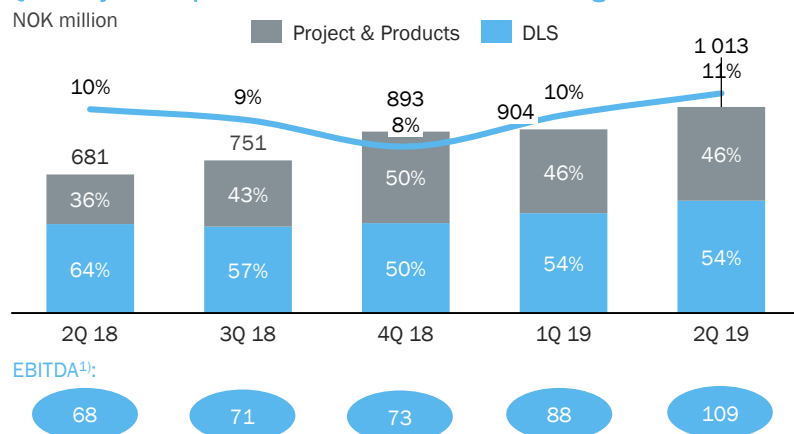
NOK million



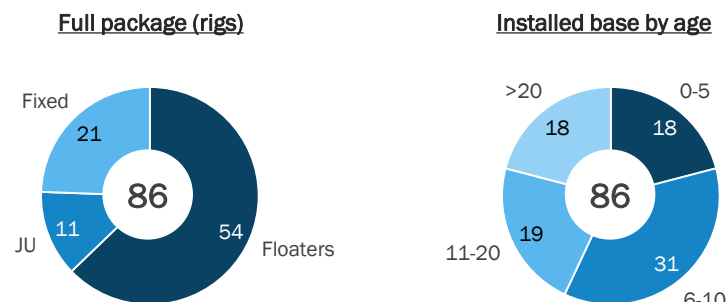
Highlights 2Q 2019

- Project & Products revenues for 2Q were NOK 461 million, an increase of 89% compared to last year
- DLS revenues for 2Q were NOK 552 million (including Digital Technologies), an increase of 26% compared to last year
- Second quarter EBITDA of NOK 109 million (10.8% margin), including effect of IFRS 16 (new leasing standard) of NOK 18 million
- Order backlog and order intake for the second quarter amounted to NOK 3.0 billion and NOK 1.6 billion, respectively
- Revenue and EBITDA contribution from Bronco of NOK 19 million and negative NOK 1 million (net after transaction costs of NOK 5 million), respectively

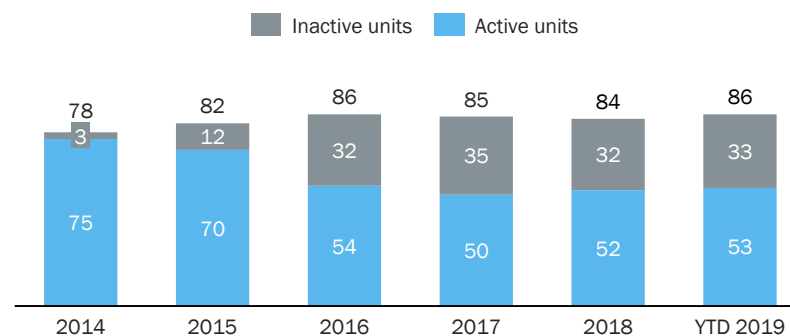
Quarterly development in revenues and EBITDA-margin¹⁾



Installed base per 2Q 2019



MHWirth installed base hit turning point mid 2017



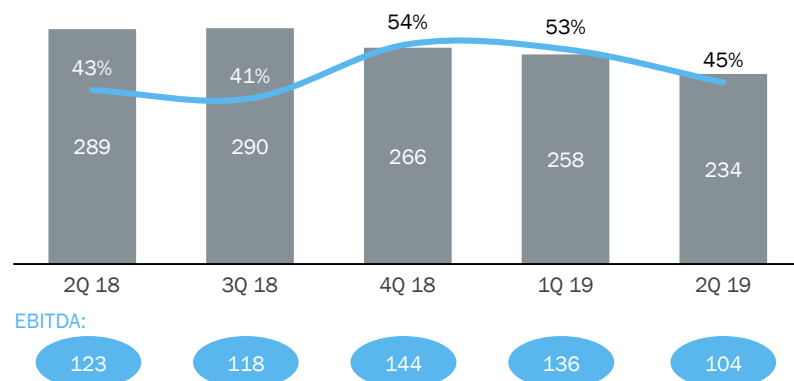
¹⁾ Financial figures for 1Q 2019 and onwards include effects of IFRS 16, comparative figures have not been re-stated

Highlights 2Q 2019

- Revenues and EBITDA for 2Q of NOK 234 million and NOK 104 million, respectively
- Skandi Santos revenue utilization impacted by planned engine overhaul
- Aker Wayfarer continues to have good operational utilization
- AKOS Seafarer financing proceeding according to plan and is expected to be completed in 3Q 2019







Quarterly development in revenues and EBITDA-margin¹⁾

NOK million



¹⁾ Figures presented on a 100% basis. Financial figures for 1Q 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		Preparation / Yard			Equinor (ends 2Q 2025, 3 years option)
 Aker Wayfarer		Petrobras (ends YE 2022, 5 years option)			
 Skandi Santos		Petrobras (ends 2Q 2020)			



NES Global Talent

Recent development

- Continued strong contracting activity, with solid growth in total number of contractors also this period
- Key growth drivers for the last period were Middle East and Americas, as well as the Managed Solutions business area
- Continued focus on diversifying client portfolio, with good growth seen within life sciences and the onshore market
- 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

HQ in Manchester, UK



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

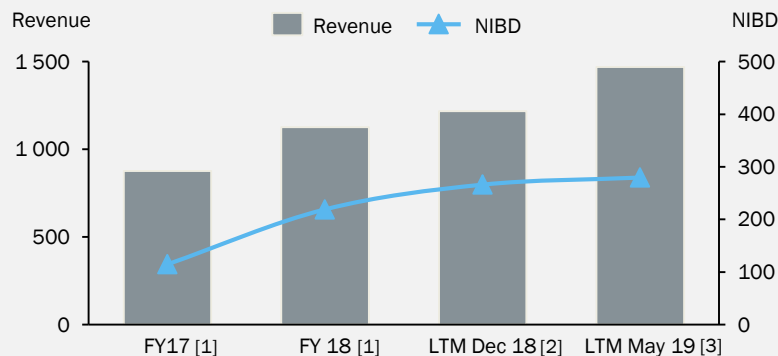


Permanent Placement

Engineering positions filled on a permanent basis

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

Financial development (USD million)¹⁾



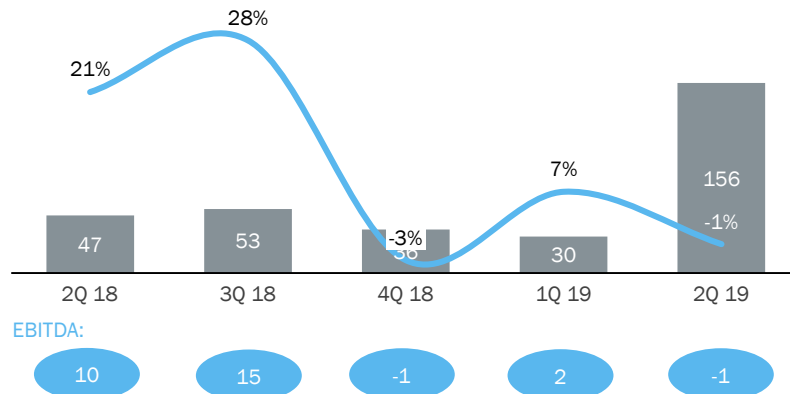
[1] FY end 31st October [2] LTM per December 2018 [3] LTM per February 2019

1) Figures presented on 100% basis

Highlights 2Q 2019





- Revenue and EBITDA in 2Q of NOK 156 million and NOK -1 million, respectively
- Most of AGR business comes from the offshore markets in Norway, UK, GoM 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 has been disappointing so far in 2019
- In other regions the recovery is still slow but expected to increase from a low level

Quarterly development in revenues and EBITDA-margin¹⁾



¹⁾ Financial figures before 2Q 2019 include First Geo only

Key offering

			
Well Management	Reservoir Management	Consulting	Software and other services
World largest independent well management group with ability to deliver complete well management services	Independent reservoir management advice and unique products such as Multi-Client Regional Studies	Recruitment and consultancy solutions in the form of single placement of experienced drilling and engineering personnel	Proprietary in-house developed WM software and other services such as Operational HSEQ, TRACS training and Facilities solutions

Global reach with offering through offices worldwide

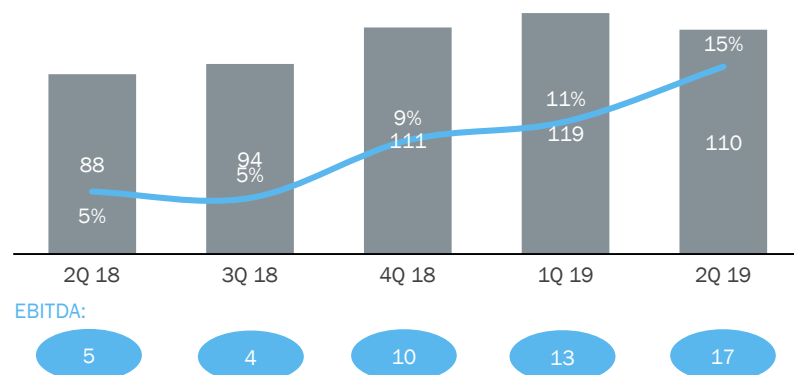


Other Holdings

Highlights 2Q 2019

- Other holdings reported pro-forma consolidated revenue and EBITDA in 2Q of NOK 110 million and NOK 17 million, respectively
- Step Oiltools:** Revenues in 2Q of NOK 76 million, up NOK 15 million from last year. EBITDA of NOK 12 million, up NOK 11 million from last year
- Cool Sorption:** Revenues in 2Q of NOK 35 million, up NOK 7 million from last year. EBITDA of NOK 5 million, up NOK 2 million from last year

Quarterly development in revenues and EBITDA-margin¹⁾



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



Akastor as an investment company

Key priorities

MHWirth

- Further strengthen MHWirth's leading market position with state-of-the-art technologies ready to capitalize on efficiency and automation trend in an improving offshore market
- Ambitious growth agenda, both organically and through M&A

Other portfolio companies

- Improve operational performance and pursue structural opportunities
























Balance Sheet / Capital Allocation

- Continued capital discipline with flexibility to pursue value enhancing M&A opportunities



Appendix

Transactions track-record since inception in 2014

<p>June 2019</p>  <p>100% acquisition of</p>  <p>USD 31.5m</p>	<p>April 2019</p>  <p>FIRSTGEO</p> <p>Merged for an economic interest stake of 55%</p> 	<p>September 2018</p>  <p>AKOFS Offshore</p> <p>50% sale to</p>  <p>MITSUBI & CO.</p> <p>USD 142.5m</p>	<p>April 2018</p>  <p>ODFJELL DRILLING</p> <p>Preferred equity investment</p> <p>USD 75m¹⁾</p>	<p>July 2018</p>  <p>AWILCO DRILLING</p> <p>~6% share purchase</p> <p>USD 10m</p>
<p>November 2017</p>  <p>Northern Drilling</p> <p>~3% share sale</p> <p>NOK 88m</p>	<p>June 2017</p>  <p>KOP</p> <p>100% sale to</p>  <p>WEHR</p> <p>USD 114m</p>	<p>March 2017</p>  <p>Northern Drilling</p> <p>~3% share purchase</p> <p>NOK 67m</p>	<p>December 2016</p>  <p>Frontica Advantage</p> <p>Merged for an initial equity stake of 15.2% in</p>  <p>NES Global Talent</p> <p>NOK 400m</p>	<p>October 2016</p>  <p>FJORDS PROCESSING</p> <p>100% sale to</p>  <p>NOR</p> <p>NOK 1,200m</p>
<p>October 2016</p>  <p>Frontica Business Solutions</p> <p>100% sale to</p>  <p>Cognizant</p> <p>NOK 1,025m</p>	<p>September 2016</p>  <p>Skandi Santos</p> <p>Joint acquisition with</p>  <p>MITSUBI & CO.</p> <p>USD 66m²⁾</p>	<p>July 2016</p>  <p>mpo</p> <p>100% sale to</p>  <p>AFGlobal</p> <p>USD 10m³⁾</p>	<p>November 2015</p> <p>Real Estate portfolio</p> <p>100% sale to</p>  <p>AKER</p> <p>NOK 1,243m</p>	

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 paid in 2Q 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>	n.a.	125%	120%	115%	110%	105%	100%	100%	100%

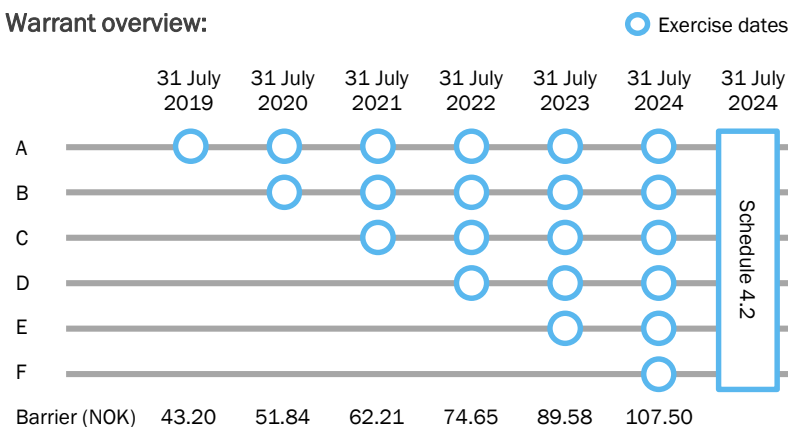
1) The agreement contain several covenants, including but not limited to an obligation not to pay dividends or other distributions exceeding 50% of the net profit from the preceding year (unless a similar portion of the preference capital is repaid prior to the distribution), and in any case not pay 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:

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

Key figures

AKASTOR GROUP

NOK million	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	YTD 2019
Revenue and other income	873	955	1 090	1 070	1 304	2 375
EBITDA	78	87	63	92	114	206
EBIT	31	41	21	31	27	58
CAPEX and R&D capitalization	8	68	37	16	23	39
NCOA	617	547	375	521	876	876
Net capital employed	6 035	4 771	4 556	4 721	5 236	5 236
Order intake	1 635	799	980	1 146	1 786	2 932
Order backlog	2 907	2 759	2 692	2 755	3 529	3 529
Employees	1 970	1 790	1 775	1 812	2 179	2 179

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

Split per Company (1 of 4)

MHWIRTH

NOK million	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	YTD 2019
Revenue and other income	681	751	893	904	1 013	1 916
EBITDA	68	71	73	88	109	197
EBIT	36	39	45	47	57	104
CAPEX and R&D capitalization	8	11	36	16	21	37
NCOA	671	613	655	734	1099	1099
Net capital employed	2 347	2 258	2 363	2 411	2 883	2 883
Order intake	1 466	640	713	1 013	1 599	2 611
Order backlog	2 504	2 398	2 282	2 394	2 985	2 985
Employees	1 412	1 422	1 424	1 457	1 531	1 531

Note:

1) Financial figures before 01.01.2019 are not adjusted for IFRS 16

2) NCOA in 4Q 18 and 1Q 19 has been restated to exclude the provision related to MPO arbitration (included in Other Holdings)

Split per Company (2 of 4)

AKOFS OFFSHORE ¹⁾

NOK million	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	YTD 2019
Revenue and other income	289	290	266	258	234	491
EBITDA	123	118	144	136	104	240
EBIT	(280)	78	68	56	24	79
CAPEX and R&D capitalization	(1)	54	124	144	110	254
NCOA	217	214	180	76	138	138
Net capital employed	2 203	3 371	3 441	3 431	3 520	3 520
Order intake	2 936	42	4	-	-	-
Order backlog	6 633	6 286	6 250	5 937	5 579	5 579
Employees	186	190	202	237	240	240

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 adjusted for IFRS 16

Split per Company (3 of 4)

AGR

NOK million	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	YTD 2019
Revenue and other income	47	53	36	30	156	186
EBITDA	10	15	(1)	2	(1)	1
EBIT	10	15	(1)	2	(6)	(4)
CAPEX and R&D capitalization	-	-	-	-	2	2
NCOA	(7)	(13)	(1)	(2)	2	2
Net capital employed	12	1	14	12	154	154
Order intake	50	23	51	18	81	99
Order backlog	66	37	52	40	260	260
Employees	70	68	65	62	350	350

Financial figures before 01.01.2019 are not adjusted for IFRS 16. Financial figures before 2Q 2019 include First Geo only.

Split per Company (4 of 4)

OTHER HOLDINGS

NOK million	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	YTD 2019
Revenue and other income	150	144	171	148	144	292
EBITDA	(8)	(10)	(10)	2	6	8
EBIT	(23)	(23)	(23)	(18)	(24)	(42)
CAPEX and R&D capitalization	1	2	2	-	-	1
NCOA	(47)	(52)	(279)	(210)	(225)	(225)
Net capital employed	1 473	1 371	1 094	1 221	1 157	1 157
Order intake	125	133	215	118	108	226
Order backlog	338	324	356	322	284	284
Employees	302	300	286	293	298	298

Note:

- 1) Financial figures before 01.01.2019 are not adjusted for IFRS 16
- 2) Other holdings has been restated (excluding First Geo which is consolidated into AGR)
- 3) NCOA in 4Q 18 and 1Q 19 has been restated to include the provision related to MPO arbitration (previously included in MHWirth)

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