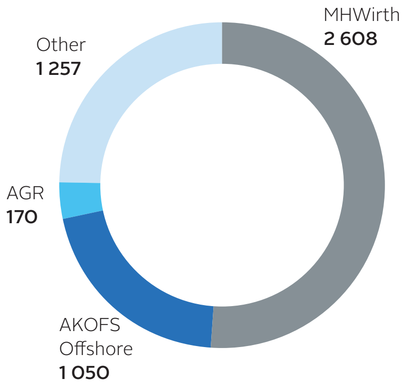
AKASTOR

2019 ANNUAL REPORT

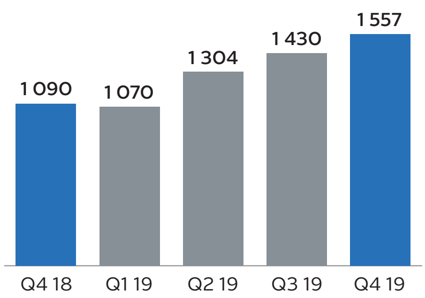
KEY FIGURES

Results and orders (NOK million)	2019	2018
Revenue and other income	**5 361**	3 800
EBITDA	**492**	290
EBITDA margin (percent)	**9.2**	7.6
Net profit (loss) from continuing operations	**147**	(194)
Net profit (loss)	**93**	(322)
NIBD	**692**	146
Equity ratio (percent)	**41**	48
Order intake	**5 250**	4 481
Order backlog	**3 166**	2 692
Share (NOK)		
Share price December 31	**9.94**	13.1
Basic/ Diluted earnings per share	**0.37**	(1.19)
Employees (Full time equivalents)		
Employees including hired-ins	**2 272**	1 775
Health and Safety		
Lost time incident frequency (per million worked hours)	**0.8**	1.6
Total recordable incident frequency (per million worked hours)	**1.5**	2.2
Sick leave rate (percent of worked hours)	**2.4**	2.6

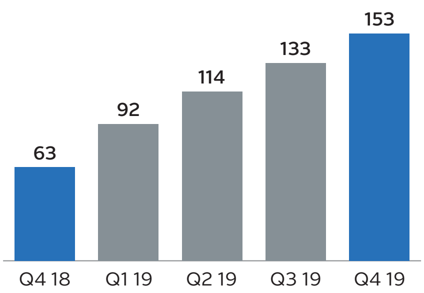
Net capital employed
NOK million



Revenue
NOK million



EBITDA
NOK million



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01. BOARD OF DIRECTORS' REPORT

Akastor ASA (hereinafter referred to as Akastor) is an investment company based in Norway with a portfolio of companies in the oilfield services sector, with a flexible mandate for active ownership and long-term value creation. The shares of Akastor are traded on the Oslo Stock Exchange under the ticker AKA. The Akastor portfolio of companies had a total net capital employed of NOK 5.1 billion at the end of 2019.

Highlights 2019

2019 has been a year of transition where decisions and transactions have been taken with a strategic focus on positioning Akastor's companies and assets for value creation in the years to come.

In February, management of MHWirth was strengthened by the appointment of Eirik Bergsvik as new CEO and Merrill A. "Pete" Miller Jr. as new Chairman of the board. This represents a change in strategy for MHWirth with an ambition to expand the company through a combination of organic growth and M&A, which in turn will expand its portfolio of services and position the company to increase its market shares in a continuing competitive market for an eventual market recovery.

In April, the merger between First Geo and AGR was completed. As announced in December 2018, the ambition with this merger is to create a leading provider of well-, reservoir- and software services for the offshore drilling market.

In February, Darrel Krieger was appointed as new CEO of Step Oiltools and in May, Tine Høj Andersen was appointed new CEO of Cool Sorption.

In June, following the growth strategy announced earlier in the year, MHWirth announced its first acquisition in several years. Bronco Manufacturing LLC (Bronco), a leading provider of critical aftermarket solutions and products to the global onshore and offshore drilling market, was acquired for a total consideration of USD 31.5 million.

In October, AKOFS Offshore completed a NOK 890 million non-recourse financing agreement for the upgrading of the AKOFS Seafarer vessel, which is required to prepare the vessel for the five-year light well intervention service (LWI) contract with Equinor that will commence during first half 2020.

In November, Øyvind Paaske was appointed as Chief Financial Officer in Akastor effective from March 1, 2020.

Akastor's total revenue increased from NOK 3.8 billion in 2018 to NOK 5.4 billion in 2019, an increase of 41 percent. Approximately NOK 600 million of the revenue growth came from the acquisitions of AGR and Bronco. The remaining revenue growth was organically driven, most of it through MHWirth, reflecting the competitive strength of this company in a market which continues to be challenging.

Company Overview

The largest shareholder of Akastor is Aker Kværner Holding AS with a shareholding of 40.3 percent, which is 70 percent owned by Aker ASA and 30 percent by the State of Norway government. Aker ASA also has a direct shareholding in Akastor of 8.5 percent.

Akastor is primarily focused on the oilfield services sector. The portfolio in 2019 covers a range of industrial holdings in this sector, including:

- MHWirth, which provides drilling systems and lifecycle services. Ownership interest is 100 percent.
- AKOFS Offshore, a subsea well installation and intervention services provider. Ownership interest is 50 percent.
- AGR, which delivers well-, reservoir- and software services to the offshore drilling industry. Economic interest is 55 percent.
- Step Oiltools, a drilling waste management company. Ownership interest is 100 percent.
- Cool Sorption, a supplier of vapour recovery units and systems. Ownership interest is 100 percent.

Each Akastor portfolio company is organized as an independent business which is self-sufficient and with its own dedicated management team fully responsible for all aspects of its operational activities. All portfolio companies have separate boards of directors, consisting of appointed Akastor investment managers, including, for some companies, external board members and employee representatives. This governance model provides for strong management of operational activities and a good foundation for close cooperation between Akastor, the portfolio companies and their employees.

In addition to its portfolio of industrial holdings, Akastor has several financial investments, including:

- DOF Deepwater, owns and operates five offshore vessels. Ownership interest is 50 percent.
- NES Global Talent, a technical and engineering staffing company. Economic interest is 17.7 percent.
- Odfjell Drilling, preferred equity instrument with carrying amount of USD 81.1 million plus a warrant structure of up to 5.9 million shares.

- Awilco Drilling, ownership interest is 5.6 percent.

The Akastor corporate organization is based at Fornebu, just outside of Oslo in Norway, with a team of 16 employees, working closely with the boards and management of its portfolio companies.

Akastor has a total of 2 272 employees (inclusive hired-ins) with presence in approximately 20 countries at year-end 2019.

Strategy

Akastor is an investment company, employing an independent approach for each portfolio company to optimize its development potential. Akastor aims to create long-term value for its shareholders through active development of its portfolio companies as stand-alone businesses, while maintaining the flexibility to be opportunistic. Akastor works closely with each portfolio company's management to make decisions on operational activity, business development, acquisitions and divestments to maximize the value of the company. Each portfolio company develops and executes independent value creation plans in close cooperation with the Akastor investment team. As an owner, Akastor emphasizes understanding the portfolio companies' markets and challenges in depth, in order to evaluate current valuation versus future potential.

The business models of the portfolio companies are decentralized with each entity being self-sufficient, but as part of the Akastor portfolio, all companies share a common foundation based on Akastor's values, governing documents and compliance structure.

Akastor seeks to maximize value by combining strategic, operational and financial measures. Akastor's strategy as an investment company is to generate an acceptable return on existing investments. Further investments may be made in the existing portfolio companies in order to strengthen the companies and prepare for a future exit. The ultimate goal is to return the capital to the shareholders of Akastor upon divestments of assets, but at the same time ensure that Akastor has a solid capital structure.

Market Outlook

Akastor's portfolio companies operate mainly in the oilfield services industry. During 2019, the market fundamentals improved somewhat due to increased activity and investment levels of the oil companies which in turn led to a higher activity level for Akastor. In addition to a higher level of activity in general, implementation of new technological solutions also impacted several of the companies positively. However, the market for oilfield services remains competitive and challenging with continued over-capacity in certain market segments, such as offshore drilling, offshore vessels and subsea well intervention.

Since the downturn started in 2014, Akastor has focused on reducing costs and developing more efficient technological solutions. Over the last two years, MHWirth has successfully installed its digital solutions on several drilling rigs, optimizing the operations of the drilling equipment. Further, new business models for services have been implemented with positive effects both for the clients and MHWirth. As an active owner, Akastor will continue to work closely with its portfolio companies to increase competitiveness, through focusing on maintaining a flexible and lean cost base while at the same time continuing development of new technology and solutions for clients. Akastor aims to position its companies for growth in both current and new markets through providing financial capacity for potential business opportunities.

Through the first months of 2020, the global financial markets and in particular the global energy sector have experienced significant turmoil. The outbreak of the COVID-19 virus, declared as a global pandemic by World Health Organization, has caused significant disruption to the global economy through reduced industrial activity, extensive travel restrictions and mandatory quarantines. Akastor has implemented measures to minimize the spread of the virus and mitigate substantial disruptions to operations throughout its portfolio. Further, oil prices fell sharply in the beginning of March 2020 adding additional pressure on the global economy. It is expected that the outbreak of the COVID-19 virus will have significant negative impact on the global economy and the operational activities in Akastor's portfolio companies in 2020. The financial impact as a result of these events is currently uncertain as it is difficult to predict the duration of the virus outbreak and the long-term impact on the financial markets and the industrial activity level. From an accounting perspective, these factors could impact future assessments of recoverable amounts of Akastor's assets if the current volatility results in a negative long-term market outlook.

Group Financial Performance

Akastor presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The new lease standard IFRS 16 was implemented as of January 1, 2019, while the comparable financial information was not restated.

All amounts below refer to the consolidated financial statements for the group, unless otherwise stated.

Income Statement

Revenue and other income for 2019 increased by 41 percent to NOK 5 361 million. The acquisitions of AGR and Bronco contributed revenue growth of NOK 601 million. Operating profit before interest, tax, depreciation and amortization (EBITDA) increased by NOK 201 million to NOK 492 million. The new lease standard IFRS 16 had a positive impact on EBITDA of NOK 124 million for 2019.

Depreciation, amortization and impairment was NOK 270 million in 2019, compared to NOK 181 million in the previous year. This includes depreciation and impairment of right-of-use assets (IFRS 16 impact) of NOK 104 million in 2019.

Net financial expenses were NOK 30 million in 2019 compared to NOK 200 million in the previous year. The net financial expenses included Akastor's share of net loss of NOK 160 million from the equity-accounted investees DOF Deepwater and AKOFS Offshore, dividend income of NOK 69 million from equity investment, unrealized gain of NOK 37 million in fair value changes of financial investments, as well as accounting gain of NOK 99 million related to currency translation differences of liquidated foreign entity. In addition, net financial items in 2019 included net financial charges on leases of NOK 34 million.

The pre-tax profit for the year was NOK 191 million, compared to a loss of NOK 91 million the previous year.

The income tax expenses for 2019 were NOK 44 million, compared to a tax expense of NOK 103 million in 2018. The effective tax rate is impacted by several items, such as impairment of deferred tax assets, non-tax-deductible items as well as mix of revenue generated in various jurisdictions.

Net profit from continuing operations was NOK 147 million, while net loss from discontinued operations was NOK 54 million. The net loss from discontinued operations was mainly related to 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. The group had an operating profit of NOK 93 million for the year.

The board of directors has resolved to propose to the annual general meeting that no dividend is distributed for 2019.

Financial Position

Total assets of Akastor amounted to NOK 10.6 billion as of December 31, 2019, compared with NOK 9.0 billion at year-end 2018. The increase is mainly related to acquisition of AGR and Bronco, as well as the recognition of right-of-use assets of NOK 537 million due to implementation of IFRS 16.

Net debt (excluding lease liabilities from IFRS 16) was NOK 893 million at the end of the period, while net interesting-bearing debt (NIBD) was NOK 692 million. NIBD was increased in the year, partially explained by financing of acquisition of Bronco Manufacturing and AGR's bank debt (non-recourse to Akastor) of NOK 161 million.

Total equity amounted to NOK 4.4 billion at year-end 2019, of which non-controlling interests were NOK 18 million. The equity ratio was 41 percent as of December 31, 2019, decreased from 48 percent in 2018.

Cash Flow

As of December 31, 2019, Akastor had cash of NOK 555 million, compared to NOK 198 million in 2018. The net cash flow from operating activities was positive NOK 406 million, compared to operating cash flow of NOK 315 million in the previous year. The positive cash flow from operating activities comprises of net cash inflow from operating activities of NOK 541 million offset by net payments of NOK 135 million for interest costs and income tax. Net payments related to leases of NOK 121 million were not included in the operating cash flow after implementation of IFRS 16.

Net cash flow from investing activities was negative NOK 555 million, compared to positive cash flow of NOK 247 million in 2018. The cash flow from investing activities included acquisition consideration for Bronco and payments related to contingent considerations from divestments in previous years. Capex investments were NOK 127 million compared to NOK 131 million in 2018.

Net cash flow from financing activities amounted to positive NOK 517 million and included payment of lease liabilities of NOK 151 million.

Going Concern

The world is currently in the middle of the COVID-19 outbreak, and how this will unfold remains uncertain. Akastor is continuously monitoring the development and will continue to take measures to mitigate the negative impacts for the company, including measures required to meet restrictions from governmental authorities. However, there is a risk that the COVID-19 outbreak may have substantial negative effects on the global economy which are worse than current estimates, in which case this will also have increased negative effects on Akastor.

The COVID-19 outbreak gives higher uncertainty for the going concern assumption for most companies. This is also the case for Akastor. Although the uncertainty has increased, the current assessment is that the entity has the ability to meet the mandatory terms and conditions of its banking facilities. Therefore, in accordance with the Norwegian Accounting Act, the board of directors confirms that the going concern assumption, on which the consolidated financial statements have been prepared, is appropriate.

Subsequent events

In March 2020, the outbreak of the COVID-19 virus was declared as a global pandemic by the World Health Organization. Norway, together with many other countries, have taken national emergency measures in attempt to contain the spread of the virus, including extensive mandatory quarantines and travel restrictions. MHWirth sent out warning notice of temporary layoffs to all employees in Norway, as reduced industry activity level is expected in the coming periods. The detailed plan for temporary layoffs is currently under preparation.

The outbreak of COVID-19 virus is expected to have significant negative impact on the global economy and the group's operational activities in 2020. The financial impact to the group is currently uncertain as the duration of pandemic cannot be estimated reliably.

The Akastor Portfolio

MHWirth

MHWirth is a global provider of drilling solutions, engineering, projects, equipment and services. MHWirth has activities on five continents with presence in 14 countries. At year-end 2019, the company employed 1 543 people; 55 percent of the workforce is employed in Norway. The company's operations are divided in five main business areas: Projects, Drilling Equipment, Drilling Lifecycle Services, Digital Technologies and Engineering Services. MHWirth is Akastor's largest portfolio company both in terms of sales revenue and employees.

Key Figures

Amounts in NOK million	**2019**	2018
Revenue and other income	**4 187**	3 055
EBITDA	**476**	281
EBIT	**315**	156
CAPEX and R&D capitalization	**115**	58
NCOA	**629**	655
Net capital employed	**2 608**	2 363
Order intake	**4 276**	3 544
Order backlog	**2 367**	2 282
Employees (FTE)	**1 543**	1 424

The revenue for 2019 of NOK 4 187 million was up 37 percent from 2018. NOK 123 million of the revenue growth came from the acquisition of Bronco while the remaining was organic growth. Revenues from Projects and Drilling Equipment increased with around 40 percent to NOK 1 829 million in 2019, largely due to strong order intake from single equipment sales to offshore, onshore and non-oil market segments. Revenues from Drilling Lifecycle Services, Digital Technologies and Engineering Services increased with 39 percent to NOK 2 358 million, explained by strong growth in digital technologies, acquisition of Bronco as well as increased service activity of the clients in general. The number of active rigs with complete drilling packages from MHWirth increased slightly to 53 rigs on average through 2019. EBITDA increased from NOK 281 million in 2018 to NOK 476 million in 2019, including improvement of NOK 69 million due to implementation of IFRS 16. The EBITDA margin ended at 11.4% for 2019.

The offshore drilling market improved somewhat during 2019, but remains challenging and is still suffering from overcapacity of offshore drilling rigs. In April, MHWirth signed the second contract for a complete drilling package to be delivered to Keppel Fels, for construction of a midwater semi-submersible with Awilco Drilling as the ultimate client. This was the first out of three options that were included in the contract for the first unit signed in 2018. The order intake from Drilling Equipment improved in 2019, driven both by oil and non-oil segments. Total order intake in MHWirth ended at NOK 4.3 billion, compared with NOK 3.5 billion in 2018. The order backlog was NOK 2.4 billion at the end of 2019.

Since the downturn started in 2014, the number of employees has been reduced substantially and other cost cuts have also been made in order to adjust capacity and costs to a new activity level. In 2019, the workforce increased from 1 424 to 1 543 employees, partially as a result of the Bronco acquisition and partially reflecting an increased activity level. The focus from customers on making the drilling equipment more efficient continued in 2019, thereby reducing energy consumption and the costs of drilling a well, as well as reducing the service costs of the equipment. Several new orders were placed for digital solutions including the DEAL (Drilling Equipment Automation Layer) interface and several software solutions for automation of operations onboard the rigs. As per end of 2019, eight rigs were equipped with the DEAL system, with another six systems to be installed.

In March 2020, MHWirth sent out warning notice of temporary layoffs to all employees in Norway as activity level is expected to be reduced due to the outbreak of the COVID-19 virus. The company is monitoring the situation closely and taking necessary measures to mitigate business disruptions and risks.

Akastor aims to develop MHWirth business going forward both through organic growth and M&A, and with focus both on the offshore and onshore drilling markets globally.

AKOFS Offshore

AKOFS Offshore is a provider of vessel-based subsea well installation and intervention services to the oil and gas industry. The company operates three specialized offshore vessels, Skandi Santos, Aker Wayfarer and AKOFS Seafarer, and employs 311 people at the end of 2019.

Akastor owns 50 percent of the shares in AKOFS Offshore, with the remaining shares owned by Mitsui & Co and Mitsui O.S.K. Lines, each with 25 percent. AKOFS Offshore is classified as a joint venture and consolidated using equity method in the consolidated financial statements.

Key Figures [1)]

Amounts in NOK million	**2019**	2018
Revenue and other income	**1 093**	1 107
EBITDA	**560**	471
EBIT	**237**	(127)
CAPEX and R&D capitalization	**618**	188
NCOA	**49**	180
Net capital employed	**3 734**	3 441
Order intake	**-**	2 949
Order backlog	**5 013**	6 244
Employees (FTE)	**311**	202

[1)] *The figures are presented at 100 percent basis.*

The company's revenue was NOK 1 093 million in 2019, approximately same level as the previous year. The EBITDA increased by NOK 89 million to NOK 560 million in 2019.

Both of the vessels Skandi Santos and Aker Wayfarer operate on contracts with Petrobras in Brazil for subsea equipment installation work. In the first half of the year, Skandi Santos had low revenue utilization caused by several operational issues. This improved in the second half of the year when both vessels operated on close to full utilization.

During 2019, the AKOFS Seafarer vessel has been prepared for the five-year contract with Equinor for Light Well Intervention services in the North Sea. The vessel and the subsea workover system have been upgraded through substantial investments, financed by a separate non-recourse bank loan that was established in October 2019. Due to the outbreak of the COVID-19 virus, there is a risk for delayed commencement of Equinor contract. The company is taking necessary measures to minimize the risk.

AGR

AGR is the result of the merger of First GEO AS (previously owned 100 percent by Akastor) and AGR AS. The transaction was completed in April 2019. At year-end 2019, Akastor held 100 percent of the shares and 55 percent of the economic interest in the company, while Nordea, DNB and Silverfleet held the remaining 45 percent economic interest. In February 2020, Akastor increased its economic interest in AGR to 64 percent after acquiring the equity interest held by Silverfleet.

Key Figures [1)]

Amounts in NOK million	**2019**	2018
Revenue and other income	**573**	168
EBITDA	**14**	27
EBIT	**(1)**	27
CAPEX and R&D capitalization	**6**	-
NCOA	**12**	(1)
Net capital employed	**170**	14
Order intake	**434**	176
Order backlog	**502**	52
Employees (FTE)	**438**	65

[1)] *Prior to the acquisition of AGR in April 2019, the figures include First Geo only.*

AGR had total revenues of NOK 573 million and EBITDA of NOK 14 million for the year. During 2019 the two companies, First Geo and AGR, have been fully integrated, and some cost synergies have been realized.

During 2019, the activity level in the Norwegian market improved, especially within the consultancy business segment and reservoir services. Some of the international markets have been more challenging with negative results in 2019. Going forward, the focus is to make all geographical segments profitable.

Other Holdings

Other Holdings mainly include 100 percent ownership of Cool Sorption, 100 percent ownership of Step Oiltools, 50 percent ownership of DOF Deepwater AS which is a joint venture with DOF ASA, 17.7 percent economic interest of NES Global Talent, 5.6 percent shareholding in Awilco Drilling, and a preferred equity instrument of USD 81.1 million in Odfjell Drilling. In addition, this segment includes corporate functions and several long-term office lease contracts that remained in Akastor after the demerger from Aker Solutions in 2014.

Key Figures [1)]

Amounts in NOK million	**2019**	2018
Revenue and other income	**609**	581
EBITDA	**2**	(45)
EBIT	**(92)**	(101)
CAPEX and R&D capitalization	**6**	8
NCOA	**(31)**	(279)
Net capital employed	**1 257**	1 094
Order intake	**544**	767
Order backlog	**294**	356
Employees (FTE)	**291**	286

[1)] *First Geo, previously part of "Other holdings", is included in "AGR". Comparable figures in 2018 have been restated.*

Total EBITDA for Other Holdings for the year was NOK 2 million. The two businesses Step Oiltools and Cool Sorption delivered an EBITDA of NOK 40 million in 2019, up from NOK 21 million in 2018. The remaining negative EBITDA in this segment is mainly related to corporate overhead costs, as well as some legacy costs.

In 2020, Step Oiltools will be consolidated as part of MHWirth. Akastor sees potentials for cost synergies from the integration and expects that it will strengthen MHWirth's Solids Control offering in the offshore, onshore and non-oil markets.

Parent Company and Allocation of Net Loss

The parent company Akastor ASA is the ultimate parent company in the Akastor group and its business is the ownership and management of all subsidiaries. Akastor ASA has outsourced all management functions to other companies within the group, mainly Akastor AS. However, assets and liabilities related to the Akastor Treasury function are held by Akastor ASA. Akastor ASA has a net loss of NOK 67 million in 2019.

The parent company's dividend policy states that Akastor's shareholders shall receive a competitive return on their investment either through cash dividends or increases in the share price, or both. The company does not intend to distribute regular or annual dividends, but will consider dividends on an ongoing basis taking into consideration the company's M&A activities, expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility. The board thereby proposes the following allocation of net loss (amounts in NOK million):

Dividends:	0
From other equity:	67
Total allocated:	67

Risk Management

Akastor and its portfolio companies are exposed to various forms of market, operational and financial risks that may affect the companies' performance, their ability to meet strategic goals and the companies' reputations.

Akastor's risk management model is designed on the basis that Akastor is an investment company with an overall objective of securing its shareholders' investments and developing the group's assets in order to provide the shareholders with a solid return. Akastor's current investment portfolio is focused on the oilfield services industry. This focus is mainly driven by the company's experience, expertise and track-record within this industry. Although Akastor has a flexible mandate, it has traditionally not sought to spread risk by investing in different industries. Instead, Akastor has focused on mitigating its vulnerability to the risk environment inherent to the oilfield services industry through sound risk management systems.

2019 was a volatile year in the oil market, with an oil price that fluctuated throughout the year, with high average prices mid-year, however ending lower than in the beginning of the year. As a result of the recent outbreak of the COVID-19 virus combined with the substantial reduction in oil price, the year of 2020 will be even more challenging for the entire global industry. We expect that activity will be reduced and that the oil service industry will need to reduce its cost base to reflect the reduced activity level and remain competitive. Currently, at the time of issuing this report, the duration of the market downturn caused by the COVID-19 is uncertain, but we expect that the market will remain challenging and volatile throughout most of 2020.

Another important trend that the industry has seen throughout 2019, is increased demand from customers and regulators to develop energy efficient products and services which will enable the industry to become more sustainable. In order to remain competitive, Akastor will continue to seek to take part in the industry's transition towards more climate-friendly and energy-efficient operations.

On the operational side, risks are primarily mitigated by a combination of technology development that supports a transition towards more sustainable operations as well as securing new orders and sound project execution by the portfolio companies. Results also depend on costs, both the portfolio companies' own costs and those charged by suppliers. Akastor and its portfolio companies are also exposed to financial risk under performance guarantees and financial guarantees issued, and financial market risks as further detailed below.

In addition, the portfolio 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, including when making decisions regarding mergers and acquisitions and other investment matters. As an owner, Akastor actively supervises risk management in its portfolio companies through participation on the board of directors 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. The current and revised governing documents defined by Akastor were rolled out during the first half of 2016 and are reviewed annually. The overall responsibility for ensuring sound internal control and an appropriate framework for risk management in Akastor lies with its board of directors. A risk review is presented to and reviewed by the audit committee and the board of directors of Akastor on an annual basis.

Financial Risks
Akastor is exposed to a variety of financial market risks such as currency risk, interest rate risk, tax risk, price risk, credit and counterparty risk, liquidity risk and capital risk as well as risks associated with access to and terms of financing. The financial risks affect the group's income and the value of any financial instruments held. The objective of financial risk management is to manage and control financial risk exposures and thereby increase the predictability of earnings and minimize potential adverse effects on Akastor's financial performance. Akastor and its portfolio companies use financial derivative instruments to hedge certain risk exposures and aim to apply hedge accounting whenever possible in order to reduce the volatility resulting from the periodic market-to-market revaluation of financial instruments in the income statement. Risk management is performed in every project. It is the responsibility of the project managers, in cooperation with Akastor Treasury, to identify, evaluate and hedge financial risks under policies approved by the board of directors. Akastor has well-established principles for overall risk management, as well as policies for the use of derivatives and financial instruments.

Integrity Risks
All Akastor portfolio companies use education and awareness training to manage and mitigate integrity risks. All employees must complete an annual Code of Conduct training program. In addition, all Akastor managers and office-based staff are required to conduct integrity e-learning training and participate in classroom courses. For employees in specific functions,

where chance of facing integrity risk is considered higher than normal, additional training has been tailored for their role and responsibilities. Hired-in personnel in high risk roles are also required to undertake integrity training, just as third-party representatives receive integrity training specially prepared for them. The requirement for all portfolio companies is to complete and report on the training within six months from employment or publication of a new training session.

Akastor has established a whistleblowing system in line with the company's Governance Policy. The whistleblowing channel is open for all external and internal stakeholders who wish to report a breach of the Code of Conduct, other internal guidelines or governing policies. Akastor employees are required to report breaches of the Code of Conduct, and Akastor encourages reporting of any concerns pertaining to compliance with law or ethical standards.

COVID-19 impacts

A key element of Akastor's risk management in 2020 will be to closely monitor the development of the COVID-19 outbreak and continuously seek to implement necessary mitigating measures, which may lead to further cost adjustments and changes in the valuation of the Akastor portfolio's assets and liabilities (which could include further restructuring costs, onerous leases, impairments etc. and increased credit risk impacting the valuation of trade and interest-bearing receivables).

Current assessments of the duration and operational impacts from the COVID-19 situation are uncertain. In the event the COVID-19 situation is prolonged and causes a full suspension of operations for an extended period, this will most likely give a liquidity constraint for Akastor as revenue and EBITDA from MHWirth will be reduced whilst further cash injections to companies such as AKOFS Offshore and DOF Deepwater will likely be required. In a case with prolonged hardship due to COVID-19, there is also the risk that clients invoke force majeure provisions to terminate existing contracts, which in turn would open-up for exposure for Akastor arising from its subsidiary's default. As an example, in the case of AKOFS Offshore and the vessel AKOFS Seafarer there are termination rights for the client in the event of prolonged force majeure and for material default. In the event of termination for force majeure, leaving AKOFS Offshore unable to meet its financial commitments, this would also mean that Akastor would be unable to recover its shareholders' loan from the company. In the event of termination for default, Akastor could also be exposed for recovery of the client's losses under the performance guarantee issued. In the case of the vessel Aker Wayfarer, should the client opt to terminate the contract for prolonged force majeure, AKOFS Offshore will likely be unable to meet its payment obligations under the bareboat lease and Akastor will in turn likely be held responsible for these obligations under the performance guarantee issued to the vessel owner.

Environmental, Social and Governance

Akastor's operating model reflects the fact that the portfolio companies are independent companies which operate different business models and therefore face different Environmental, Social and Governance (ESG) risks and expectations from stakeholders. As a holding company, Akastor is responsible for setting the overall ESG priorities and providing the appropriate risk management framework and policies applicable for the portfolio. In turn, each portfolio company is responsible for defining their own ESG strategy with relevant activities and, where necessary, supporting policies.

Akastor also focuses on maintenance and development of industrial relations and collaboration with unions. Historically, good industrial relations have played an important role, and maintaining these strong relations have proven to be one of the success criteria in developing the company over the years.

Within the ESG efforts, Akastor is focused on areas that build financial and non-financial value in the portfolio companies. Akastor's ESG strategy is based on four main priorities: working against corruption, respecting human rights, caring for health and safety and minimizing adverse impact on the environment. Particularly the latter priority has seen an increased focus in 2019, where Akastor wants to take part in the industry's transition towards more sustainable operations. All the portfolio companies are responsible for working systematically with these priorities and defining their own ESG strategies encompassing these priorities. Akastor is continuously monitoring the implementation and integration of the priorities of the ESG strategy, Code of Conduct and Integrity Policy across all the portfolio companies. For in-depth reporting on each portfolio company's approach to ESG, including their Health, Safety and Environment work, refer to the Akastor ESG Report for 2019. The full report is available on our website www.akastor.com.

Research, Innovation and Technology Development

NOK 71 million was capitalized in 2019, compared to NOK 36 million in 2018, related to development activities. In addition, research and development costs of NOK 31 million were expensed during the year because the criteria for capitalization were not met (NOK 32 million in 2018).

All research, innovation and development initiatives are performed by the Akastor portfolio companies. Akastor ASA and Akastor AS performed no such activity in 2019.

People and Teams

Akastor is committed to equal opportunity and non-discrimination. This commitment is described in Akastor's Code of Conduct, as well as Akastor's policies and agreements, and builds on a frame agreement signed with national and international trade unions in 2008. This agreement was renewed in 2012 and sets out fundamental labour rights and standards for general employment terms and employee relations, with specific focus on non-discrimination. Equal opportunities are fundamental for Akastor and its portfolio companies. In 2019, as in previous years, no events violating these agreements were reported.

Akastor and the portfolio companies had a total of 2 272 employees (FTE) as of December 31, 2019. The male/female ratio (excluding hired ins) in the major portfolio company and Akastor Group were as follows:

	MHWirth	Akastor Group
Female	17%	20%
Male	83%	80%

All portfolio companies regularly assess whether they live up to the principle of equal pay for equal work and no significant differences have been identified. Each portfolio company promotes equal opportunities by setting specific requirements for diversity in recruitment and people development, and by supporting programs dedicated to equal opportunity. Akastor ASA fulfils the requirements of the Norwegian Companies Act with regards to gender representation on the board of directors, as three out of five shareholder elected directors are women.

Aggregated sick leave in Akastor was 2.4 percent in 2019. There were no fatal injuries in any of the portfolio companies. The total recordable incident frequency was low, and Akastor has thoroughly analysed all incidents and taken actions to avoid similar situations going forward. Caring for employee's health and safety is an integrated part of the group's culture. See figures below for details.

	MHWirth	Akastor Group
Lost time Incident Frequency (LTIF)*	1.1	0.8
Total Recordable Incident Frequency (TRIF)*	1.8	1.5
Fatalities incl. subcontractors	-	-
Sick leave (percent)	2.8	2.4

** Per million hours worked. Includes subcontractors*

Corporate governance

Corporate governance is a framework of values, responsibilities and governing documents to control the business and ensure sustainable value creation for shareholders over time. It is the responsibility of the board of directors of Akastor to ensure that the company implements sound corporate governance. The audit committee supports the board in safeguarding that the company has internal procedures and systems in place to ensure that corporate governance processes are effective. Akastor's corporate governance principles are based on the Norwegian Code of Practice for Corporate Governance and are designed to secure the shareholders' investment through value creation and to ensure good control with the portfolio companies. The corporate governance principles are included in this annual report and available on the company's website www.akastor.com.

Fornebu, March 18, 2020 I Board of Directors of Akastor ASA

Kristian 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 | CEO

02. DECLARATION BY THE BOARD OF DIRECTORS AND CEO

The board and CEO have today considered and approved the annual report and financial statements for the Akastor group and its parent company Akastor ASA for the year ended on December 31, 2019. The board has based this declaration on reports and statements from the group's CEO and/or on the results of the group's activities, as well as other information that is essential to assess the group's position which has been provided to the board of directors.

To the best of our knowledge:

- The financial statements for 2019 for Akastor group and its parent company have been prepared in accordance with all applicable accounting standards.
- The information provided in the financial statements gives a true and fair portrayal of the group and its parent company's assets, liabilities, profit and overall financial position as of December 31, 2019.
- The annual report provides a true and fair overview of the development, profit and financial position of Akastor group and its parent company, as well as the most significant risks and uncertainties facing the group and the parent company.

Fornebu, March 18, 2020 I Board of Directors of Akastor ASA

Kristian 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 | CEO

03. CORPORATE GOVERNANCE STATEMENT – AKASTOR ASA

Corporate governance is a framework of values, responsibilities and governing documents to control the business and ensure sustainable value creation for shareholders over time. Sound corporate governance shall ensure that appropriate goals and strategies are adopted, that the strategies are implemented in a good manner and that the results achieved are subject to measurement and follow-up.

1. The Corporate Governance Report

Basis for this Report

The corporate governance principles of the group are laid down by the board of directors of Akastor ASA. The principles are based on the Norwegian Code of Practice for Corporate Governance dated 17 October 2018 (the «Code of Practice»), the regulations set out in the Continuing Obligations of stock exchange listed companies from Oslo Børs (the stock exchange in Oslo) and the relevant Norwegian background law such as the Norwegian Accounting Act and the Norwegian Public Limited Liability Companies Act. The Code of Practice may be found at www.nues.no and the Continuing Obligations of stock exchange listed companies may be found at www.oslobors.no. Norwegian laws and regulations are available at www.lovdata.no.

This report outlines how Akastor has implemented the Code of Practice. Deviations from the Code of Practice are addressed under the relevant sections. In general, the Akastor board only approves deviations that the board believes contributes to value creation for its stakeholders.

In addition to the Code of Practice, the Norwegian Accounting Act section 3-3b stipulates that companies must provide a report on their policies and practices for corporate governance either in the annual report or in a document referred to in the annual report. Such report is integrated in the below corporate governance statement[1)]

Governance Structure

Akastor is an oilfield services investment company with a portfolio of industrial holdings and other investments. The company has a flexible mandate for active ownership and long-term value creation. Completed transactions in 2019 include the merger between First Geo AS and AGR AS, which was completed in April, MHWirth's purchase of Bronco Manufacturing Inc in June and completion of a NOK 890 million non-recourse financing for the conversion of the AKOFS Offshore owned vessel "AKOFS Seafarer", which was closed in October. Akastor currently has an active investment portfolio within the oilfield services industry consisting of MHWirth, AGR, STEP Oiltools, Cool Sorption, 50 percent of the shares in AKOFS Offshore, 50 percent of the shares in DOF Deepwater, a 17.7 percent economic ownership in NES Global Talent, in addition to other holdings and investments (see below), with a total net capital employed of NOK 5.1 billion. MHWirth is a global provider of drilling solutions, engineering, projects, equipment and services. AKOFS Offshore is a provider of subsea well installation and intervention services. AGR is a leading provider of well and reservoir consultancy services as well as software and technical manpower for its clients. STEP Oiltools is a global provider of solids control and drilling waste management services. Cool

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[1)] *Below, the items in respect of which information must be disclosed according to section 3-3b of the Norwegian Accounting Act are specified, together with references to where such required information may be found:*

1. *"A statement of the recommendations and regulations concerning corporate governance that the enterprise is subject to or otherwise chooses to comply with" can be found in the introduction section of this corporate governance statement.*
2. *"Information on where the recommendations and regulations mentioned in no. 1 are available to the public" can be found in the introduction section of this corporate governance statement.*
3. *"The reason for any non-conformance with recommendations and regulations mentioned in no. 1". The non-conformances are described in the relevant section where there are non-conformances, which are sections 6 and 14 respectively.*
4. *"A description of the main elements in the enterprise's, and for entities that prepare consolidated financial statements, if relevant also the Group's internal control and risk management systems linked to the financial reporting process" can be found in Section 10 of this corporate governance statement.*
5. *"Articles of Association which entirely or partly expand or depart from provisions of Chapter 5 of the Public Limited Liability Companies Act" can be found in Section 6 of this corporate governance statement.*
6. *"The composition of the board of directors, the corporate assembly, the committee of shareholders' representatives and the control committee and any working committees related to these bodies, as well as a description of the main instructions and guidelines that apply to the work of the bodies and any committees" can be found in Section 8 and 9 of this corporate governance statement.*
7. *"Articles of Association governing the appointment and replacement of directors" can be found in Section 8 of this corporate governance statement.*
8. *"Articles of Association and authorizations empowering the board of directors to decide that the enterprise is to buy back or issue its own shares or equity certificates" can be found in Section 3 of this corporate governance statement.*

Sorption is a provider of vapour recovery units and systems. DOF Deepwater operates five offshore vessels. NES Global Talent is a global technical and engineering staff provider. Other investments mainly include investments in Odfjell Drilling and Awilco Drilling, a subletting portfolio through Akastor Real Estate and an investment in Aker Pensjonskasse.

It is the responsibility of the board of directors of Akastor ASA to ensure that Akastor and its portfolio of companies implement sound corporate governance. The board of directors evaluates this corporate governance statement on an annual basis. The board's audit committee also evaluates the corporate governance statement as well as other key policies and procedures pertaining to compliance and governance. Compliance with, and implementation of these corporate governance guidelines are continuously evaluated by the board and said committee; inter alia by way of the board being the decisive body for the company's defined management and reporting structure, which include regular reporting.

Policies and Procedures

Akastor has a total of ten corporate policies providing business practice guidance within a number of key areas, all of which are reviewed and updated on an annual basis. These policy documents express the overall position of the group with regard to for instance compliance, integrity and governance. The policies provide instructions and guidelines that apply to the portfolio companies and to individual employees in order to ensure that the group's operations are in compliance with internal and external regulatory framework. In addition, the portfolio companies are requested to implement their own policies specific to their business within areas like project execution, HSE and tendering.

Values and Code of Conduct

Akastor aims to develop and refine its portfolio of companies as stand-alone enterprises, with the goal of maximizing the value potential of each entity. The company works to develop the business models of the portfolio companies, capitalize on their market positions and promote aftersales services for the equipment and systems delivered. The current investments are within the oilfield services sector, but the company has a flexible mandate for active ownership and long-term value creation.

Akastor has an opportunistic approach and will continue to own the portfolio companies as long as Akastor creates more value than alternative owners.

Akastor wishes to contribute to sustainable social development through responsible business practices. The company's Code of Conduct is a handbook that applies to all employees and provides guiding on what Akastor considers to be responsible ethical conduct. The Code of Conduct provides a framework of core corporate values which reflects Akastor's prudent business practice and shall be reflected in every aspect of our operations. The ethical guidelines and other governing documents of the group have been drafted on the basis of these core corporate values.

2. Business

The objectives of the company, as defined in its articles of association, are «to own or carry out industrial and other associated businesses, management of capital, and other functions for the group, and to participate in or acquire other businesses». The articles of association are available at www.akastor.com.

The principal strategies of the group are presented in the annual report. To ensure value creation for its shareholders, the board of directors annually performs a designated strategy process where it sets objectives and targets for the company, assesses risk, evaluates the existing strategy and approves any significant changes. Information concerning the financial position and principal strategies of the company, and any changes thereto is disclosed to the market in the context of the company's quarterly reporting and in designated market presentations as well as at www.akastor.com.

Corporate Responsibility

Akastor takes an active approach to corporate responsibility. Corporate responsibility in Akastor is about making prudent business decisions, with minimum risk to reputation, brand and the future sustainability of our business. The main focus of corporate responsibility activities in Akastor, defined in our group-wide integrity policy, is to work against corruption, to respect human rights and to care for health, safety and the environment. Akastor's primary stakeholders are the shareholders (existing and potential), customers of its portfolio companies and employees of the Akastor group. All our portfolio companies are expected to ensure integration of stakeholder engagement, a strong corporate responsibility in their operations and we believe our approach to corporate responsibility supports several of the UN Sustainable Development Goals.

Akastor is committed to follow the Global Framework Agreement (GFA) entered into by Aker with the trade unions Fellesforbundet, IndustriALL Global Union, NITO and Tekna on December 17, 2012. The GFA builds on and continues the commitment from the previous framework agreements signed in 2008 and 2010, and outlines key responsibilities in relation to human and trade union rights. The parties commit themselves to achieving continuous improvements within the areas of working conditions, industrial relations with the employees of the Aker group of companies, health and safety standards at the workplace and environmental performance. Akastor also aligns with the principles of the UN Global Compact, the United Nations Convention against Corruption, the Universal Declaration of Human Rights, the UN Guiding Principles for Business and Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. These international principles guide our Code of Conduct and Integrity Policy and provide the overall framework for the corporate responsibility efforts in the Akastor group.

Further information in respect of the corporate social responsibility work of Akastor and its portfolio of companies can be found in the separate Environmental, Social and Governance (ESG) report published simultaneously as the company's annual report for 2019.

3. Equity and Dividends

Equity

The management and the board regularly monitor that the group's equity and liquidity are appropriate for its objectives, strategy and risk profile. The book equity of the group as per December 31, 2019 is NOK 4 371 million, which represents an equity ratio of 41 percent. The management of financial risk is further described in the annual report.

Dividend Policy

The board proposes the level of dividend payment to the general meeting who in turn is the decisive corporate body for dividend decisions.

Over time, the aim is that Akastor's shareholders shall receive a competitive return on their investment either through cash dividends or increase in the share price, or both. The company does not intend to distribute regular or annual dividends, but will consider dividends on an ongoing basis taking into consideration the company's M&A activities, expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility.

Authorizations for the Board of Directors

Proposals from the board of directors for future authorizations for share capital increases, share buy-backs or similar shall be for defined purposes, such as share purchase programs and acquisitions of companies, and shall remain in effect until the next annual general meeting.

The company's annual general meeting on 9 April 2019 resolved to authorize the board to purchase treasury shares for three purposes for utilization, all of which were subject to separate voting under the general meeting: (i) purchase of treasury shares to be used as transaction currency in connection with acquisitions, mergers, demergers and other transactions, (ii) purchase of treasury shares to be sold and/or transferred to employees and directors under share purchase programs and (iii) purchase of treasury shares for the purpose of investment or for subsequent sale or deletion of such shares. The authorizations were all limited to ten percent of the share capital. The board's authorizations to purchase treasury shares are valid for the period until the date of the annual general meeting of 2020. No shares were bought by the company in 2019 pursuant to the authorizations to the board of directors. As of December 31, 2019, the company holds 2 390 215 own shares.

In addition, the annual general meeting in 2019 granted the board of directors the mandate to approve the distribution of dividends based on the company's annual accounts for 2018 as set out in the Public Limited Liability Companies Act § 8-2, second paragraph. The mandate is valid for the period until the date of the annual general meeting of 2020.

There are no current provisions in the articles of association of the company or power of attorney from the general meeting which grant the board of directors the mandate to issue or buy back of shares in the company for the purposes of capital increases.

Share Purchase Programs

Share purchase programs in Akastor include Akastor ASA and Akastor AS (and not the portfolio companies). In February 2019, the company sold 386 161 own shares in relation with a share purchase program offered to its corporate employees and managers, which was approved by the board of directors of Akastor ASA in December 2018.

4. Equal Treatment of Shareholders and Transactions with Related Parties

The company has only one class of shares, and all shares carry equal rights. Existing shareholders shall have pre-emptive rights to subscribe for shares in the event of share capital increases, unless otherwise indicated by special circumstances. If the pre-emptive rights of existing shareholders are waived in respect of a share capital increase, the reasons for such waiver shall be explained by the board of directors. Transactions in own shares are effected via Oslo Børs.

As of December 31, 2019, Aker ASA holds 70 percent of the shares of Aker Kværner Holding AS which holds ~40 percent of the shares of Akastor. As of the same date, Aker ASA directly held 23 331 762 shares of Akastor, equivalent to ~8.5 percent of the shares. Proposition No. 88 (2006–2007) to Stortinget (the Norwegian Parliament) contains more detailed information concerning the establishment of Aker Kværner Holding AS and the agreement between Aker ASA and the other shareholder of Aker Kværner Holding AS.

The board of directors is of the view that it is positive for Akastor that Aker ASA assumes the role of an active owner and is actively involved in matters of importance to Akastor and to all shareholders. The cooperation with Aker ASA offers Akastor access to special know-how and resources within strategy, transactions and funding. Moreover, Aker ASA offers network and negotiation resources from which Akastor benefits in various contexts. This complements and strengthens Akastor without curtailing the autonomy of the group. It may be necessary to offer Aker ASA special access to commercial information in connection with such cooperation. Any information disclosed to Aker ASA's representatives in such a context is subject to confidentiality undertakings and disclosure regulations in compliance with applicable laws.

Applicable accounting standards and regulations require Aker ASA to prepare its consolidated financial statements to include accounting information of Akastor. As from January 1, 2014, Aker ASA is deemed to have control of Akastor pursuant to the revised accounting standard IFRS 10. Akastor is thus consolidated as a subsidiary in Aker ASA's accounts from this date. Subsequently, all subsidiaries and associates of Aker ASA, including Aker Solutions ASA and Kværner ASA, are deemed as related parties to Akastor for accounting purposes. In order to comply with these accounting standards, Aker ASA has in the past received, and will going forward receive, unpublished accounting information of Akastor. Such distribution of unpublished accounting information from Akastor to Aker ASA is executed under strict confidentiality and in accordance with applicable regulations on handling of inside information.

Aker ASA, Kværner ASA and Aker Solutions ASA (or their subsidiaries) are however not deemed, within the meaning of the Public Limited Liability Companies Act, to be a related party of Akastor. The board of directors and the executive management team of Akastor are nevertheless conscious that all relations with these companies shall be premised on commercial terms and structured in line with arm's length principles.

In the event of any material transactions between the company and shareholders, directors, senior executives, or related parties thereof, which do not form part of the ordinary course of the company's business, the board of directors shall arrange for an independent assessment. The same shall, generally speaking, apply to the relationship between Akastor and Aker ASA related companies.

In respect of the above, the «Related parties» note to the consolidated financial statements contains information on the most significant transactions between Akastor and companies within the Aker ASA group.

5. Freely Negotiable Shares

The shares are listed on the Oslo Børs and are freely transferable. No transferability restrictions are laid down in the articles of association. There are no restrictions on the party's ability to own, trade or vote for shares in the company.

6. General Meetings

Attendance, Agenda and Voting

The company normally encourages shareholders to attend the general meetings. However, due to the public health requirements following the ongoing COVID-19 outbreak, the company will this year urge its shareholders to not meet and rather use the available means of voting by proxy. For the same reason, it is also the intention for this year's general meeting that only the minimum representatives required by law will attend the general meeting. Notices convening general meetings, including comprehensive documentation relating to the items on the agenda, including the recommendation of the nomination committee, shall be sought made available on the company's website no later than 21 days prior to the general meeting. The articles of association of the company stipulate that documents pertaining to matters to be deliberated by the general meeting shall only be made available on the company's website, and not normally be sent physically by post to the shareholders unless required by statute.

The following matters are typically decided at the annual general meeting, in accordance with the articles of association of Akastor ASA and Norwegian background law:

- Election of the nomination committee and stipulation of the nomination committee's fees;
- election of shareholder representatives to the board of directors as well as stipulation of fees to the board of directors;
- election of the external auditor and approval of the auditor's fee;
- approval of the annual accounts and the board of directors' report, including distribution of dividend; and
- other matters which, by law or under the articles of association, are the business of the annual general meeting.

The deadline for registering intended attendance is as close to the general meeting as possible, but not shorter than two days before the meeting. As mentioned above, shareholders are this year urged to vote by proxy. Moreover, information concerning both the registration procedure and the filing of proxies is included in the notice convening the general meeting and on the registration form. The company also aims to structure, to the extent practicable, the proxy form such as to enable the shareholders to vote on each individual item on the agenda.

Chairman

The articles of association stipulate that the general meetings shall be chaired by the chairman of the board of directors or a person appointed by said chairman. According to the Code of Practice the board should however «make arrangements to ensure an independent chairman for the general meeting». Thus, the articles of Akastor ASA deviate from the Code of Practice in this respect. This has its background in a long-lasting tradition in Akastor. Having the chairman of the board chairing the general meeting also simplifies the preparations for the general meetings significantly.

Election of Directors

It is a priority for the nomination committee that the board of directors shall work in the best possible manner as a team, and that the background and competence of the directors shall complement each other. As a consequence, the nomination committee will propose that the shareholders are invited to vote on the full board composition proposed by the nomination committee as a group, and not on each director separately. Hence, Akastor deviates from the Code of Practice stipulating that one should make «appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies».

Physical Attendance and Electronic Voting

It is a priority for the general meeting to be conducted in a sound manner, with all shareholder votes to be cast, to the extent possible, on the basis of the same information. The company has thus far not deemed it advisable to recommend the introduction of an electronic attendance, i.e. arranging for general meetings to be held as physical meetings with online coverage allowing for shareholders to participate via web. However, as already mentioned above, due to the COVID-19 outbreak and in order to meet public health recommendations, the company will this year consider the possibility of introducing such arrangements, but will in any event urge its shareholders to cast votes electronically in advance of general meetings (however, not during the meeting) or by proxy.

Minutes

Minutes of general meetings will be published as soon as practicable on the announcement system of Oslo Børs, www.newsweb.no (ticker: AKA), and at www.akastor.com.

7. Nomination Committee

The articles of association stipulate that the company shall have a nomination committee. The nomination committee shall have no less than three members, who shall normally serve for a term of two years. The current members of the nomination committee are Leif-Arne Langøy (chairman), Gerhard Heiberg, Arild S. Frick and Georg Fr. Rabl. Gerhard Heiberg and Arild S. Frick have requested to resign from the nomination committee and will be proposed replaced by Ingebret Hisdal and Ove A. Taklo, respectively. The remaining two members, Leif-Arne Langøy and Georg Fr. Rabl, are up for election at the annual general meeting 2021. Langøy is deputy chairman of the board in TRG Holding AS and The Resource Group TRG AS, as well as chairman of the board of Kværner ASA. Ove A. Taklo is Group Corporate Controller of Aker ASA. No members of the nomination committee are employed by, or directors of, Akastor. The majority of the members of the nomination committee are independent of both Akastor's board of directors and the executive management of the company.

The committee's recommendations (relating to particularly the board of directors and their remuneration) shall address how the new board candidates will attend to the interests of the shareholders in general and fill the requirements of the company, including with respect to competence, capacity and independence.

The composition of the nomination committee shall reflect the interests of all shareholders and ensure independence from the board of directors and the executive management. The members and the chairman of the nomination committee are appointed by the general meeting, which also determines the remuneration of the committee.

The annual general meeting in 2010 adopted guidelines governing the duties of the nomination committee. According to these guidelines, the committee shall emphasize that candidates for the board have the necessary experience, competence, and capacity to perform their duties in a satisfactory manner. A reasonable representation with regard to gender and background should also be emphasized.

The chairman of the nomination committee has the overall responsibility for the work of the committee. In the exercise of its duties, the nomination committee may contact, among others, shareholders, the board, management, and external advisors. The nomination committee shall also ensure that its recommendations are endorsed by the largest shareholders.

Information concerning the nomination committee and deadlines for making suggestions or proposing candidates for directorships will be made available on the company's website, www.akastor.com when there are candidates up for election.

8. Composition and Independence of the Board of Directors

Composition

It has been agreed with the employees that the company shall have no corporate assembly. Hence, the board appoints its own chairman, cf. the Public Limited Liability Companies Act section 6-1(2), unless the chairman is appointed by the general meeting. The proposal of the nomination committee will normally include a proposed candidate for appointment as chairman of the board of directors. The board of directors appoints its own deputy chairman. According to the Public Limited Liability Companies Act, the directors are appointed for a term of two years at a time unless otherwise stated in the company's articles of association. The articles of association of Akastor ASA stipulate that directors may be elected for a period of one to three years.

The right of the employees to be represented and participate in decision making is safeguarded through expanded employee representation on the board of directors of both Akastor ASA and in a number of the group's portfolio companies.

The articles of association stipulate that the board of directors shall comprise six to twelve persons, one third of whom shall be elected by and amongst the employees of the group. In addition, up to three shareholder-appointed alternates may be appointed. As per December 31, 2019, the board of directors comprised eight directors, five of whom were elected by the shareholders and three of whom were elected by and amongst the employees. The company encourages the directors to hold shares in the company. The shareholdings of the directors as of December 31, 2019 will be set out in the «Management remunerations» note to the consolidated financial statements in the annual report for 2019. In addition to Øyvind Eriksen's indirect ownership of shares in the company through Aker ASA, also the chairman Kristian M. Røkke and the directors Lone Fønss Schrøder, Kathryn M. Baker and Sarah Ryan are currently shareholders in Akastor ASA. The board composition, including information about the directors' background and expertise will be detailed in the annual report for 2019.

The appointment of employee representatives to the board of directors is conducted as prescribed by the Public Limited Liability Companies Act and the Representation Regulations. The board of directors has appointed a designated election committee charged with implementing the appointment of such employee representatives.

Independence
A majority of the directors elected by the shareholders are independent of the executive personnel and important business associates of Akastor ASA. None of the executive personnel of the company are members of the board of directors.

The composition of the board of directors aims to ensure that the interests of all shareholders are attended to, and that the company has the know-how, resources, and diversity it needs at its disposal. Among the five shareholder-elected directors, the majority are deemed independent from the company's largest indirect shareholder, Aker ASA.

9. The Work of the Board of Directors

Procedures
For each calendar year, the board plans for its work and meetings. Furthermore, there are rules of procedure for the board of directors and Chief Executive Officer, which govern areas of responsibility, duties and the distribution of roles between the board of directors, the chairman of the board of directors and the Chief Executive Officer. The rules of procedure for the board of directors also include provisions on convening and chairing board meetings, decision making, the duty and right of the Chief Executive Officer to disclose information to the board of directors, the duty of confidentiality, etc. According to the company's articles of association, each of the directors elected by the shareholders will serve for a period of one to three years pursuant to further decision by the general meeting. This to provide the nomination committee with the flexibility to propose varying terms of service for the candidates.

Akastor has prepared guidelines as part of its rules of procedure for the Chief Executive Officer and board of directors ensuring that directors and the Chief Executive Officer notify the board of directors if they have any material direct or indirect personal interest in any agreement concluded by the group. The guidelines stipulate that the directors and the Chief Executive Officer shall not participate in the preparation, deliberation, or resolution of any matters that are of such special importance to themselves, or any of their related parties, so that the person in question must be deemed to have a prominent personal or financial interest in such matters. The relevant board member or the Chief Executive Officer shall raise the issue of his or her competence whenever there may be cause to question it, and each director is the primary responsible for adopting the correct decision as to whether he or she should step down from participating in the discussion of the matter at hand.

In general, as further stipulated in Akastor's principles for related party transactions, directors of Akastor should be cautious in participating in the consideration of issues where a potential conflict of interest or conflict of role may arise, undermining the confidence in the decision process. Such person may not participate in board discussions of more than one company that is part of the same agreement, unless the companies have common interests. These assessments will be carried out on a case-by-case basis; in most events, and as a starting point, by the relevant directors themselves, but often also in cooperation with internal and/or external legal counsel.

The above principles will normally also be applied if Akastor contracts with other companies in which said board members hold direct or indirect ownership interests that exceed, in relative terms, their ownership interests in Akastor.

If grounds for legal incapacity are established, the relevant board member will, as a ground rule, not be granted access to any documentation prepared to the board of directors for the deliberation of the agenda item in question.

In general, Akastor applies a strict norm as far as competence assessments are concerned. In cases where the chairman of the board of directors does not participate in the deliberations, the deputy chairman of the board of directors chairs the meeting.

As far as the other officers and employees of Akastor are concerned, transactions with related parties and conflicts of interest are comprehensively addressed and regulated in the group's Code of Conduct.

Meetings
The board of directors will hold board meetings whenever needed, but normally six to twelve times a year. The need for extraordinary board meetings may typically arise because the internal authorization structure of the company requires the board of directors to deliberate and approve material tenders to be submitted by the company or in relation to M&A transactions. Whilst the deadlines for such submission often change, it is difficult to fit this into the calendar of ordinary board meetings.

The board of directors held seven ordinary board meetings in 2019. The aggregate attendance rate at the board meetings was 91 percent.

The Matters Discussed by the Board of Directors
The Chief Executive Officer prepares cases for deliberation by the board of directors in cooperation with the chairman of the board. Endeavours are made to prepare and present matters in such a way that the board of directors is provided with an

adequate basis for its deliberations. The board of directors has overall responsibility for the management of Akastor and shall, through the Chief Executive Officer, ensure that its activities are organized in a sound manner. The board of directors shall adopt plans and budgets for the business, and keep itself informed of the financial position of, and development within, the company. This encompasses the annual planning process of Akastor, with the adoption of overall goals and strategic choices for the group, as well as financial plans, budgets, and forecasts for the group and the portfolio companies. The board of directors performs annual evaluations of its work and its know-how.

Audit Committee
Akastor will have an audit committee comprising two to four of the directors. The audit committee currently comprises the directors Lone Fønss Schrøder (chairman), Kathryn M. Baker and Henning Jensen. The audit committee is independent from the management.

At least one of the members of the audit committee shall have either formal qualifications within accounting or auditing, or relevant experience and skills within the same. Both members Fønss Schrøder and Baker have such relevant experience and skills. The audit committee has a mandate and a working method that complies with statutory requirements. The audit committee mandate forms an integrated part of the rules of procedures for the board of directors. The committee will participate, on behalf of the board of directors, in the quality assurance of guidelines, policies, and other governing instruments in Akastor. The audit committee performs a qualitative review of the quarterly and annual reports of Akastor. Significant judgment calls (uncertain estimates) made in the financial statements in the quarter are reviewed by the audit committee. The audit committee further supports the board of directors in safeguarding that the company has sound risk management and internal controls. The audit committee reviews the status on internal controls on an annual basis. In order to safeguard appropriate processes and assessments, the board's audit committee shall also review major M&A transactions as well as related party transactions which are not part of the company's ordinary course of business, unless such related party transactions are immaterial.

Akastor currently has no remuneration committee as the experiences from having such showed more merit in discussing matters comprised by this committee's mandate with all directors present. As of December 31, 2019, there are no other board committees than the audit committee. The board does not envisage appointing any further board committees in 2020.

The board evaluate its performance and qualification annually. A summary of the evaluation was made available to the nomination committee.

10. Risk Management and Internal Control

Governing Principles
The board of directors shall ensure that Akastor has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. The audit committee supports the board of directors in safeguarding that the company has internal procedures and systems that ensure good corporate governance, stakeholder engagement, effective internal controls and proper risk management, particularly in relation to financial reporting. The Chief Financial Officer reports directly to the audit committee on matters relating to financial reporting, financial risks and internal controls.

Akastor has implemented an internal system for reporting serious matters such as breaches of ethical guidelines and violations of the law, which is also available to external parties at www.akastor.com.

Risk Management
Akastor and its portfolio companies are exposed to a variety of market, operational and financial risks. The board of directors carries out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

Being an investment company, the main objective of Akastor is to create value for its shareholders. Potential impacts on the net asset value, share price or predictability of earnings are therefore key parameters in the board's risk evaluation. Sound risk management throughout the organization is recognized by Akastor as an invaluable tool in the process of achieving strategic, financial and operational goals while at the same time ensuring compliance with regulatory requirements and adherence to high integrity standards.

Risk evaluation is an integral part of all business activities and Akastor employs a decentralized model for allocating managerial responsibility under which the portfolio companies are required to establish their own risk management and internal control systems. Akastor's representatives on boards of directors in the portfolio companies seek to ensure that the portfolio companies follow the principles of sound corporate governance.

Akastor manages risk through an internal framework both on a corporate and portfolio company level comprising guidelines, policies and procedures intended to ensure good business operations and provide unified and reliable financial reporting. The board of directors has adopted an authorization matrix that forms part of its governing documents where authority is delegated to the Akastor Chief Executive Officer. Furthermore, authorization matrices are adopted for each of the portfolio companies, pursuant to which the Akastor Chief Executive Officer delegates authority to the boards and Chief Executive Officers of the respective portfolio companies, which again adopts authorization matrices for the portfolio organizations. Special expenditure approval procedures have also been developed.

The board receives and reviews risk reports prepared by the management. The management's risk reporting is based on the total level of insight obtained through regular reporting and the close cooperation that Akastor has with the portfolio companies, including from Akastor's investment directors and board representatives. Management of operational risk primarily rests with the underlying portfolio companies, although Akastor acts as an active driver through its involvement on the boards and through support and follow-up by the various Akastor corporate functions towards relevant functions in the portfolio companies.

Akastor's management holds review meetings with the management of the different portfolio companies. The purpose of the meetings is to conduct an in-depth review of the development of each portfolio company, focusing on operations, risk management, market conditions, the competitive situation and strategic issues. These meetings provide a solid foundation for Akastor's assessment of its overall financial and operational risk.

A key risk in one of the smaller portfolio companies may still be negligible on the group level, whereas important risks in the largest portfolio companies may have a serious impact on the group as a whole. Akastor's decentralized approach to operational risk management, as described above, raises a need for management to process and calibrate the insight obtained through various interfaces with the portfolio companies prior to the board's annual risk review. The objective of such exercise is to ensure that risks are reported in a format that allows the board to acquire a true and fair view of the overall risk environment of the Akastor group in an efficient manner and to focus its attention on risks that are material on an aggregated group level.

Prior to the board's review of risk reporting, the audit committee reviews the reported risks and associated risk-reducing measures. The audit committee also reviews the company's in-house reporting systems and internal control and risk management, and prepares the board's review of financial reporting.

Financial Reporting

The Akastor financial reporting division reports to the Chief Financial Officer and is responsible for the external reporting process and the internal management financial reporting process. This also includes assessing financial reporting risks and internal controls over financial reporting in the group.

The consolidated external financial statements are prepared in accordance with IFRS and IAS standards as approved by the EU. The existing policies and standards governing the annual and quarterly financial reporting in the group, including the Akastor accounting principles, are available on the Akastor intranet for Akastor employees.

Clearing meetings are held with the management teams of the portfolio companies in connection with the annual closing of accounts and may also be held in connection with quarterly financial reporting. For the 2019 financial year, clearing meetings with the portfolio companies were held in October 2019 and January 2020. The main purpose is to ensure high-quality financial reporting. Such meetings focus on important items involving estimation and judgment, non-balance-sheet items, accounting for significant transactions, new or modified accounting principles and other topics relevant to the respective portfolio companies. The external auditor is present in the clearing meetings.

Other Reporting

In addition to the abovementioned financial reporting, there are regular business review and board meetings in the portfolio companies which ensure timely and high-quality reporting from the portfolio companies to the corporate management.

Regular reports for Akastor ASA and the portfolio companies are submitted to the board of directors. The quarterly business update contains key financial numbers, M&A updates, financing, status of value creation plans, compliance, risk management and share price information for the Akastor group. Further, it contains key financial numbers, key operational topics, status on value drivers as well as key market information for the main portfolio companies. The monthly business update contains high level financial and operational information for the Akastor group, as well as key highlights for the main portfolio companies.

11. Remuneration of the Board of Directors

The remuneration of the board of directors will reflect its responsibilities, know-how and time commitment, as well as the complexity of the business. The remuneration will be proposed by the nomination committee, and is not performance-related or linked to options in Akastor. More detailed information about the remuneration of individual directors will be provided in the «Management remunerations» note to the consolidated financial statements for the group in the annual report for 2019. Neither the directors, nor companies with whom they are affiliated, should accept specific paid duties for Akastor beyond their directorships. If they nevertheless do so, the board of directors shall be informed and the remuneration shall be approved by the board of directors. No remuneration shall be accepted from anyone other than the company or the relevant group company in connection with such duties.

12. Remuneration of Executive Personnel

The board of directors has adopted designated guidelines for the remuneration of executive management pursuant to the provisions of Section 6-16a of the Public Limited Liability Companies Act. The guidelines were adopted by the general meeting April 6, 2018. The board of directors' statement on the remuneration of executive personnel for 2020 will be a separate item on the agenda for the annual general meeting on April 15, 2020.

Akastor has no option schemes or option programs for the allotment of shares to employees. The Chief Executive Officer determines the remuneration of executive management on the basis of the guidelines laid down by the board of directors. All performance-related remuneration within the group will be made subject to a cap.

13. Information and Communication

The company has adopted a designated communications and investor relations policy which covers, among other things, guidelines for the company's contact with shareholders other than through general meetings.

The company's reporting of financial and other information is based on openness and the equal treatment of all securities market players. The long-term purpose of the investor relations function is to ensure access for the company to capital on competitive terms, whilst at the same time ensuring that the shareholders are provided with the most correct pricing of the shares that can be achieved. This shall take place through correct and timely distribution of price-sensitive information, whilst ensuring, at the same time, that the company is in compliance with applicable rules and market practices. Reference is also made to the above discussion concerning the flow of information between Akastor and Aker ASA in connection with their cooperation within, inter alia, strategy, transactions, and funding.

All stock exchange announcements and press releases are made available on the company's website, and stock exchange announcements are also available at www.newsweb.no. The company holds open presentations in connection with the reporting of financial performance, either by a physical meeting or by a conference call and webcast, and these presentations are broadcasted on the internet. The financial calendar of the company is available at www.akastor.com.

14. Take-overs

The overriding principle for Akastor is equal treatment of shareholders. In a bid situation, the board of directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the company's business activities are not disrupted unnecessarily. In a take-over situation, the board will have a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.

The board of directors has not deemed it appropriate to adopt specific guidelines for take-over situations as long as the ownership cooperation context within Aker Kværner Holding AS remains intact and this company continues to be the dominant shareholder of Akastor ASA. This represents a deviation from the Code of Practice.

15. Auditors

The external auditor presents a plan for the performance of the audit work to the audit committee annually. In addition, the auditor provides the audit committee with an annual written confirmation to the effect that the independence requirement is met. The auditor attends all audit committee meetings, and the auditor has reviewed any material changes to the accounting principles of the company, or to the internal controls of the company, with the audit committee. The external auditor also attends the board meeting where the annual financial statements are reviewed and approved, normally in March. The board of directors holds a minimum of one annual meeting with the auditor without any executive personnel being in attendance.

The board's audit committee stipulates guidelines on the scope for using the auditor for services other than auditing, and makes recommendations to the board of directors concerning the appointment of the external auditor and the approval of the auditor's fees. Fees payable to the auditor, separated into those relating to auditing and those relating to other services, are specified in the «Other operating expenses» note to the consolidated financial statements for the group and are also reported to the general meeting. The auditor's fees relating to auditing are subject to approval by the general meeting.

04.a. FINANCIALS AND NOTES

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Akastor Group | Consolidated income statement
For the year ended December 31

Amounts in NOK million	*Note*	**2019**	2018
Revenue and other income	*6, 7*	**5 361**	3 800
Materials, goods and services		**(2 586)**	(1 513)
Salaries, wages and social security costs	*8*	**(1 719)**	(1 424)
Other operating expenses	*9*	**(564)**	(572)
Operating expenses		**(4 870)**	(3 509)
Operating profit before depreciation, amortization and impairment		**492**	290
Depreciation, amortization and impairment	*13, 14, 33*	**(270)**	(181)
Operating profit (loss)		**222**	109
Finance income		**321**	185
Finance expenses		**(192)**	(205)
Profit (loss) from equity-accounted investees	*16*	**(160)**	(157)
Impairment loss on external receivables		**-**	(24)
Net finance expenses	*10*	**(30)**	(200)
Profit (loss) before tax		**191**	(91)
Income tax benefit (expense)	*11*	**(44)**	(103)
Profit (loss) from continuing operations		**147**	(194)
Profit (loss) from discontinued operations (net of income tax)	*5*	**(54)**	(128)
Profit (loss) for the period		**93**	(322)
Profit (loss) for the period attributable to:			
Equity holders of the parent company		**100**	(322)
Non-controlling interests		**(7)**	-
Basic / diluted earnings (loss) per share (NOK)	*12*	**0.37**	(1.19)
Basic / diluted earnings (loss) per share continuing operations (NOK)	*12*	**0.57**	(0.71)
Basic / diluted earnings (loss) per share discontinued operations (NOK)	*12*	**(0.20)**	(0.47)

Akastor Group | Consolidated statement of comprehensive income
For the year ended December 31

Amounts in NOK million	*Note*	2019	2018
Profit (loss) for the period		**93**	(322)
Other comprehensive income			
Cash flow hedges, effective portion of changes in fair value		**20**	(80)
Deferred tax of cash flow hedges, effective portion of changes in fair value		**(4)**	15
Cash flow hedges, reclassification to income statement		**41**	(43)
Deferred tax of cash flow hedges, reclassification to income statement		**(9)**	7
Total change in hedging reserve, net of tax		**48**	(101)
Total change in fair value reserve, net of tax		**17**	(37)
Currency translation differences - foreign operations		**34**	51
Currency translation differences, reclassification to income statement upon disposal		**(99)**	(442)
Deferred tax of currency translation differences – foreign operations		**(2)**	7
Share of OCI from equity-accounted investees		**(11)**	(44)
Total change in currency translation reserve, net of tax		**(78)**	(428)
Total items that may be reclassified subsequently to profit or loss, net of tax		**(13)**	(565)
Remeasurement gain (loss) net defined benefit liability	*26*	**(46)**	(4)
Deferred tax of remeasurement gain (loss) net defined benefit liability		**9**	-
Total items that will not be reclassified to profit or loss, net of tax		**(36)**	(4)
Total other comprehensive income, net of tax		**(49)**	(569)
Total comprehensive income (loss) for the period, net of tax		**44**	(891)
Attributable to:			
Equity holders of the parent company		**51**	(891)
Non-controlling interests		**(7)**	-

Akastor Group | Consolidated statement of financial position
For the year ended December 31

Amounts in NOK million	*Note*	**2019**	2018
Deferred tax assets	*11*	**388**	374
Property, plant and equipment	*13*	**760**	825
Intangible assets	*14*	**1 593**	1 260
Right-of-use assets	*33*	**537**	-
Equity-accounted investees	*16*	**1 051**	1 088
Other investments	*18*	**1 643**	1 469
Non-current interest-bearing receivables	*19*	**201**	-
Non-current finance lease receivables	*33*	**16**	-
Other non-current assets	*17*	**65**	62
Total non-current assets		**6 256**	5 077
Current tax assets		**10**	4
Inventories	*20*	**528**	548
Trade and other receivables	*21*	**3 177**	2 801
Derivative financial instruments	*31*	**43**	117
Current interest-bearing receivables	*19*	**-**	257
Current finance lease receivables	*33*	**9**	-
Cash and cash equivalents	*22*	**555**	198
Total current assets		**4 322**	3 927
Total assets		**10 578**	9 005
Issued capital incl. treasury shares	*23*	**161**	160
Other capital paid in		**1 538**	1 534
Reserves		**240**	253
Retained earnings		**2 415**	2 369
Equity attributable to equity holders of the parent company		**4 353**	4 317
Non-controlling interests		**18**	-
Total equity		**4 371**	4 317
Non-current borrowings	*24*	**1 444**	588
Non-current lease liabilities	*33*	**516**	-
Employee benefit obligations	*26*	**359**	332
Deferred tax liabilities	*11*	**11**	9
Other non-current liabilities	*25*	**491**	390
Provisions, non-current	*27*	**51**	166
Total non-current liabilities		**2 873**	1 485
Current borrowings	*24*	**3**	14
Current lease liabilities	*33*	**160**	-
Current tax liabilities		**11**	8
Provisions, current	*27*	**119**	236
Trade and other payables	*28*	**2 974**	2 734
Derivative financial instruments	*31*	**65**	210
Total current liabilities		**3 333**	3 203
Total liabilities		**6 206**	4 687
Total equity and liabilities		**10 578**	9 005

Fornebu, March 18, 2020 I Board of Directors of Akastor ASA

Kristian 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	CEO

Akastor Group | Consolidated statement of changes in equity

Amounts in NOK million	Share capital	Treasury shares	Other capital paid in	Hedging reserve[1]	Fair value reserve[1]	Currency translation reserve[1]	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interests (NCI)	Total equity
2018										
Equity as of January 1, 2018	162	(2)	1 534	36	9	775	2 695	5 208	-	5 208
Profit (loss) for the period	-	-	-	-	-	-	(322)	(322)	-	(322)
Other comprehensive income	-	-	-	(101)	(37)	(428)	(4)	(569)	-	(569)
Total comprehensive income	-	-	-	(101)	(37)	(428)	(326)	(891)	-	(891)
Equity as of December 31, 2018	**162**	**(2)**	**1 534**	**(65)**	**(28)**	**346**	**2 369**	**4 317**	**-**	**4 317**
2019										
Adjustment on initial application of and IFRS 16, net of tax[2]	-	-	-	-	-	-	(7)	(7)	-	(7)
Equity as of January 1, 2019	162	(2)	1 534	(65)	(28)	346	2 362	4 310	-	4 310
Profit (loss) for the period	-	-	-	-	-	-	100	100	(7)	93
Other comprehensive income	-	-	-	48	17	(78)	(36)	(49)	-	(49)
Total comprehensive income	-	-	-	48	17	(78)	64	51	(7)	44
Sale of treasury shares	-	-	4	-	-	-	-	4	-	4
Acquisition of subsidiaries with NCI[3]	-	-	-	-	-	-	(11)	(11)	27	16
Acquisition of NCI	-	-	-	-	-	-	-	-	(3)	(3)
Equity as of December 31, 2019	**162**	**(2)**	**1 538**	**(17)**	**(10)**	**268**	**2 415**	**4 353**	**18**	**4 371**

[1] *See Note 23 Capital and reserves*

[2] *See Note 2 Basis for preparation*

[3] *See Note 5 Business combinations*

Akastor Group | Consolidated statement of cash flow
For the year ended December 31

Amounts in NOK million	*Note*	**2019**	2018
Cash flow from operating activities			
Profit (loss) for the period - continuing operations		**147**	(194)
Profit (loss) for the period - discontinued operations		**(54)**	(128)
Profit (loss) for the period		**93**	(322)
Adjustments for:			
Income tax expense (benefit)		**44**	136
Net interest cost and unrealized currency (income) loss		**141**	295
Depreciation, amortization and impairment	*13, 14, 33*	**270**	665
(Gain) loss on disposal of subsidiaries (discontinued operations)		**54**	(280)
(Gain) loss on disposal of assets		**(2)**	(60)
(Profit) loss from equity-accounted investees	16	**160**	130
Other non-cash effects		**(244)**	(84)
Profit (loss) for the period after adjustments		**516**	479
Changes in operating assets		**24**	146
Cash generated from operating activities		**541**	625
Interest paid		**(131)**	(299)
Interest received		**76**	34
Net Interest paid for leases		**(34)**	-
Income taxes paid		**(47)**	(45)
Net cash from operating activities		**406**	315
Cash flow from investing activities			
Acquisition of property, plant and equipment	*13*	**(56)**	(95)
Payments for capitalized development	*14*	**(71)**	(36)
Proceeds from sale of property, plant and equipment		**3**	94
Acquisition of subsidiaries, net of cash acquired		**(236)**	-
(Payments of contingent considerations) Proceeds from sale of subsidiaries		**(209)**	1 103
Acquisition of other investments		**(11)**	(642)
Repayments of receivables from equity-accounted investees		**560**	-
Increase in receivables from equity-accounted investees		**(556)**	(177)
Other changes in interest-bearing receivables		**20**	-
Net cash from investing activities		**(555)**	247
Cash flow from financing activities			
Proceeds from borrowings	*24*	**1 135**	924
Repayment of borrowings	*24*	**(469)**	(1 335)
Payment of finance lease liabilities	*33*	**(151)**	(70)
Proceeds from sale of treasury shares	*23*	**4**	-
Acquisition of non-controlling interests		**(3)**	-
Net cash from financing activities		**517**	(481)
Effect of exchange rate changes on cash and bank deposits		**(11)**	(50)
Net increase (decrease) in cash and bank deposits		**357**	30
Cash and cash equivalents at the beginning of the period		**198**	168
Cash and cash equivalents at the end of the period	*22*	**555**	198
Of which is restricted cash		**11**	-

The statement included cash flows from discontinued operations prior to the disposal.

Note 1 | Corporate information

Akastor ASA is a limited liability company incorporated and domiciled in Norway and whose shares are publicly traded. The registered office is located at Oksenøyveien 10, Bærum, Norway. The largest shareholder is Aker Kværner Holding AS and the ultimate parent company is The Resource Group TRG AS.

The consolidated financial statements of Akastor ASA and its subsidiaries (collectively referred as Akastor or the group, and separately as group companies) for the year ended December 31, 2019 were approved by the board of directors and CEO on March 18, 2020. The consolidated financial statements will be authorized by the Annual General Meeting on April 15, 2020.

The group is an oilfield services investment company with a portfolio of industrial holdings and other investments. Akastor is listed on the Oslo Stock Exchange under the ticker AKA. Information on the group's structure is provided in Note 34 Group companies. Information on other related party relationships of the group is provided in Note 35 Related parties.

Note 2 | Basis for preparation

Basis of accounting
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Norwegian Accounting Act as of December 31, 2019.

Going concern basis of accounting
The consolidated financial statements have been prepared on a going concern basis, which assumes that the group will be able to meet the mandatory terms and conditions of the banking facilities as disclosed in Note 29 Capital management.

Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

- Derivative financial instruments are measured at fair value.
- Non-derivative financial instruments at Fair Value through Profit or Loss (FVTPL) are measured at fair value.
- Debt instrument at Fair Value through Other Comprehensive Income (FVOCI) are measured at fair value.
- Contingent considerations assumed in business disposals are measured at fair value.
- Net defined benefit (asset) liability is recognized at fair value of plan assets less the present value of the defined benefit obligation.

Functional and presentation currency
The consolidated financial statements are presented in NOK, which is Akastor ASA's functional currency. All financial information presented in NOK has been rounded to the nearest million (NOK million), except when otherwise stated. The subtotals and totals in some of the tables in these consolidated financial statements may not equal the sum of the amounts shown due to rounding.

When the functional currency in a reporting unit is changed, the effect of the change is accounted for prospectively.

Use of estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although management believes these assumptions to be reasonable, given historical experience, actual amounts and results could differ from these estimates. The items involving a higher degree of judgement or complexity, and items where assumptions and estimates are material to the consolidated financial statements, are disclosed in Note 4 Significant accounting estimates and judgements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Changes in significant accounting policies
Akastor has initially adopted IFRS 16 Leases from January 1, 2019. A number of other new standards are also effective from January 1, 2019, but they do not have a material effect on the group's financial statements.

IFRS 16 Leases
The new standard replaces IAS 17 Leases and the related interpretations. The standard introduces a single, on-balance sheet lease accounting model for lessees, with optional exemptions for short-term leases and leases of low value assets. 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 IAS 17.

Leases in which the group is a lessee
As a lessee, the group leases office properties, cars, machinery, IT equipment and office equipment. Under IAS 17, the group classified all leases as operating lease and recognized lease expense on a straight-line basis over the term of the lease. Upon initial application of IFRS 16, the group recognized right-of-use (ROU) assets and lease liabilities for its leases. The lease liabilities were 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 were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments.

The group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Did not recognize right-of-use assets and lease liabilities for leases for which the term ends within 12 months
- Did not recognize right-of-use assets and lease liabilities for leases of low value assets (e.g. IT equipment and office equipment)

In addition, the group no longer recognizes provisions for lease expenses that it assesses to be onerous lease contracts as described in Note 27 Provisions. Instead, the group includes the payments due under the lease in its lease liability.

Leases in which the group is a lessor

The group sub-leases some of its office properties. Under IAS 17, the head lease and the sub-lease contracts were classified as operating leases. Upon initial application of IFRS 16, some of the sub-leases were classified as financial 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 other leases where the group is a lessor are classified as operating leases.

Transition

On transition to IFRS 16, the group has applied the new standard using the modified retrospective approach. The cumulative effect of initial application was 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:

- Relied on assessment of whether leases were onerous applying IAS 37 on December 31, 20 18 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

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.

Amounts in NOK million	**January 1, 2019**
Right-of-use assets	522
Finance lease receivables	55
Trade and other receivables	(2)
Total assets	**575**
Equity	(7)
Lease liabilities	707
Provisions	(125)
Total equity and liabilities	**575**

The table below represents a reconciliation of the group's operating lease commitment as reported under IAS 17 as of December 31, 2018, and the lease liabilities recognized as of January 1, 2019. The weighted-average discount rate applied was 5.3%.

Amounts in NOK million	**January 1, 2019**
Operating lease commitments at December 31, 2018	937
Recognition exemption for short-term leases	(81)
Effect of discounting	(149)
Lease liability recognized at January 1, 2019	**707**

Standards issued but not yet effective

The following amended standards and interpretations are effective for annual periods beginning after January 1, 2019. The group has not early adopted any new or amended standards and they are not expected to have a significant impact on the group's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts.

Note 3 | Significant accounting policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date of which control ceases.

Business combinations

Business combinations are accounted for using the acquisition method as of the acquisition date, which is the date when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Transaction costs, other than those associated with the issue of debt or equity securities incurred in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. Changes in the fair value of the contingent consideration from acquisition of a subsidiary or non-controlling interest for transactions will be recognized in Other income as gain or loss, except for the obligation that is classified as equity.

Non-controlling interests

Non-controlling interests are measured initially at their fair value at the date of acquisition. Changes in the group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

On the loss of control, the group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity. Any resulting gain or loss is recognized in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Any contingent consideration receivable is measured at fair value at the disposal date. Changes in the fair value of the contingent consideration from divestment of a subsidiary for transactions will be recognized in Other income as gain or loss.

Investments in joint ventures and associates

The group's interests in equity-accounted investees comprise interests in joint ventures and associates.

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather to its assets and obligations for its liabilities. Joint control is established by contractual agreement requiring unanimous consent of the ventures for strategic, financial and operating decisions. An associate is an entity in which the group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in joint ventures and associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit and loss and other comprehensive income of the equity-accounted investees. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. When the group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and further losses are not recognized except to the extent that the group incurs legal or constructive obligations or has made payments on behalf of the investee.

The purpose of the investment determines the presentation of the group's share of profit and loss of the equity-accounted investee in the income statement. When the entity is established to share risk in executing a project or is closely related to Akastor's operating activities, the share of profit or loss is reported as part of Other income in Operating Profit. Share of the profit or loss of a financial investment is reported as part of Net finance expenses.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and joint ventures are eliminated to the extent of the group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized, but are considered in the overall impairment testing of the disposal group.

No reclassifications are made for years prior to the year when non-current assets or disposal groups are classified as a held for sale.

Discontinued operations

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

In the consolidated income statement, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative year.

The statement of cash flow includes the cash flow from discontinued operations prior to the disposal. Cash flows attributable to the operating, investing and financing activities of discontinued operations are presented in the notes to the extent these represent cash flows with third parties.

Foreign currency

Foreign currency transactions and balances

Transactions in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate on that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rates on the date the fair value is determined.

Investments in foreign operations

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates. The results and financial positions of all the group entities that have a functional currency different from the group's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments, are translated at the closing exchange rate at the reporting date.

- Income statements are translated at average exchange rate for the year, calculated on the basis of 12 monthly end rates.

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are included in other comprehensive income as currency translation reserve. These translation differences are reclassified to the income statement upon disposal of the related operations or when settlement is likely to occur in the near future.

Monetary items that are receivable from or payable to a foreign operation are considered as part of the net investment in that foreign operation, when the settlement is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from these monetary items are recognized in other comprehensive income.

Current/non-current classification

An asset is classified as current when it is expected to be realized or is intended for sale or consumption in the group's normal operating cycle, it is held primarily for the purpose of being traded, or it is expected/due to be realized or settled within twelve months after the reporting date. Other assets are classified as non-current.

A liability is classified as current when it is expected to be settled in the group's normal operating cycle, is held primarily for the purpose of being traded, the liability is due to be settled within twelve months after the reporting period, or if the group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Financial assets, financial liabilities and equity

On initial recognition, a financial asset is classified as measured at amortized costs, FVOCI or FVTPL. The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

- A financial asset is measured at amortized costs if the business model is to hold the asset to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interests (SPPI criterion).

- A debt instrument is classified at FVOCI if the business model is both collecting contractual cash flows and selling the financial asset, and it meets the SPPI criterion.

- All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets.

Other investments

Other investments include equity and debt investments in companies where the group has neither control nor significant influence, usually represented by less than 20 percent of the voting power. The investments are categorized as financial assets measured at FVTPL or FVOCI and recognized at fair value at the reporting date. Subsequent to initial recognition, changes in financial assets measured at FVTPL are recognized in profit and loss.

When a debt instrument is classified as financial asset measured at FVOCI, interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit and loss. Other changes in fair value are recognized in other comprehensive income and presented as part of fair value reserve. When financial asset measured at FVOCI is derecognized, the gain or loss accumulated in other comprehensive income is reclassified to profit and loss.

Trade and other receivables
Trade and other receivables are generally classified as financial assets measured at amortized costs. They are recognized at the original invoiced amount, less loss allowance made for credit losses. The interest rate element is disregarded if insignificant, which is the case for the majority of the group's trade receivables.

Interest-bearing receivables
Interest-bearing receivables include loans to related parties and are generally classified as financial assets measured at amortized costs. Such financial assets are recognized initially at fair value and subsequent measurement at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, demand deposits held at banks and other short-term highly liquid investments with original maturity of three months or less.

Trade and other payables
Trade payables are recognized at the original invoiced amount. Other payables are recognized initially at fair value. Trade and other payables are valued at amortized cost using the effective interest rate method. The interest rate element is disregarded if it is insignificant, which is the case for the majority of the group's trade payables.

Interest-bearing borrowings
Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Share capital
Ordinary shares are classified as equity. Repurchase of share capital is recognized as a reduction in equity and is classified as treasury shares.

Derivative financial instruments
The group uses derivative financial instruments such as currency forward contracts and currency swaps to hedge its exposure to foreign exchange risks arising from operational, financial and investment activities. These derivative financial instruments are accounted for as cash flow hedges since highly probable future cash flows are hedged (rather than committed revenues and expenses). The group also has embedded foreign exchange derivatives which have been separated from their ordinary commercial contracts. Derivative financial instruments are recognized initially at fair value. Derivatives are subsequently measured at fair value, and changes in fair value are accounted for as described below.

Cash flow hedge
Hedging of the exposure to variability in cash flows that is attributable to a particular risk or a highly probable future cash flow is defined as a cash flow hedge. The effective portion of changes in the fair value is recognized in other comprehensive income as a hedge reserve. All foreign exchange exposure is hedged. Any gain or loss relating to the ineffective portion of derivative hedging instruments is recognized immediately in the income statement as finance income or expense.

Hedge accounting is discontinued when the hedge no longer qualifies for hedge accounting. Disqualification occurs when the hedging instrument expires, is sold, terminated or exercised, or when a forecast transaction is no longer expected or the hedge is no longer effective. When a hedge is disqualified, the cumulative gain or loss that was recognized in the hedge reserve is recognized immediately in the income statement unless it relates to a future cash flow that is likely to occur, but don't qualify for hedge accounting, in which the accumulated hedge reserve remains in other comprehensive income until the hedged cash flow is recognized in income statement. For cash flow hedges associated with forecast transactions that subsequently result in recognition of a non-financial asset, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve are included directly in the initial cost of the non-financial asset when recognized.

Net investment hedge
Hedge of net investment in a foreign operation is accounted for similarly to cash flow hedges. Gains or losses arising from the hedging instruments relating to the effective portions of the net investment hedge are recognized in other comprehensive income as currency translation reserves. These translation reserves are reclassified to the income statement upon disposal of the hedged net investments, offsetting the translation differences from these net investments. Any ineffective portion is recognized immediately in the income statement as finance income or expenses. Gains and losses accumulated in other comprehensive income are reclassified to the income statement when the foreign operation is partially disposed of or sold.

Embedded derivatives
Embedded derivatives are derivatives that are embedded in other financial instruments or other non-financial host contracts. Under certain conditions, the embedded derivative must be separated from its host contract and the derivative is then to be recognized and measured as any other derivative in the financial statements. Embedded derivatives must be separated when the settlement for a commercial contract is denominated in a currency different from any of the major contract parties' own functional currency, or that the contract currency is not considered to be commonly used for the relevant economic environment defined as the countries involved in the cross-border transaction. Changes in the fair value of separated embedded derivatives are recognized immediately in the income statement. All foreign currency exposure is hedged, so the hedging instrument to the embedded derivative will also have corresponding opposite fair value changes in the income statement.

Finance income and expense

Finance income and expense include interest income and expense, foreign exchange gains and losses, dividend income, gains and losses on derivatives, as well as change in fair value of financial assets measured at FVTPL. Interest income and expenses include calculated interest using the effective interest method, in addition to discounting effects from assets and liabilities measured at fair value. Gains and losses on derivatives include effects from derivatives that do not qualify for hedge accounting and embedded derivatives, in addition to the ineffective portion of qualifying hedges.

Revenue from contract with customers

The significant accounting policies relating to revenue recognition from contracts with customers are described in Note 7 Revenue and other income.

Income tax

Income tax recognized in the income statement comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends, recognized at the same time as the liability to pay the related dividend.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Goodwill not deductible for tax purposes
- The initial recognition of assets or liabilities that affects neither accounting nor taxable profit
- Temporary differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the tax assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Measurement of deferred tax assets are reviewed at each reporting date.

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories and bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment

Trade receivables and contract assets

Loss allowance is recognized in profit or loss and measured at lifetime ECLs. ECLs are a probability-weighted estimate of credit losses. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset. The group considers a financial asset to be in default when the group is unlikely to receive its outstanding contractual amount in full, or the contractual payments are more than 90 days past due. When estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort, based on the group's historical experience including forward-looking information. The loss allowance is recognized in financial items to the extent that impairment is caused by the insolvency of the customer.

The gross carrying amount of trade receivable is written off when the group has no reasonable expectations of recovering a trade receivable in its entirety or a portion thereof. The group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Trade receivables that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

Debt instruments measured at amortized cost or at FVOCI

Debt instruments measured at amortized cost or at FVOCI are considered to be "credit-impaired" when there is significant financial difficulty of the borrower or it is probable that the borrower will enter bankruptcy or other financial reorganization. The loss allowance is charged to profit and loss.

Non-financial assets

The carrying amounts of the group's non-financial assets (other than employee benefit assets, inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If an indication of impairment exists, the asset's recoverable amount is estimated. Cash-generating units (CGU) containing goodwill, intangible assets with an indefinite useful life and intangible assets that are not yet available for use are tested for impairment annually.

The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in the income statement.

An impairment loss recognized in respect of a CGU (or a group of CGUs) containing goodwill is allocated first to goodwill and then to the other assets in the CGU(s) on a pro rata basis.

An impairment loss on goodwill is not reversed. An impairment loss on other assets is reversed if there has been a change in the estimates used to determine the recoverable amount, and the change can be objectively related to an event occurring after the impairment is recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions

A provision is recognized when the group has a present obligation as a result of a past event that can be estimated reliably and it is probable that the group will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a market based pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the liability-specific risks. The unwinding of the discount is recognized as finance expense.

Warranties

Provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Onerous contracts

Provision for onerous contracts is recognized when the expected benefits to be derived by the group from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is recognized, the group recognizes any impairment loss on the assets associated with the contract.

Restructuring

A restructuring provision is recognized when the group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that the entity will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Leases

The group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The accounting policies below are policies application from January 1, 2019 unless otherwise stated.

As a lessee

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, which comprises the initial amount of the lease liability adjusted for any prepaid lease payments made at or before the commencement date, plus any initial direct costs. Subsequently, the right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. In addition, the right-of-asset is subject to impairment assessment of non-financial assets and adjusted for certain remeasurement of the lease liability.

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 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 assets

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 assets, mainly IT equipment and office equipment. Lease payments associated with the short -term leases and leases of low -value assets 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 extension option, considering all relevant factors that create economic incentive to exercise the extension option.

As a lessor

When the group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The group recognizes lease payments received under operating leases as income on a straight line basis over the lease term as part of "Lease revenue".

Generally, the accounting policies applicable to the group as a lessor in the comparative period were not different from IFRS 16 except for the classification of some sub-leases that resulted in a finance lease classification.

Policy applicable before January 1, 2019
In the comparable period, the operating leases classified under IAS 17 were not recognized in the group's statement of financial position. Payments made under operating leases were recognized as operating expenses in profit or loss on a straight-line basis over the term of the lease.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, borrowing costs on qualifying assets, production overheads and the estimated costs of dismantling and removing the assets and restoring the site on which they are located.

If the components of property, plant and equipment have different useful lives, they are accounted for as separate components.

Subsequent costs
The group capitalizes the cost of a replacement part or a component of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. All other costs are expensed as incurred.

Depreciation
Depreciation is normally recognized on a straight-line basis over the estimated useful lives of property, plant and equipment.

Intangible assets
Goodwill
Goodwill that arises from the acquisition of subsidiaries is presented as intangible asset. For the measurement of goodwill at initial recognition, see Business combinations.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

When the group disposes of an operation within a CGU or group of CGUs to which goodwill has been allocated, a portion of the goodwill is included in the carrying amount of the operation when determining the gain or loss on disposal. The portion of the goodwill allocated is measured based on the relative values of the operation disposed of and the portion of the CGU retained at the date of partial disposal, unless it can be demonstrated that another method better reflects the goodwill associated with the operation disposed of. The same principle is used for allocation of goodwill when the group reorganizes its businesses.

Research and development
Expenditures on research activities undertaken with the prospect of obtaining new scientific or technical knowledge and understanding is recognized in the income statement as incurred.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalized expenditure includes cost of materials, direct labour overhead costs that are directly attributable to preparing the asset for it intended use and capitalized interest on qualifying assets. Other development expenditures are recognized in the income statement as an expense as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

Other intangible assets
Acquired intangible assets are measured at cost less accumulated amortization and impairment losses.

Subsequent expenditures
Subsequent expenditures on intangible assets are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred.

Amortization
Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such useful lives are indefinite. Intangible assets are amortized from the date they are available for use.

Employee benefits
Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

Defined benefit plans

The group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods; discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. The discount rate is the yield at the reporting date on government bonds or high-quality corporate bonds with maturities consistent with the terms of the obligations.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in the income statement.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the income statement. The group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Fair value measurement

When available, the group measures the fair value of a financial instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price. If the group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, and the difference between the fair value on initial recognition and the transaction price is recognized as a deferred gain or loss. Subsequently, the deferred gain or loss is recognized in profit or loss on an appropriate basis over the life of the instrument.

Note 4 | Significant accounting estimates and judgements

Estimates and judgements are continually reviewed and are based on historical experiences and expectations of future events. The resulting accounting estimates will, by definition, seldom accurately match actual results, but are based on the best estimate at the time. Estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

Revenue from performance obligations satisfied over time, typically in construction contracts and service contracts, are recognized according to progress. This requires estimates of the final revenue and costs of the performance obligations, as well as measurement of progress achieved to date as a proportion of the total work to be performed.

The main uncertainty when assessing contract revenue is related to recoverable amounts from variation orders, claims and incentive payments which are recognized when, in the group's judgement, it is highly probable that they will not result in a significant reversal of revenue. This assessment is adjusted by management's evaluation of liquidated damages to be imposed by customers, typically relating to contractual delivery terms. In many contracts, there are frequent changes in scope of work resulting in a number of variation orders. The contracts with customers normally include procedures for issuing and approval of variation orders. There can be unapproved variation orders and claims included in the contract revenue where recovery is assessed as highly probable and other criteria are met. Even though management has extensive experience in assessing the outcome of such negotiations, uncertainties exist.

One of the key uncertainties related to revenue recognition arises in the final stages of the completion of long term contracts which can involve renegotiations with customers. The estimates of the likely outcome of these renegotiations are based on management's assessments subject to complex interpretations of contractual, engineering, design and project execution issues. There can be a wide range of reasonably possible outcomes from such renegotiations and the estimates made require a high degree of judgment.

Estimate of the remaining contract costs depends on productivity factors and the cost of inputs. Weather conditions, the performance of subcontractors and others with an impact on schedules, commodity prices and currency rates can affect cost estimates. Experience, systematic use of the project execution model and focus on core competencies reduce, but do not eliminate, the risk that estimates may change significantly. A risk contingency is included in estimated contract costs based on the risk register for identified significant risks.

Progress measurement based on costs incurred has an inherent risk related to the cost estimate as described above. The estimation uncertainty during the early stages of a contract is mitigated by a policy of normally not recognizing revenue in excess of costs on large lump sum projects before the contract reaches 20 percent of completion. Earlier recognition can be made on a project-by-project basis if cost estimates are certain, typically in situations of repeat projects, proven technology or proven execution model.

Warranties

A provision is made for expected warranty expenditures. The warranty period is normally 12-30 months as one operating cycle. Based on experience, the provision is often estimated at one percent of the contract value, but can also be a higher or lower amount following a specific evaluation of the actual circumstances for each contract. Both the general one percent provision and the evaluation of project specific circumstances are based on experience from earlier projects. Factors that could affect the estimated warranty cost include the group's quality initiatives and project execution model. Reference is made to Note 27 Provisions for further information about provisions for warranty expenditures on delivered projects.

Deferred and contingent considerations

Deferred and contingent considerations resulting from business combinations and disposals are measured at fair value at transaction date. When a deferred and contingent consideration meets the definition of a financial asset or liability, it is subsequently remeasured at fair value at the reporting date. The determination of fair value is based on discounted cash flows. Key assumptions made by the management include the probability of meeting each performance target and the discount factor.

Impairment of non-financial assets

Property, plant and equipment and intangible assets

The group has significant non-current assets recognized in the consolidated statement of financial position related to Property, plant and equipment and intangible assets. The value in use of some of these assets can be significantly impacted by changes of market conditions. The group considers whether there are indications of impairment on the carrying amounts of such non-current assets. If such indications exist, an impairment test is performed to assess whether or not the assets should be impaired. The valuations, often determined by value in use calculations, will often be performed based on estimates of future cash flows discounted by an appropriate discount rate. Significant estimates and judgments are made by the management, including determining appropriated cash-generating units and discount rate, projections for future cash flows and assumptions of future market conditions. References are made to Note 13 Property, plant and equipment and Note 14 Intangible assets.

Goodwill

The group performs impairment testing of goodwill annually or more frequently if any impairment indicators are identified. The recoverable amounts of cash-generating units to which goodwill is allocated have been determined based on value-in-use calculations. These calculations require management to estimate future cash flows expected to arise from these cash-generating units and an appropriate discount rate to reflect the time value of the money. Key assumptions made by the management include also assumptions for future market conditions, which require a high degree of judgment. Further details about goodwill allocation and impairment testing are included in Note 15 Impairment testing of goodwill.

Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required to determine the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Provisions for anticipated tax audit issues are based on estimates of eventual additional taxes.

Income tax expense is calculated based on reported income in the different legal entities. Deferred income tax expense is calculated based on the temporary differences between the assets' carrying amount for financial reporting purposes and their respective tax basis. The total amount of income tax expense and allocation between current and deferred income tax requires management's interpretation of complex tax laws and regulations in the many tax jurisdictions where the group operates.

Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred tax benefit. Expected recoverability may result from expected taxable income in the near future, planned transactions or planned tax optimizing measures. Economic conditions may change and lead to a different conclusion regarding recoverability, and such change may affect the results for each future reporting period.

Tax authorities in different jurisdictions may challenge calculation of income taxes from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense. When tax authorities challenge income tax calculations, management is required to make estimates of the probability and amount of possible tax adjustments. Such estimates may change as additional information becomes known. Further details about income taxes are included in Note 11 Income tax.

Pension benefits

The present value of the pension obligations depends on a number of factors determined on the basis of actuarial assumptions. These assumptions include financial factors such as the discount rate, expected salary growth, inflation and return on assets as well as demographical factors concerning mortality, employee turnover, disability and early retirement. Assumptions about all these factors are based on the situation at the time the assessment is made. However, it is reasonably certain that such factors will change over the very long periods for which pension calculations are made. Any changes in these assumptions will affect the calculated pension obligations with immediate recognition in other comprehensive income. Further information about the pension obligations and the assumptions used are included in Note 26 Employee benefits - pension.

Fair value measurement

The group has invested in significant financial assets that require the measurement of fair value. If there is no quoted price in an active market, then the group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The fair value measurement requires a high degree of judgment. Judgements include considerations of inputs such as cash flow projection, discount rate and volatility. Further information about the fair value measurement using level 3 inputs is included in Note 32 Financial Instruments.

Lease terms

Some of the property leases, in which the group is a lessee, contain extension or termination options exercisable before the end of the non-cancellable period. These options are used to provide operational flexibility for the group. In determining the lease term, the group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The most relevant factors to be considered as "creating economic incentive" include significant leasehold improvement, alternatives for the leased property and the costs and business disruption required to replace the leased assets. Most extension options in offices leases have not been included in the lease term, because the group expects to be able to replace the assets without significant cost or business disruption. Most of the early termination options are not considered in the lease term either as the group assesses it as reasonably certain that the leases will not be terminated early.

The lease term assessment requires management's judgment and is made at the commencement of the leases. The lease term is reassessed if an option is actually exercised or the group becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the group's control. Please see Note 33 Leases for more information about the leases where the group is a lessee.

Legal disputes and contingent liabilities

Given the scope of the group's worldwide operations, group companies are inevitably involved in legal disputes in the course of their business activities. In addition, as an investment company, Akastor and its portfolio companies from time to time engage in mergers, acquisitions and other transactions that could expose the companies to financial and other non-operational risks, such as indemnity claims and price adjustment mechanisms resulting in recognition of deferred settlement obligations.

Provisions have been made to cover the expected outcome of the legal claims and disputes to the extent negative outcomes are likely and reliable estimates can be made. However, the final outcomes of these cases are subject to uncertainties, and resulting liabilities may exceed provisions recognized. The group follows the development of these disputes on case-by-case basis and makes assessment based on all available evidence as at the reporting date.

Note 5 | Business combinations

Acquisition of AGR

On April 2, 2019 , Akastor completed the transaction to merge First Geo AS (First Geo) and AGR 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 percent 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 percent of the shares and 55 percent of the economic interest in the merged company AGR. Silver fleet Capital, DNB Bank ASA and Nordea Bank Abp, filial i Norge, hold the remaining 45 percent economic interest. In addition, AGR AS has rolled over NOK 180 million of the debt, of which DNB and Nordea holds NOK 90 million each.

The group expects that the merged company AGR will be a world leading provider of well management-, reservoir- and subsurface services, ranging from consultancy services to fully outsourced well and rig management projects. The company's service offering replicates that of major oil companies and covers the entire value chain from qualifications to plugging and abandonment.

The acquired AGR business contributed revenues of NOK 478 million and net loss of NOK 15 million for the period from the acquisition date to December 31, 2019. If the acquisition of AGR had occurred on January 1, 2019, the group estimates that consolidated revenue and profit after tax for the year ended December 31, 2019 would have been NOK 5 493 million and NOK 86 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.

Acquisition of Bronco

On June 7, 2019, Akastor, through its portfolio company MHWirth, acquired 100 percent 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. By utilizing the competencies and supply chain of Bronco, Akastor sees potential on current MHWirth equipment, as well as the potential to re-engineer relevant equipment to make it more suitable for onshore applications. In addition, Akastor expects that Bronco will strengthen MHWirth's presence in North America and increase local manufacturing capabilities in the Houston region.

The acquired Bronco business contributed revenues of NOK 123 million and net profit of NOK 8 million for the period from the acquisition date to December 31, 2019. If the acquisition of Bronco had occurred on January 1, 2019, the group estimates that consolidated revenue and profit after tax for the year ended December 31, 2019 would have been NOK 5 472 million and NOK 105 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 net asset acquired, purchase consideration and goodwill are as follows.

Identifiable assets and liabilities acquired

Amounts in NOK million	AGR	Bronco
Property, plant and equipment	2	4
Intangible assets	38	111
Right-of-use assets	43	9
Deferred tax assets	12	15
Inventories	2	59
Trade and other receivables	101	44
Cash and cash equivalents	33	2
Other assets	2	-
External borrowings	(152)	(5)
Lease liabilities	(43)	(9)
Deferred tax liabilities	(8)	-
Trade and other payables	(111)	(23)
Other liabilities	(1)	-
Total net identifiable assets acquired	**(82)**	**207**

Acquisition-related costs of NOK 5 million are included in "other operating expenses" in the consolidated income statement.

Trade and other receivables comprise gross contractual amounts due of NOK 104 million and NOK 48 million in AGR and Bronco, respectively, of which NOK 3 million in AGR and NOK 4 million in Bronco was expected to be uncollectable at the date of acquisition.

The group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, the accounting for the acquisition will be revised.

Consideration transferred and goodwill

Amounts in NOK million	**AGR**	**Bronco**
Cash consideration	-	270
Fair value of non-cash consideration	6	-
Total consideration transferred	**6**	**270**
Non-controlling interests (NCI) measured at fair value	10	-
Fair value of net identifiable assets	82	(207)
Goodwill	**98**	**63**

The goodwill resulting from the acquisitions is mainly attributable to the value of the assembled workforce in AGR and Bronco as well as expected synergies arising from the acquisitions. NOK 43 million of the goodwill recognized in AGR is expected to be tax deductible for tax purposes.

The fair value of the non-controlling interests in AGR, a non-listed company, has been estimated by applying a discounted cash flow analysis, an income based approach. The fair value measurement is based on significant inputs that are not observable in the market:

- An assumed discount rate of 12%
- Explicit forecast period of 10 years
- Terminal growth rate of 1.0%

Acquisition of subsidiaries with NCI

In April 2019, Akastor contributed 100 percent of its shares in First Geo AS to AGR AS to form the combined AGR/ First Geo group (AGR). After the transaction, Akastor holds 55 percent of the economic interest in AGR, and non-controlling interests (NCI) in AGR were recognized. As a result of the transaction, the ownership interest in First Geo has decreased from 100 percent to 55 percent without a loss of control. The change in ownership interest in First Geo was treated as equity transaction and resulted in a loss directly to equity.

Amounts in NOK million	**2019**
NCI in acquired AGR business	10
NCI in First Geo	17
Total NCI in AGR	**27**
Fair value of consideration received	6
Carrying amount of NCI in First Geo	(17)
Loss in equity attributable to equity holders of the parent company	**(11)**

Note 6 | Operating segments

Basis for segmentation

In 2019, Akastor acquired 55 percent economic interests in AGR and merged it with the portfolio company First Geo. The merged portfolio company AGR is identified as a reportable segment. First Geo, previously included in the segment "Other holdings", has been included in the segment "AGR" as of December 31, 2019. Historical information has been restated.

As of December 31, 2019, Akastor has three reportable segments which are the strategic business units of the group. The strategic business units are managed separately and offer different products and services due to different market segments and different strategies for their projects, products and services:

- MHWirth is a supplier of drilling systems and drilling lifecycle services globally. The company offers a full range of drilling equipment, drilling riser solutions and related products and services for the drilling market, primarily the offshore sector.
- AKOFS Offshore is a global provider of vessel-based subsea well construction and intervention services to the oil and gas industry, covering all phases from conceptual development to project execution and offshore operations.
- AGR is a well design and drilling project management, HSEQ, reservoir and field management service company delivering solutions for the entire field life cycle. The company also provides rig procurement, tailored training, software and technical manpower for clients globally.

As a result of divestment of 50 percent ownership in AKOFS Offshore in September 2018, AKOFS Offshore is classified as a joint venture and consolidated using the equity method, see Note 16 Equity-accounted investees.

Further, Akastor holds 100 percent ownership in Step Oiltools and Cool Sorption, 50 percent in DOF Deepwater AS, 17.7 percent economic interest in NES Global Talent and 93 percent of Aker Pensjonskasse, as well as equity instruments in Odfjell Drilling and Awilco Drilling. These are included in “Other holdings”.

Measurement of segment performance

Segment performance is measured by operating profit before depreciation, amortization and impairment (EBITDA) which is reviewed by the group’s Executive Management Group (the chief operating decision maker). Segment profit, together with key financial information as described below, gives the Executive Management Group relevant information in evaluating the results of the operating segments and is relevant in evaluating the results of the segments relative to other entities operating within these industries. Inter-segment pricing is determined on an arm’s length basis.

The accounting policies of the reportable segments are the same as described in Note 2 Basis of preparation and Note 3 Significant accounting principles.

Information about reportable segments

Amounts in NOK million	*Note*	MHWirth	AKOFS Offshore	AGR	Other holdings	Total operating segments	Adjust-ment of AKOFS Offshore	Elimina-tions	Total Akastor
2019									
Income statement									
External revenue and other income		4 186	1 093	573	602	**6 454**	(1 093)	-	**5 361**
Inter-segment revenue		1	-	-	7	**8**	-	(8)	**-**
Total revenue and other income		**4 187**	**1 093**	**573**	**609**	**6 462**	**(1 093)**	**(8)**	**5 361**
Operating profit before de-preciation, amortization and impairment (EBITDA)		**476**	**560**	**14**	**2**	**1 052**	**(560)**	**-**	**492**
Depreciation and amortization	*13, 14, 33*	(161)	(323)	(15)	(85)	**(584)**	323	-	**(261)**
Impairment	*33*	-	-	-	(9)	**(9)**	-	-	**(9)**
Operating profit (loss) (EBIT)		**315**	**237**	**(1)**	**(92)**	**459**	**(237)**	-	**222**
Assets									
Current operating assets		3 238	360	191	288	**4 078**	(362)	-	**3 716**
Non-current operating assets		2 648	5 076	191	2 150	**10 065**	(4 026)	-	**6 039**
Finance lease receivables	*33*	3	-	-	22	**25**	-	-	**25**
Segment assets		**5 889**	**5 437**	**382**	**2 460**	**14 168**	**(4 389)**	-	**9 779**
Liabilities									
Current operating liabilities		2 609	312	178	319	**3 418**	(314)	-	**3 105**
Non-current operating liabilities		275	6	16	621	**918**	(6)	-	**912**
Lease liabilities	*33*	397	1 385	17	263	**2 062**	(1 385)		**677**
Segment liabilities		**3 281**	**1 703**	**211**	**1 203**	**6 399**	**(1 705)**	-	**4 694**
Net current operating assets		629	49	12	(31)	**660**	(49)	-	**611**
Net capital employed		2 608	3 734	170	1 257	**7 769**	(2 684)	-	**5 085**
Capital expenditure and R&D capitalization		115	618	6	6	**745**	(618)	-	**127**

Amounts in NOK million	*Note*	MHWirth	AKOFS Offshore	AGR	Other holdings	Total operating segments	Adjust-ment of AKOFS Offshore	Elimina-tions	Total Akastor
2018									
Income statement									
External revenue and other income		3 031	1 107	168	573	**4 879**	(1 080)	-	**3 800**
Inter-segment revenue		24	-	-	8	**32**	-	(32)	**-**
Total revenue and other income		**3 055**	**1 107**	**168**	**581**	**4 911**	**(1 080)**	**(32)**	**3 800**
Operating profit before depreciation, amortization and impairment (EBITDA)		**281**	**471**	**27**	**(45)**	**733**	**(443)**	**-**	**290**
Depreciation and amortization	*13,14*	(125)	(275)	-	(56)	**(456)**	275	-	**(181)**
Impairment	*13,14*	-	(322)	-	-	**(322)**	322	-	**-**
Operating profit (loss) (EBIT)		**156**	**(127)**	**27**	**(101)**	**(45)**	**154**	-	**109**
Assets									
Current operating assets		3 008	282	22	326	**3 636**	(282)	-	**3 354**
Non-current operating assets		1 972	4 741	21	1 999	**8 733**	(3 655)	-	**5 078**
Segment assets		**4 979**	**5 023**	**43**	**2 325**	**12 369**	**(3 937)**	-	**8 432**
Liabilities									
Current operating liabilities		2 353	102	22	605	**3 081**	(102)	-	**2 979**
Non-current operating liabilities		264	6	7	626	**903**	(6)	-	**897**
Finance lease liabilities		-	1 475	-	-	**1 475**	(1 475)	-	**-**
Segment liabilities		**2 617**	**1 583**	**29**	**1 231**	**5 459**	**(1 583)**	-	**3 876**
Net current operating assets		655	180	(1)	(279)	**555**	(180)	-	**375**
Net capital employed		2 363	3 441	14	1 094	**6 910**	(2 354)	-	**4 556**
Capital expenditure and R&D capitalization		58	188	-	8	**255**	(124)	-	**131**

Reconciliations of information on reportable segments to IFRS measures

Amounts in NOK million	*Note*	**2019**	2018
Assets			
Total segment assets		**9 779**	8 432
Derivative financial instruments	*31*	**43**	117
Cash and cash equivalents	*22*	**555**	198
Current interest-bearing receivables	*19*	**-**	257
Non-current interest-bearing receivables	*19*	**201**	-
Consolidated assets		**10 578**	9 005
Liabilities			
Total segment liabilities		4 694	3 876
Derivative financial instruments	*31*	65	210
Current borrowings	24	3	14
Non-current borrowings	24	1 444	588
Consolidated liabilities		**6 206**	4 687

Geographical information

Geographical revenue is presented on the basis of geographical location of the group companies selling to the customers. Non-current segment assets and capital expenditures are based on the geographical location of the assets.

Amounts in NOK million	Revenue and other income 2019	Revenue and other income 2018	Non-current assets excluding deferred tax assets and financial instruments 2019	Non-current assets excluding deferred tax assets and financial instruments 2018
Norway	**2 755**	1 980	**2 179**	1 647
Germany	**745**	492	**762**	719
United States	**316**	215	**441**	255
Brazil	**135**	108	**306**	323
Asia	**464**	465	**122**	128
Other Europe	**475**	282	**87**	68
Middle East	**253**	158	**5**	18
Other countries	**218**	100	**41**	17
Total	**5 361**	3 800	**3 944**	3 174

Major customer

Revenues from one customer of MHWirth represents approximately NOK 580 million (NOK 170 million in 2018) of the group's total revenue.

Note 7 | Revenue and other income

Amounts in NOK million	*Note*	2019	2018
Revenue from contracts with customers		**5 184**	3 464
Other revenue and income			
Lease revenue	33	**148**	233
Other revenue		**28**	20
Gain (loss) on disposal of subsidiaries		**-**	(1)
Profit (loss) from equity-accounted investees	16	**-**	28
Gain on disposals of assets		**2**	56
Total revenue and other income		**5 361**	3 800

Disaggregation of revenue from contracts with customers

Revenue from contracts with customer 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.

Amounts in NOK million	MHWirth	AKOFS Offshore	AGR	Other holdings	Adjustment of AKOFS Offshore	Total Akastor
2019						
Major contract/revenue types						
Construction revenue	1 338	-	-	217	-	**1 555**
Sale of standard products	1 301	-	36	128	-	**1 466**
Service revenue	1 513	335	537	112	(335)	**2 162**
Total Revenue from contracts with customers	**4 153**	**335**	**573**	**458**	**(335)**	**5 184**
Timing of revenue recognition						
Transferred over time	2 851	335	537	329	(335)	**3 717**
Transferred at point in time	1 301	-	36	128	-	**1 466**
Total Revenue from contracts with customers	**4 153**	**335**	**573**	**458**	**(335)**	**5 184**
Other revenue and income	33	757	-	144	(757)	**178**
Total external revenue and other income in segment reporting	**4 186**	**1 093**	**573**	**602**	**(1 093)**	**5 361**

Amounts in NOK million	MHWirth	AKOFS Offshore	AGR	Other holdings	Adjust-ment of AKOFS Offshore	Total Akastor
2018						
Major contract/revenue types						
Construction revenue	942	-	-	45	-	987
Sale of standard products	812	-	9	160	-	981
Service revenue	1 195	343	159	141	(343)	1 495
Total Revenue from contracts with customers	2 950	343	168	346	(343)	3 464
Timing of revenue recognition						
Transferred over time	2 137	343	159	186	(343)	2 482
Transferred at point in time	812	-	9	160	-	981
Total Revenue from contracts with customers	2 950	343	168	346	(343)	3 464
Other revenue and income	81	764	-	227	(737)	336
Total external revenue and other income in segment reporting	3 031	1 107	168	573	(1 080)	3 800

Contract balances

Amounts in NOK million	*Note*	**2019**	2018
Receivables, which are included in “trade and other receivables”		**1 136**	1 365
Contract assets	21	**1 468**	824
Contract liabilities	28	**609**	632

Contract assets relate to the group’s rights to consideration for work completed, but not yet invoiced at the reporting date. The contract assets are transferred to receivables when the rights to payment become unconditional, which usually occurs when invoices are issued to the customers. No impairment has been recognized on contract assets in 2019 or 2018.

Contract liabilities relate to advance consideration received from customer for work not yet performed. Revenue recognized in 2019 that was included in contract liabilities in the beginning of the year is NOK 354 million (NOK 41 million in 2018). There was an increase of NOK 15 million of the contract liability due to acquisition of subsidiaries in 2019.

The amount of revenue recognized in 2019 from performance obligation satisfied (or partially satisfied) in previous period is NOK 66 million (NOK 85 million in 2018). This is mainly due to changes in the estimates of progress measurement for performance obligations satisfied over time and changes in estimates relating to the constraining of revenues.

Transaction price allocated to the remaining performance obligations
The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) as of December 31, 2019.

Amounts in NOK million	2020	Later	**Total**
Transaction price allocated	2 419	1 067	**3 486**

The amounts disclosed above do not include variable consideration which is constrained. The group applies the practical expedient under IFRS 15 and does not disclose information about remaining performance obligation when revenue is recognized in the amount to which the group has right to invoice.

The group applies the practical expedient and does not adjust the transaction price allocated to performance obligations for the effects of a significant financing component if the group expects, at contract inception, that the period between when the group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The following provides information about nature of performance obligations, including significant payment terms, and related significant revenue recognition policies.

Type of contract/revenue	Nature of performance obligations, including significant payment terms	Significant revenue recognition policies
Construction contracts	Under construction contracts, specialized products are built to a customer's specifications and the assets have no alternative use to the group. If a construction contract is terminated by the customer, the group has an enforceable right to payment for the work completed to date. The contracts usually establish a milestone payment schedule. The group has assessed that these performance obligations are satisfied over time. Each of the construction contracts normally includes a single, combined output for the customer, such as an integrated drilling equipment package. One single performance obligation is usually identified in each contract. Assurance-type warranty for a period of 12-30 months is normally included in construction contracts.	Revenue from the construction performance obligations is recognized according to progress. The progress is measured using an input method that best depicts the group's performance. The input method used to measure progress is determined by reference to the costs incurred to date relative to the total estimated contract costs. Revenue in excess of costs is not recognized until the outcome of the performance obligation can be measured reliably, usually at 15-20 percent of completion. Variable considerations, such as incentive bonus or penalties, are included in construction revenue when it is highly probable that a significant revenue reversal will not occur. Potential penalty for Liquidated Damages is recognized as a reduction of the transaction price unless it is highly probable that it will not be incurred. Disputed amounts and claims are only recognized when negotiations have reached an advanced stage, customer acceptance is highly likely and the amounts can be measured reliably. Contract modifications, usually in form of variation orders, are only accounted for when they are approved by the customers.
Sale of standard products	This revenue type involves sale of products or equipment that are of a standard nature, not made to the customer's specifications. Customers obtain control of these products usually when the goods are delivered to the customers according to the contract terms. Invoices are usually generated when the products are delivered. The group has assessed that these performance obligations are satisfied at a point of time. Assurance-type warranty for a period of 12-18 months is normally included in these contracts.	Revenue from these performance obligations is recognized when the customers obtain control of the goods, which is essentially similar to the timing when the goods are delivered to the customers.
Service revenue	Service revenue is generated from rendering of services to customers. The customers simultaneously receive and consume the benefits provided by these services. The invoicing is usually based on the service provided at regular basis. Under some service contracts, the invoices are based on hours or days performed at agreed rates. The group has assessed that these performance obligations are satisfied over time.	Service revenue is recognized over time as the services are provided. The revenue is recognized according to progress, or using the invoiced amounts when the invoiced amounts directly correspond with the value of the services that are transferred to the customers. The progress is normally measured using an input method, by the reference of costs incurred to date relative to the total estimated costs.

Note 8 | Salaries, wages and social security costs

Amounts in NOK million	*Note*	**2019**	2018
Salaries and wages including holiday allowance		**1 411**	1 163
Social security tax/ national insurance contribution		**175**	150
Pension cost	26	**66**	63
Other employee costs		**68**	48
Salaries, wages and social security costs		**1 719**	1 424

Note 9 | Other operating expenses

Amounts in NOK million	**2019**	2018
External consultants and hired-ins inclusive audit fees	**235**	209
Rental and other costs for premises and equipment	**178**	217
Office supplies	**25**	36
Travel expenses	**47**	50
Insurance	**16**	11
Other	**62**	49
Total other operating expenses	**564**	572

Fees to the auditors

The table below summarizes audit fees, as well as fees for audit related services, tax services and other services incurred by the group during 2019 and 2018.

	Akastor ASA		**Subsidiaries**		**Total**	
Amounts in NOK million	**2019**	2018	**2019**	2018	**2019**	2018
Audit	**3**	**3**	**7**	**7**	**10**	10
Other assurance services	**-**	**-**	**1**	**2**	**1**	2
Total	**3**	**3**	**9**	**10**	**11**	12

Note 10 | Net finance expenses

Amounts in NOK million	*Note*	**2019**	2018
Profit (loss) from equity-accounted investees	*16*	**(160)**	(157)
Interest income on bank deposits measured at amortized cost		**34**	6
Interest income on debt instruments at FVOCI		**77**	61
Interest income on finance lease receivables	*33*	**3**	-
Dividend income from equity instrument		**69**	71
Net changes in fair value of financial assets at FVTPL		**37**	-
Liquidation of foreign entity[1)]		**99**	-
Other finance income		**2**	47
Finance income		**321**	185
Interest expense on financial liabilities measured at amortized cost		**(101)**	(81)
Interest expense on financial liabilities measured at fair value		**(10)**	(9)
Interest expense on lease liabilities	*33*	**(37)**	-
Net foreign exchange loss		**(30)**	(2)
Net changes in fair value of financial assets at FVTPL		**-**	(71)
Impairment loss on external receivables[2)]		**-**	(24)
Loss on foreign currency forward contracts		**-**	(2)
Other financial expenses		**(13)**	(39)
Financial expenses		**(192)**	(228)
Net finance expenses recognized in profit and loss		**(30)**	(200)

1) Relates to currency translation differences that were reclassified from Other Comprehensive Income to the income statement as result of liquidation

2) Impairment loss on external receivables was triggered by insolvency of certain customers

See Note 32 Financial instruments for information of the finance income and expense generating items.

Note 11 | Income tax

Income tax expense

Amounts in NOK million	**2019**	2018
Current tax expense		
Current year	**(45)**	(27)
Adjustments for prior years	**2**	1
Total current tax expense	**(44)**	(26)
Deferred tax expense		
Origination and reversal of temporary differences	**6**	8
Change in tax rate	**-**	(10)
Write down of tax loss and deferred tax assets	**(22)**	(75)
Recognition of previously unrecognized deferred tax assets	**16**	-
Total deferred tax income (expense)	**-**	(77)
Total tax income (expense)	**(44)**	(103)

Effective tax rate

The table below reconciles the reported income tax expense to the expected income tax expense according to the corporate income tax rate in Norway.

Amounts in NOK million	2019		2018	
Profit (loss) before tax, continuing operations	**191**		(91)	
Tax income (expense) using the company's domestic tax rate	**(42)**	**22.0%**	21	23.0%
Tax effects of:				
Difference between local tax rate and Norwegian tax rate	**13**	**(6.5%)**	10	10.7%
Permanent differences[1]	**(9)**	**4.5%**	(22)	(24.0%)
Prior year adjustments (current tax)	**2**	**(0.8%)**	1	0.6%
Prior year adjustments (deferred tax)	**2**	**(0.9%)**	2	2.3%
Recognition of previously unrecognized deferred tax assets[2]	**16**	**(8.3%)**	-	-
Write down of tax loss or deferred tax assets[3]	**(22)**	**11.7%**	(75)	(82.4%)
Change in tax rates[4]	**-**	**-**	(10)	(11.0%)
Other	**(2)**	**1.2%**	(30)	(32.6%)
Total tax income (expenses)	**(44)**	**23.0%**	(103)	(113.5%)

[1] *Relates mainly to net profit and loss after tax from equity-accounted investees and profit and loss recognized on various tax-exempted investments.*

[2] *Relates mainly to deferred tax assets on unused tax credit carry-forward in Norway.*

[3] *The impairment relates mainly to tax losses in the MHWirth entities in USA and Brazil as well as Step Oiltools.*

[4] *Relates mainly to changes in corporate income tax rate in Norway.*

Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
Amounts in NOK million	**2019**	2018	**2019**	2018	**2019**	2018
Property, plant and equipment	**46**	46	**(7)**	(6)	**39**	40
Intangible assets	**2**	1	**(10)**	(12)	**(8)**	(10)
Projects under construction	**-**	-	**(102)**	(248)	**(102)**	(248)
Pensions	**80**	72	**-**	-	**80**	72
Provisions	**50**	56	**(8)**	-	**42**	56
Derivatives	**5**	18	**(70)**	(38)	**(65)**	(19)
Other items	**241**	131	**(10)**	(9)	**231**	122
Tax loss carry-forwards	**160**	352	**-**	-	**160**	352
Total before set offs	**584**	677	**(207)**	(312)	**377**	365
Set-off of tax	**(196)**	(303)	**196**	303	**-**	-
Total deferred tax assets(liabilities)	**388**	374	**(11)**	(9)	**377**	365

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the deductible temporary difference can be utilized. The deferred tax assets recognized for tax loss carry-forward are mainly related to the entities in Norway and Germany where tax losses can be carried forward without expiration. The group has made an evaluation of taxable profit in these entities for the next five years based on management's projection. The estimates indicate that it is probable that future tax profit will be available for which such tax losses can be utilized. The amount of deferred tax assets recognized in the Norwegian and German entities is NOK 360 million as of December 31, 2019.

Change in net recognized deferred tax assets (liabilities)

Amounts in NOK million	Property, plant and equip-ment	Intan-gible assets	Projects under construc-tion	Pen-sions	Provi-sions	Deriva-tives	Other items	Tax loss carry-for-wards	Total
Balance as of December 31, 2017	(54)	(17)	(212)	76	73	(54)	166	672	650
Disposal of subsidiaries as of January 1, 2018	100	3	-	(1)	(4)	(10)	2	(345)	(254)
Recognized in profit and loss	(7)	4	(47)	(4)	(13)	2	(45)	34	(77)
Recognized in other comprehensive income	-	-	-	-	-	30	-	-	30
Recognized in equity	-	-	8	-	-	13	-	-	21
Currency translation differences	1	-	3	1	(1)	-	-	(9)	(5)
Balance as of December 31, 2018	**40**	**(10)**	**(248)**	**72**	**56**	**(19)**	**122**	**352**	**365**
Acquisition of subsidiaries	**-**	**(2)**	**-**	**-**	**-**	**(6)**	**15**	**12**	**20**
Recognized in profit and loss	**(1)**	**4**	**147**	**(1)**	**(14)**	**(25)**	**94**	**(205)**	**-**
Recognized in other comprehensive income	**-**	**-**	**-**	**9**	**-**	**(15)**	**-**	**-**	**(6)**
Currency translation differences	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**1**	**(1)**
Balance as of December 31, 2019	**39**	**(8)**	**(102)**	**80**	**42**	**(65)**	**231**	**160**	**377**

Tax loss carry-forwards and deductible temporary differences for which no deferred tax assets are recognized

Deferred tax assets have not been recognized in respect of tax loss carry-forwards or deductible temporary differences when the group evaluates that it is not probable that future taxable profit will be available against which the group can utilize these benefits based on forecasts and realistic expectations.

Expiry date of unrecognized tax loss carry-forwards

Amounts in NOK million	**2019**	2018
Expiry in 2021	**42**	74
Expiry in 2022 and later	**448**	481
Indefinite	**2 182**	1 856
Total	**2 671**	2 411

Unrecognized other deductible temporary differences are NOK 489 million in 2019 (NOK 459 million in 2018).

Note 12 | Earnings per share

Akastor ASA holds 2 390 215 treasury shares at year end 2019 (2 776 376 in 2018). Treasury shares are not included in the weighted average number of ordinary shares.

Amounts in NOK million	**2019**	2018
Profit (loss) from continuing operations	**147**	(194)
Non-controlling interests	**7**	-
Profit (loss) attributable to ordinary shares from continuing operations	**154**	(194)
Profit (loss) from discontinued operations	**(54)**	(128)
Profit (loss) attributable to ordinary shares	**100**	(322)

Basic/ diluted earnings per share

The calculation of basic/diluted earnings per share is based on the profit (loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding.

	2019	2018
Issued ordinary shares as of January 1	**274 000 000**	274 000 000
Weighted average number of issued ordinary shares for the year adjusted for treasury shares	**271 548 422**	271 223 624
Basic/ diluted earnings (loss) per share (NOK)	**0.37**	(1.19)
Basic/ diluted earnings (loss) per share for continuing operations (NOK)	**0.57**	(0.71)
Basic/ diluted earnings (loss) per share for discontinued operations (NOK)	**(0.20)**	(0.47)

Note 13 | Property, plant and equipment

The table below includes discontinued operations until these met the criteria to be classified as held for sale.

Amounts in NOK million	*Note*	Buildings and land	Vessels	Machinery, equipment, software	Under construction	Total
Historical cost						
Balance as of January 1, 2018		951	7 040	1 861	70	9 922
Additions [1]		-	-	26	69	95
Transfer from assets under construction		-	38	3	(42)	-
Disposals and scrapping		(148)	85	(440)	-	(503)
Disposal of subsidiaries		(4)	(7 063)	(103)	(63)	(7 233)
Currency translation differences		(57)	(101)	30	(1)	(128)
Balance as of December 31, 2018		**743**	**-**	**1 377**	**33**	**2 153**
Additions		**-**	**-**	**49**	**7**	**56**
Additions through business combinations	*5*	**-**	**-**	**6**	**-**	**6**
Reclassifications		**-**	**-**	**(19)**	**-**	**(19)**
Transfer from assets under construction		**12**	**-**	**-**	**(12)**	**-**
Disposals and scrapping		**-**	**-**	**(10)**	**-**	**(10)**
Currency translation differences		**(14)**	**-**	**3**	**-**	**(11)**
Balance as of December 31, 2019		**741**	**-**	**1 407**	**28**	**2 175**
Accumulated depreciation and impairment						
Balance as of January 1, 2018		(458)	(3 668)	(1 366)	(11)	(5 502)
Depreciation for the year [2]		(22)	(142)	(114)	-	(278)
Impairment [3]		-	(322)	-	-	(322)
Disposals and scrapping		124	(85)	431	-	470
Disposal of subsidiaries		4	4 164	81	-	4 249
Currency translation differences		25	53	(22)	-	56
Balance as of December 31, 2018		**(328)**	**-**	**(990)**	**(11)**	**(1 328)**
Depreciation for the year		**(16)**	**-**	**(96)**	**-**	**(112)**
Reclassifications		**-**	**-**	**13**	**-**	**13**
Disposals and scrapping		**-**	**-**	**8**	**-**	**8**
Currency translation differences		**6**	**-**	**(2)**	**-**	**4**
Balance as of December 31, 2019		**(338)**	**-**	**(1 067)**	**(11)**	**(1 415)**
Book value as of December 31, 2018		**416**	**-**	**387**	**22**	**825**
Book value as of December 31, 2019		**403**	**-**	**340**	**17**	**760**

[1] *Includes additions of NOK 63 million related to discontinued operations in 2018*
[2] *Includes depreciation of NOK 153 million from discontinued operations in 2018*
[3] *Includes impairment of NOK 322 million from discontinued operations in 2018*

Depreciation

Estimates for useful life, depreciation method and residual values are reviewed annually. Assets are mainly depreciated on a straight-line basis over their expected economic lives as follows:

Machinery, equipment and software	3–15 years
Vessels	20–25 years
Buildings	8–30 years
Land	No depreciation

Impairment

The impairment loss of NOK 322 million in 2018 was related to the cash-generating unit AKOFS Seafarer in the discontinued operations of AKOFS Offshore. AKOFS Seafarer was impaired to its recoverable amount of NOK 1.4 billion based on value in use (discount rate of 9.7%). The recoverable amount analysis was made on the assumption that the vessel is employed on the specific rates until the expiry of the current firm contract including options, and that rate and utilization levels thereafter are based on expected market levels.

Note 14 | Intangible assets

Amounts in NOK million	*Note*	Development costs	Goodwill	Other	Total
Historical cost					
Balance as of January 1, 2018		456	1 646	248	2 351
Reclassification		(5)	-	5	-
Capitalized development [1]		35	-	1	36
Disposal and scrapping		(47)	-	(17)	(64)
Disposal of subsidiaries		(2)	(452)	(113)	(567)
Currency translation differences		1	18	1	20
Balance as of December 31, 2018		**437**	**1 211**	**127**	**1 775**
Reclassification		**19**	**-**	**-**	**19**
Capitalized development		**70**	**-**	**1**	**71**
Additions through business combinations	5	**14**	**162**	**137**	**312**
Currency translation differences		**(1)**	**(1)**	**(1)**	**(3)**
Balance as of December 31, 2019		**539**	**1 372**	**263**	**2 174**
Accumulated amortization and impairment					
Balance as of January 1, 2018		(331)	(394)	(190)	(915)
Amortization for the year [2]		(41)	-	(24)	(64)
Disposal and scrapping		47	-	16	64
Disposal of subsidiaries		-	307	96	403
Currency translation differences		(1)	-	(2)	(3)
Balance as of December 31, 2018		**(325)**	**(87)**	**(104)**	**(515)**
Amortization for the year		**(33)**	**-**	**(21)**	**(53)**
Reclassifications		**(13)**	**-**	**-**	**(13)**
Currency translation differences		**1**	**(1)**	**2**	**2**
Balance as of December 31, 2019		**(370)**	**(88)**	**(123)**	**(581)**
Book value as of December 31, 2018		**112**	**1 125**	**22**	**1 260**
Book value as of December 31, 2019		**169**	**1 284**	**140**	**1 593**

[1] *Includes capitalized development costs of NOK 1 million from discontinued operations*

[2] *Includes amortization of NOK 9 million from discontinued operations*

Research and development costs

NOK 71 million has been capitalized in 2019 (NOK 36 million in 2018) related to development activities. In addition, research and development costs of NOK 31 million were expensed during the year because the criteria for capitalization are not met (NOK 32 million in 2018).

Amortization

Intangible assets all have finite useful lives and are amortized over the expected economic life, ranging between 5-10 years.

Note 15 | Impairment testing of goodwill

Goodwill originates from a number of acquisitions. For the purpose of impairment testing, goodwill has been allocated to the group's cash-generating units (portfolio companies) as shown in the table below, which represents the lowest level at which goodwill is monitored in management reporting. Please see Note 5 Business combinations for information about the goodwill acquired in MHWirth and AGR during 2019.

Amounts in NOK million	**2019**	2018
MHWirth	**1 168**	1 107
AGR	**116**	18
Total goodwill	**1 284**	1 125

Impairment testing for cash-generating units containing significant goodwill
The recoverable amounts of cash-generating units (portfolio companies) are determined based on value-in-use calculations. Discounted cash flow models are applied to determine the value in use for the portfolio companies with goodwill. The management has made cash flow projections based on budget and strategic forecast for the periods 2020-2024. Beyond the explicit forecast period of five years, the cash flows are extrapolated using a constant growth rate.

Key assumptions used in the calculation of value in use are discussed below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries as well as management's expectations regarding margin, and have been based on historical data from both external and internal sources.

EBITDA used in the value-in-use calculations represents the operating earnings before depreciation and amortization and is estimated based on the expected future performance of the existing businesses in their main markets. Assumptions are made regarding revenue growth, gross margins and other cost components based on historical experience as well as assessment of future market development and conditions. These assumptions require a high degree of judgement, given the significant degree of uncertainty regarding oilfield service activities in the forecast period.

Terminal value growth rate The group uses a constant growth rate not exceeding 2% (including inflation) for periods beyond the management's forecast period of five years. The growth rates used do not exceed the growth rates for the industry in which the portfolio company operates.

Discount rates are estimated based on Weighted Average Cost of Capital (WACC) for the industry in which the portfolio company operates. The risk-free interest rates used in the discount rates are based on the 10 year state treasury bond rate at the time of the impairment testing. Optimal debt leverage is estimated for each portfolio company. The discount rates are further adjusted to reflect any additional short to medium term market risk considering current industry conditions.

	Discount rate after tax		**Discount rate pre tax**	
Discount rate assumptions used in impairment testing	**2019**	2018	**2019**	2018
MHWirth	**10.4%**	10.0%	**12.4%**	12.2%
AGR	**12.5%**	N.A.	**15.0%**	N.A.

Sensitivity to changes in assumptions
For the portfolio companies containing goodwill, the recoverable amounts are higher than the carrying amounts based on the value in use analysis and consequently no impairment loss of goodwill was recognized in 2019 or 2018.

The group has performed sensitivity calculations to identify any reasonably possible change in key assumptions that could cause the carrying amount to exceed the recoverable amount. In MHWirth, if the average revenue growth in the forecast period were reduced by more than 12%, or the average EBITDA margin in the forecast period were reduced by more than 6%, the estimated recoverable amount would be lower than the carrying amount and it would result in impairment in MHWirth. In AGR, if the average revenue growth in the forecast period were reduced by more than 10%, or if the average EBITDA margin in the forecast period were reduced by more than 2%, the estimated recoverable amount would be lower than the carrying amount and it would result in impairment in AGR.

Note 16 | Equity-accounted investees

Equity-accounted investees include joint ventures and associates. Such investments are defined as related parties to Akastor. See Note 35 Related parties for overview of transactions and balances with joint ventures and associates, and any guarantees provided on behalf of or from such entities.

Amounts in NOK million	DOF Deepwater AS	AKOFS Offshore	Electrical Subsea & Drilling AS	Total
Business office	Storebø, Norway	Oslo, Norway	Straume, Norway	
2019				
Percentage of voting rights and ownership	**50%**	**50%**	**20%**	
Share of profit (loss) reported in Financial items	**(124)**	**(35)**	**(1)**	**(160)**
Carrying amount of investments	**-**	**1 050**	**1**	**1 051**
2018				
Share of profit (loss) reported in Other income	-	28	-	28
Share of profit (loss) reported in Financial items	(102)	(48)	(8)	(157)
Carrying amount of investments	-	1 086	2	1 088

DOF Deepwater AS

DOF Deepwater AS is a joint venture with DOF ASA, which owns and operates five anchor handling tug supply (AHTS) vessels.

AKOFS Offshore

In September 26, 2018, Akastor completed the transaction to divest 50 percent of its shares in AKOFS Offshore to MITSUI & CO., Ltd. ("Mitsui") and Mitsui O.S.K. Lines, Ltd. ("MOL"). Akastor, Mitsui and MOL hold 50%, 25% and 25% of the shares in AKOFS Offshore, respectively, and have joint control over the company. AKOFS Offshore is classified as a joint venture.

Electrical Subsea & Drilling AS

In September 2017, MHWirth became a shareholder in Electrical Subsea & Drilling AS (ESD) with 20% ownership by transferring certain work-in-progress technologies for new well barrier for BOP. ESD is a privately owned Norwegian company and working on the development and qualification of two drilling technologies; all electric control of Blow Out Preventers (BOP) and a Rotating Control Device for Managed Pressure Drilling.

Summary of financial information for significant equity-accounted investee (100 percent basis)

	DOF Deepwater AS		AKOFS Offshore[1]	
Amounts in NOK million	**2019**	2018	**2019**	2018
Current assets	**142**	128	**638**	447
– Cash and cash equivalents	**32**	38	**272**	160
Non-current assets	**592**	719	**5 076**	4 741
Current liabilities	**(139)**	(104)	**(1 373)**	(861)
– Current financial liabilities (excluding trade and other payables and provisions)	**(30)**	(30)	**(1 061)**	(760)
Non-current liabilities	**(1 146)**	(1 046)	**(2 207)**	(2 098)
– Non-current financial liabilities (excluding trade and other payables and provisions)	**(1 146)**	(1 046)	**(2 201)**	(2 092)
Net assets (100%)	**(551)**	(303)	**2 134**	2 229
Akastor's share of net assets (50%)	**(275)**	(152)	**1 067**	1 115
Recognized against non-current receivables and liabilities [2]	**275**	152	**-**	-
Goodwill	**-**	-	**126**	125
Elimination of unrealized gain on downstream sales [3]	**-**	-	**(143)**	(154)
Akastor's carrying amount of the investment	**-**	-	**1 050**	1 086
Revenue	**163**	146	**1 093**	448
Depreciation, amortization and impairment	**(148)**	(142)	**(323)**	(144)
Interest expense	**(68)**	(51)	**(343)**	(150)
Income tax expense	**-**	-	**(7)**	(96)
Profit (loss) for the year	**(248)**	(203)	**(94)**	(62)
Other comprehensive income (loss)	**-**	-	**(22)**	(88)
Total comprehensive income (loss) (100%)	**(248)**	(203)	**(117)**	(150)
Total comprehensive income (loss) (50%)	**(124)**	(102)	**(58)**	(75)
Elimination of unrealized gain on downstream sales	**-**	-	**12**	11
Akastor's share of total comprehensive income (loss)	**(124)**	(102)	**(46)**	(64)

[1] *Includes the results from Avium Subsea AS for the period from January 1 to September 26, 2018 and from AKOFS Offshore for the period from September 27 to December 31, 2018.*

[2] *Akastor's share of losses from DOF Deepwater AS is recognized against the carrying amount of its interest including non-current receivables. Further losses are recognized as a liability as the group has provided guarantees for the funding of the vessels in the company. See also Note 25 Other non-current liabilities and Note 35 Related parties.*

[3] *In 2016, Akastor sold the Skandi Santos topside equipment to Avium Subsea AS, a wholly owned subsidiary to AKOFS Offshore. 50% of the accounting gain from the sale was eliminated upon consolidation, reducing Akastor's carrying amount of the investment.*

Note 17 | Other non-current assets

Amounts in NOK million	*Note*	**2019**	2018
Deferred and contingent considerations	*32*	**62**	59
Other assets		**3**	3
Total other non-current assets		**65**	62

Deferred and contingent considerations relate to contingent considerations arising from divestments of subsidiaries and are measured at fair value.

Note 18 | Other investments

Amounts in NOK million	*Note*	**2019**	2018
Aker Pensjonskasse		**158**	158
NES Talent investment [1]		**644**	530
Awilco Drilling investment [2]		**47**	75
Odfjell Drilling investment [3]		**792**	705
Other equity securities		**2**	-
Total other investments	*32*	**1 643**	1 469

[1] *Akastor holds 17.7% economic ownership interest in NES Global Talent, a global oil and gas manpower provider.*

[2] *Akastor holds 5.5% of the common shares in Awilco Drilling, which is listed on the Oslo Stock Exchange.*

[3] *In May 2018, Akastor made an investment of USD 75 million in preferred equity in Odfjell Drilling, which generates 5% p.a. cash dividend and 5% p.a. payment-in-kind (PIK) dividend for the first six years, with step-up cash dividend after 6 years. In addition, Akastor has acquired warrants for 5 925 000 common shares in Odfjell Drilling, divided by six exercisable tranches until May 30, 2024. Odfjell Drilling is listed on the Oslo Stock Exchange.*

Other investments are measured at fair value.

Note 19 | Interest-bearing receivables

Amounts in NOK million	*Note*	**2019**	2018
Receivable from AKOFS Offshore		**-**	257
Total current interest-bearing receivables		**-**	257
Receivable from AKOFS Offshore	*35*	**191**	-
Receivable from Aker Pensjonskasse	*35*	**10**	-
Total non- current interest-bearing receivables		**201**	-

In 2018, Akastor provided short-term financing to AKOFS Offshore until an external bank financing agreement was in place in 2019. Akastor's financing to AKOFS Offshore was restructured to non-current receivables in 2019.

Note 20 | Inventories

Amounts in NOK million	**2019**	2018
Stock of raw materials	**140**	103
Goods under production	**91**	104
Finished goods	**297**	342
Total inventories	**528**	548
Inventories expensed in the period	**(1 604)**	(1 416)
Write-down of inventories in the period	**(102)**	(33)
Reversal of write-down in the period	**14**	23

The reversal of write down of inventory is due to change in estimate of the net realizable value.

Note 21 | Trade and other receivables

Amounts in NOK million	*Note*	**2019**	2018
Trade receivables [1]		**1 231**	1 459
Less provision for impairment		**(49)**	(49)
Trade receivables, net of provision		**1 182**	1 410
Other receivables		**42**	64
Trade and other receivables	*32*	**1 224**	1 474
Advances to suppliers		**98**	74
Contract assets	*7*	**1 468**	824
Prepaid expenses		**297**	347
Public duty and tax refund		**83**	76
Contingent considerations	*32*	**7**	7
Total		**3 177**	2 801

[1] *Trade receivables are financial instruments and an impairment loss of NOK 11 million was recognized in the income statement in 2019 (NOK 32 million in 2018).*

Book value of trade and other receivables is approximately equal to fair value.

Aging of trade receivables

Amounts in NOK million	**2019**	2018
Not overdue	**426**	698
Past due 0-30 days	**168**	97
Past due 31-90 days	**39**	99
Past due more than 90 days	**597**	565
Total trade receivables	**1 231**	1 459

A majority of the trade receivables past due is related to major customers. These outstanding receivables are monitored regularly and impairment analysis is performed on an individual basis for major customers. As of December 31, 2019, trade receivables of an initial value of NOK 49 million (NOK 49 million in 2018) were impaired. See below for the movements in the provision for impairment of receivables.

Amounts in NOK million	**2019**	2018
Balance as of January 1	**49**	71
New provisions	**11**	32
Utilized	**(7)**	(43)
Unused amounts reversed	**(11)**	(10)
Acquisition of subsidiaries	**7**	-
Currency translation differences	**-**	(2)
Balance as of December 31	**49**	49

Note 22 | Cash and cash equivalents

Amounts in NOK million	**2019**	2018
Restricted cash	**11**	-
Interest-bearing deposits	**544**	198
Total cash and cash equivalents	**555**	198

Additional undrawn committed current bank revolving credit facilities amount to NOK 1.3 billion, that together with cash and cash equivalents gives a total liquidity reserve of NOK 1.9 billion as of December 31, 2019. See also Note 24 Borrowings.

Note 23 | Capital and reserves

Share capital

Akastor ASA has one class of shares, ordinary shares, with equal rights for all shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at General Meetings. Total outstanding shares are 274 000 000 at par value NOK 0.592 per share (NOK 0.592 in 2018). All issued shares are fully paid.

Treasury shares

At the Annual General Meeting in 2014, authorization was given to repurchase up to 27.4 million shares, representing 10 percent of the share capital of Akastor ASA. The group purchases treasury shares to meet the obligation under employee share purchase programs. Sale of 386 161 treasury shares were carried out in connection with the employee share purchase program in 2019. As of December 31, 2019, Akastor ASA holds 2 390 215 treasury shares (2 776 376 treasury shares in 2018), representing 0.87 percent of total outstanding shares.

The Board of Directors has proposed no dividends for 2019 or 2018.

Hedging reserve

The hedging reserve relates to cash flow hedges of future revenues and expenses against exchange rate fluctuations. The income statement effects of such instruments are recognized in accordance with the progress of the underlying construction contract as part of revenues or expenses as appropriate. The hedging reserve represents the value of such hedging instruments that is not yet recognized in the income statement. The underlying nature of a hedge is that a positive value on a hedging instrument exists to cover a negative value on the hedged position, see Note 10 Net finance expenses and Note 31 Derivative financial instruments.

Fair value reserve

The fair value reserve comprises the cumulative net changes in the fair value of financial assets classified as Fair Value to OCI (FVOCI) until these assets are impaired or derecognized.

Currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences from hedges of net investments in foreign operations.

The currency translation reserve includes exchange differences arising from the translation of the net investments in foreign operations, and foreign exchange gain or loss on loans defined as net investment hedge or part of net investments in foreign operations. Upon the disposal of investments in foreign operations or liquidation of such entities, the accumulated currency translation differences related to these entities are reclassified from the currency translation reserve to the income statement.

Net investments in foreign operations have been hedged with a loss of NOK 9 million in 2019 (gain NOK 16 million in 2018). Accumulated gain in equity on net investment hedges as of 2019 is a gain of NOK 11 million (loss of NOK 5 million in 2018) and relate to investments in the United States and Cyprus.

Note 24 | Borrowings

Below are contractual terms of the group's interest-bearing loans and borrowings which are measured at amortized cost. For more information about the group's exposure to interest rates, foreign currency and liquidity risk, see Note 30 Financial risk management and exposures.

Amounts in million	Currency	Nominal currency value	Carrying amount (NOK)	Interest rate	Interest margin	Interest coupon	Maturity [2]	Interest terms
2019								
Revolving credit facility (NOK 1 250 million)	NOK	800	**794**	1.65%	3.25% [1]	4.90%	Dec 2021	NIBOR + margin [1]
Revolving credit facility (USD 155 million)	USD	56	**494**	1.71%	3.25% [1]	4.96%	Dec 2021	USD LIBOR + margin
Term loan facility AGR	NOK	180	**161**	1.88%	2.12%	4.00%	Apr 2027	Fixed rate
Total borrowings			**1 448**					
Current borrowings			**3**					
Non-current borrowings			**1 444**					
Total borrowings			**1 448**					
2018								
Revolving credit facility (NOK 1 250 million)	NOK	600	588	1.18%	2.25% [1]	3.43%	Dec 2021	NIBOR + margin
Revolving credit facility (USD 155 million)	USD	-	-		2.25% [1]		Dec 2021	USD LIBOR + margin
Overdraft facility			13					
Total borrowings			601					
Current borrowings			14					
Non-current borrowings			588					
Total borrowings			601					

[1] *The margin applicable to the facilities is decided by a price grid based on the leverage ratio and level of utilization. Commitment fee is 35 percent of the margin (2018: 35 percent).*

[2] *The maturity date reflects maturity date as defined in the loan agreements. For information about contractual maturities of borrowings including interest payments and the period in which they mature, see Note 30 Financial risk management and exposures.*

Bank debt (Norway)

The revolving credit facilities are provided by a bank syndicate consisting of high-quality Nordic and international banks. The terms and conditions include restrictions which are customary for these kinds of facilities, including inter alia negative pledge provisions and restrictions on acquisitions, disposals and mergers, dividend distribution and change of control provisions. For information about financial covenants, see Note 29 Capital management.

The term loan facility of NOK 180 million term loan to AGR is provided by Nordea and DNB. The lenders have no recourse to Akastor ASA. This facility includes restrictions which are customary for these kinds of facilities.

Reconciliation of liabilities arising from financing activities

Amounts in NOK million	Balance as of December 31, 2018	Cash flows	Foreign exchange movements	Capitalized borrowing costs	Accrued interest	Acquisition of business	Balance as of December 31, 2019
Revolving credit facilities	588	685	7	4	3	-	1 287
Term loan facility - AGR	-	-	-	-	9	152	161
Overdraft facility	14	(19)	-	-	-	5	-
Total liabilities arising from financing activities	**601**	**667**	**7**	**4**	**12**	**157**	**1 448**

Note 25 | Other non-current liabilities

Amounts in NOK million	*Note*	**2019**	2018
Deferred gain		**93**	112
Deferred settlement obligations	*29, 32*	**195**	129
Guarantee obligation related to joint venture	*16, 29*	**177**	117
Other liabilities	*29*	**26**	32
Total other non-current liabilities		**491**	390

Deferred gain

In May 2018, Akastor invested in preferred equity and warrants in Odfjell Drilling. On initial recognition, the investment in the financial assets is recognized at fair value and the difference between the fair value and the transaction price, NOK 117 million, was recognized as "Deferred gain". The deferred gain is subsequently amortized and recognized to profit and loss at straight-line basis over six years. See Note 18 Other investments for more information about the investment.

Deferred settlement obligations

Deferred settlement obligations represent contingent considerations resulting from disposal of subsidiaries. The obligations are mainly related to provision for guaranteed preferred return to Mitsui and MOL in connection with the divestment of 50 percent shares in AKOFS Offshore. See Note 35 Related parties for more information.

Guarantee obligation related to joint venture

Akastor's share of losses from DOF Deepwater AS in excess of the carrying amount of Akastor's investment interest in the joint venture is recognized as a liability as the group has provided guarantees for the funding of the vessels in the company. See Note 16 Equity-accounted investees and Note 35 Related parties for more information.

Other liabilities

Other liabilities are mainly related to welfare fund.

Note 26 | Employee benefits – pension

Akastor's pension costs represent the future pension entitlement earned by employees in the financial year. In a defined contribution plan the company is responsible for paying an agreed contribution to the employee's pension assets. In such a plan, this annual contribution is also the cost. In a defined benefit plan, it is the company's responsibility to provide a certain pension. The measurement of the cost and the pension liability for such arrangements is subject to actuarial valuations. Akastor has over a long time period gradually moved from defined benefit arrangements to defined contribution plans. Consequently, the impact of the remaining defined benefit plans is gradually reduced.

Pension plans in Norway

The main pension arrangement in Norway is a general pension plan organized by the Norwegian Government. This arrangement provides the main general pension entitlement of all Norwegians. All pension arrangements by employers consequently represent limited additional pension entitlements.

Norwegian employers are obliged to provide an employment pension plan, which can be organized as a defined benefit plan or as a defined contribution plan. The Norwegian companies in Akastor have closed the earlier defined benefit plans in 2008 and are now providing defined contribution plans for all employees.

Defined contribution plan

The annual contribution expensed for the new defined contribution plan for continuing operations was NOK 41 million (NOK 39 million in 2018). The estimated contributions expected to be paid in 2020 amount to NOK 48 million.

Defined benefit plan

Employees who were 58 years or older in 2008, when the change took place, are still in the defined benefit plan, which is a funded plan. There are no longer any active employees in this plan. The estimated contributions expected to be paid to the Norwegian plan during 2020 amount to NOK 7 million.

Compensation plan

To ensure that the employees were treated fairly on the change over to the contribution plan in 2008, the company introduced a compensation plan. The basis for deciding the compensation amount is the difference between calculated pension capital in the defined benefit plan and the value of the defined benefit plan at the age of 67 years. The compensation amount will be adjusted annually in accordance with the adjustment of the employees' pensionable income, and accrued interest according to market interest. If the employee leaves the company voluntarily before the age of 67 years, the compensation amount will be reduced.

AFP – early retirement arrangement

AFP is an early retirement arrangement organized by Norwegian employers, the main Labor Union organization in Norway (LO) and the Norwegian Government. The AFP plan is providing additional lifelong pensions to employees that retire before the general retirement age, to compensate for the reduction of the ordinary pension entitlements. The employees are given a choice of retirement age, with lower pension at earlier retirement.

The Norwegian Accounting Standards Board has issued a comment concluding that the AFP plan is a multi-employer defined benefit plan. The AFP plan exposes the participating entities to actuarial risk associated with employees of other entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating entities. Sufficient information is not available to use defined benefit accounting and the AFP plan is accounted for as a defined contribution plan.

The annual contribution expensed for the AFP plan was NOK 11 million (2018: NOK 11 million). The estimated contributions expected to be paid in 2020 amount to NOK 15 million.

Pension plans outside Norway

Pension plans outside Norway are predominately defined contribution plans.

Pension cost

Amounts in NOK million	*Note*	**2019**	2018
Defined benefit plans		**9**	9
Defined contribution plans including AFP		**57**	54
Total pension cost	*8*	**66**	63

Net employee defined benefit obligations

Amounts in NOK million	**2019**	2018
Defined benefit plans Norway	**199**	179
Defined benefit plans Germany	**122**	106
Defined benefit plans USA	**35**	45
Defined benefit plans other countries	**3**	2
Total employee benefit obligations	**359**	332

Movement in net defined benefit (asset) liability

	Pension obligation		Pension asset		Net pension obligation	
Amounts in NOK million	**2019**	2018	**2019**	2018	**2019**	2018
Balance as of January 1	**587**	623	**(255)**	(275)	**332**	349
Adjustment for discontinued operations as of January 1	**-**	(4)	**-**	-	**-**	(4)
Included in profit or loss						
Service cost	**9**	9	**-**	-	**9**	9
Interest cost (income)	**11**	10	**(3)**	(3)	**7**	6
	20	19	**(3)**	(3)	**16**	16
Included in OCI						
Remeasurements (loss) gain:						
Actuarial loss (gain) arising from:						
- demographic assumptions	**5**	6			**5**	6
- financial assumptions	**40**	(16)	**(1)**	(3)	**39**	(19)
- experience adjustments	**9**	(5)			**9**	(5)
Return on plan assets excluding interest income			**(1)**	19	**(1)**	19
Changes in asset ceiling			**(5)**	3	**(5)**	3
Effect of movements in exchange rates	**1**	11	**(1)**	(6)		6
	55	(4)	**(8)**	13	**48**	9
Other						
Benefits paid by the plan	**(43)**	(48)	**26**	28	**(16)**	(20)
Contributions paid into the plan			**(20)**	(18)	**(20)**	(18)
	(43)	(48)	**6**	10	**(37)**	(38)
Balance as of December 31	**619**	587	**(260)**	(255)	**359**	332

Plan assets

Amounts in NOK million	**2019**	2018
Plan assets at fair value Norwegian plan		
Government	**1**	1
Finance	**12**	18
Private and Government enterprise	**24**	29
Municipalities	**42**	51
Bonds	**79**	99
Fund/private equity	**55**	37
Total plan assets Norway at fair value	**134**	136
Equity securities	**43**	38
Debt securities	**59**	54
Total plan assets USA at fair value	**101**	92
Total plan assets Germany at fair value	**24**	27
Total plan assets at fair value	**260**	255

The equity portfolio is invested globally. The fair value of the equities is based on their quoted prices at the reporting date without any deduction for estimated future selling cost.

The investments in bonds are done in the Norwegian market and most of the bonds are not listed on any exchange. The market value as at year end is based on official prices provided by the Norwegian Securities Dealers Association. The Bond investments have on average a high credit rating. Most of the investments are in Norwegian municipalities with a credit rating of AA.

The investment in fund/private equity is mainly funds that invests in listed securities and where the fund value is based on quoted prices.

Defined benefit obligation – actuarial assumptions

The group's most significant defined benefit plans are in Norway, Germany and USA. The followings are the principal actuarial assumptions at the reporting date for the plans in these countries.

	Norway		Germany		USA	
	2019	2018	**2019**	2018	**2019**	2018
Discount rate	**2.20%**	2.80%	**2.71%**	3.21%	**2.89%**	3.90%
Asset return	**2.20%**	2.80%	**2.71%**	3.21%	**2.89%**	3.90%
Salary progression	**2.75%**	2.75%	**n/a**	n/a	**n/a**	n/a
Pension indexation	**0 -2.25%**	0 -2.25%	**1.75%**	1.75%	**n/a**	n/a
Mortality table	**K2013**	K2013	**RT 2018 G**	RT 2018 G	**Pri-2012 Total Dataset Mortality with Scale MP-2019**	RP-2014 Adjusted to 2006 Total Dataset with Scale MP-2018

The information below relates only to Norwegian plans as these represent the majority of the plans.

The discount rates and other assumptions in 2019 and 2018 are based on the Norwegian high quality corporate bond rate and recommendations from the Norwegian Accounting Standards Board. It should be expected that fluctuations in the discount rates would also lead to fluctuations in the pension indexations. The total effect of fluctuations in economic assumptions is consequently unlikely to be very significant.

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current life expectancy underlying the values of the defined benefit obligation at the reporting date is shown below.

Years	**2019**	2018
Life expectancy of male pensioners	**22.4**	22.2
Life expectancy of female pensioners	**25.7**	25.5

As of December 31, 2019, the weighted-average duration of the defined benefit obligation was 9.5 years.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as of December 31, 2019 by the amounts shown below.

Amounts in NOK million	**Increase**	**Decrease**
Discount rate (1% movement)	(11)	13
Future salary growth (1% movement)	1	(1)
Future pension growth (1% movement)	12	(4)

The change in discount rate assumptions would affect plan assets in the income statement in next period as it would change the estimated asset return but have no effect on pension assets as of year-end.

Note 27 | Provisions

Amounts in NOK million	**2019**	2018
Provision, current	**119**	236
Provision, non-current	**51**	166
Total provisions	**170**	403

Development of significant provisions

Amounts in NOK million	Warranties	Restructuring	Onerous contracts	Other	Total
Balance as of December 31, 2018	82	41	212	68	**403**
Implementation of IFRS 16 [1]	-	(12)	(113)	-	**(125)**
Balance as of January 1, 2019	**82**	**30**	**99**	**68**	**278**
Reclassification	-	-	-	(24)	**(24)**
New provisions	15	-	-	3	**18**
Provisions utilized	(25)	(14)	(42)	(5)	**(86)**
Provisions reversed	(6)	-	(4)	(10)	**(20)**
Unwind of discount	-	-	4	-	**4**
Currency translation differences	-	-	-	(1)	**(1)**
Balance as of December 31, 2019	**65**	**16**	**57**	**32**	**170**
Expected timing of payment					
Within the next twelve months	58	5	19	29	**111**
After the next twelve months	8	10	38	3	**59**
Total	**65**	**16**	**57**	**32**	**170**

[1] *See Note 2 Basis for preparation*

Warranties

The provision for warranties relates mainly to the possibility that Akastor, based on contractual agreements, needs to perform guarantee work related to products and services delivered to customers. Warranty provision is presented as current as it is expected to be settled in the group's normal operating cycle. See Note 4 Significant accounting estimates and judgments for further descriptions.

Restructuring

Restructuring mainly relates to significant workforce reduction and reorganization in MHWirth due to the challenging rig market. The provision includes provision for vacant office premises after the workforce reduction and is estimated based on the detailed restructuring plans for the businesses and locations affected.

Onerous contracts

Provision for onerous contracts relates mainly to unavoidable operational costs for vacant properties where the group has committed to under lease contracts.

Note 28 | Trade and other payables

Amounts in NOK million	*Note*	**2019**	2018
Trade creditors [1]		**451**	236
Accrued expenses		**1 725**	1 502
Trade and other payables	*29, 32*	**2 176**	1 738
Public duty and tax payables		**112**	86
Contract liabilities	*7*	**609**	632
Deferred settlement obligations	*29, 32*	**77**	279
Total trade and other payables		**2 974**	2 734

[1] *Trade creditors are due within one year.*

Deferred settlement obligations in 2018 included provision of NOK 250 million for potential loss as a result of negative arbitration award for Managed Pressure Operations Ltd.(MPO). The arbitration matter was settled in 2019.

Book value of trade creditors and other current liabilities is approximately equal to fair value.

Note 29 | Capital management

Akastor's capital management is designed to ensure that the group has sufficient financial flexibility, short-term and long-term. One main objective is to maintain a financial structure that, through solidity and cash flow, secures the group's strong long-term creditworthiness, as well as maximize value creation for its shareholders through:

- Investing in projects and business areas which will increase the company's Return On Capital Employed (ROCE) over time.
- Optimizing the company's capital structure to ensure both sufficient and timely funding over time to finance its activities at the lowest cost.

Investment policy

Akastor's capital management is based on a rigorous investment selection process which considers not only Akastor's weighted average cost of capital and strategic orientation but also external factors such as market expectations.

Funding policy

Liquidity planning

Akastor has a strong focus on its liquidity situation in order to meet its short-term working capital needs and to ensure solvency for its financial obligations. Akastor had a liquidity reserve per year end 2019 of NOK 1.9 billion, composed of an undrawn committed credit facility of NOK 1.3 billion and cash and cash equivalents of NOK 0.6 billion.

Funding of operations

Akastor's group funding policy is that subsidiaries should finance their operations with the treasury department (Akastor Treasury). This ensures optimal availability and transfer of cash within the group and better control of the company's overall debt as well as cheaper funding for its operations. However, AGR is financed directly through a NOK 180 million Term Loan maturing in 2027.

Funding duration

Akastor emphasizes financial flexibility and steers its capital structure accordingly to limit its liquidity and refinancing risks. In this perspective, loans and other external borrowings are to be renegotiated well in advance of their due date and generally for periods of 3 to 5 years.

Funding cost

Akastor aims to have a diversified funding sources in order to reach the lowest possible cost of capital. These funding sources might include:

- The use of banks based on syndicated credit facilities.
- The issue of debt instruments in the Norwegian capital market.
- The issue of debt instruments in foreign capital markets.

Ratios used in monitoring of capital/Covenants

Akastor monitors capital on the basis of a gearing ratio (net debt/equity) and interest coverage ratio (ICR) based on EBITDA/net interest costs. These ratios are similar to covenants as defined in loan agreements for the revolving credit facilities which are shown below. See Note 24 Borrowings for details about these loans.

- The company's gearing ratio shall not exceed 1.0 times and is calculated from the consolidated total borrowings to the consolidated Equity.
- The ICR shall not be lower than 3.0, calculated from the consolidated EBITDA to consolidated Net Finance Cost when gearing ratio is below 0.5
- The ICR shall not be lower than 4.0, calculated from the consolidated EBITDA to consolidated Net Finance Cost when gearing ratio exceeds 0.5
- Minimum liquidity amount shall exceed NOK 500 million on consolidated level.

The ratios are calculated based on net debt including cash and borrowings as shown in Note 32 Financial instruments, EBITDA (earnings before interest, tax, depreciation, amortization) and net interest costs, however adjusted for certain items as defined in the loan agreement. Covenants ratios are based on accounting principles as of December 31, 2019.

The covenants are monitored on a regular basis by the Akastor Treasury department to ensure compliance with the loan agreements and are tested and reported on a quarterly basis. Akastor was in compliance with its covenants as of December 31, 2019, and on the basis of the covenants and its forecasts, management believes that the risk of covenant being breached is low and that the group will continue as a going concern for the foreseeable future.

AGR's external financing has one financial covenant the Liquidity shall be not less than NOK 20 million, applicable from 1 January 2021.

Note 30 | Financial risk management and exposures

The group is exposed to a variety of financial risks: currency risk, interest rate risk, price risk, credit risk, liquidity risk and capital risk. The capital market risk affects the value of financial instruments held. The objective of financial risk management is to manage and control financial risk exposures and thereby increase the predictability of earnings and minimize potential adverse effects on the group's financial performance. Akastor group uses financial derivative instruments to hedge certain risk exposures and applies hedge accounting in order to reduce the profit or loss volatility.

Risk management is present in every project. It is the responsibility of the project managers, with the support of Akastor Treasury, to identify, evaluate and hedge financial risks under policies approved by the Board of Directors. The group has well-established principles for overall risk management, as well as policies for the use of derivatives and financial investments. There have not been any changes in these policies during the year.

Currency risk

The group operates internationally and is exposed to currency risk on commercial transactions, recognized assets and liabilities and net investments in foreign operations. Commercial transactions and recognized assets and liabilities are subject to currency risk when payments are denominated in a currency other than the respective functional currency of the group company. The group's exposure to currency risk is primarily to USD, EUR and BRL, but also other currencies.

Akastor's policy requires business units to mitigate currency exposure in any project. Akastor manages exposures by entering into forward contracts or currency options with the financial marketplace. Akastor has a large number of contracts involving foreign currency exposures and the currency risk policy has been well-established for many years.

The group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency and amount of their respective cash flows. The group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. In these hedge relationships, the main sources of ineffectiveness can arise from:

- Changes to the forecasted amount of cash flows of hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items

Currency exposures from investments in foreign currencies are only hedged when specifically instructed by management. As of December 31, 2019, Akastor had no net investment hedges.

The change in hedge reserve in 2019 is related to hedges of forecast sales and purchases.

Exposure to currency risk

Estimated forecasted receipts and payments in the table below are calculated based on the group's hedge transactions, adjusted for hedged balance sheet items. These are considered to be the best estimate of the currency exposure, given that all currency exposure is hedged in accordance with the group's policy. The net exposure is managed by Akastor Treasury.

Changes in currency rates change the values of hedging derivatives, embedded derivatives, borrowings, receivables and cash balances. Hedges that qualify for hedge accounting are reported in the profit and loss according to progress of projects, and deferred value of cash flow hedges is reported as hedging reserve in equity. Any changes to currency rates will therefore affect equity.

	2019			2018		
Amounts in million	**USD**	**EUR**	**BRL**	USD	EUR	BRL
Bank	**(124)**	**(29)**	**-**	(128)	(20)	-
Intercompany loans	**40**	**31**	**-**	17	31	-
Loans and receivables	**98**	**(9)**	**96**	176	(1)	86
Deferred settlement assets and obligations	**(23)**	**-**	**-**	(39)	-	-
Balance sheet exposure	**(8)**	**(7)**	**96**	26	10	86
Estimated forecast receipts from customers	**185**	**-**	**-**	198	-	-
Estimated forecast payments to vendors	**(39)**	**(17)**	**-**	(28)	(22)	-
Cash flow exposure	**146**	**(17)**	**-**	170	(22)	-
Forward exchange contracts	**(198)**	**28**	**-**	(252)	(25)	-
Net exposure	**(60)**	**4**	**96**	(57)	(36)	86

Sensitivity analysis

A strengthening of EUR, USD and BRL against NOK as of December 31 would have affected the measurement of financial instruments denominated in a foreign currency and increased (decreased) equity and income statement by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. Figures in the table below only include the effect in income statement and equity for change in currency regarding financial instruments and do not include effect from operating cost and revenue.

Effect of weakening of NOK against significant currencies:

Amounts in NOK million	**2019** Profit (loss) after tax	**2019** Equity Increase (decrease)		2018 Profit (loss) before tax	2018 Equity Increase (decrease)
USD (10%)	**(41)**	**(126)**	USD (10%)	(38)	(165)
EUR (5%)	**2**	**15**	EUR (7%)	15	30
BRL (7%)	**11**	**11**	BRL (15%)	22	22

A strengthening of the NOK against the above currencies as of December 31 would have had the equal but opposite effect on the above amounts, on the basis that all other variables remain constant. The sensitivity analysis does not include effects on the consolidated result and equity from changed exchange rates used for consolidation of foreign subsidiaries.

The primary currency-related risk is the risk of reduced competitiveness abroad in the case of a strengthened NOK. This risk relates to future commercial contracts and is not included in the sensitivity analysis above.

Interest rate risk

The group's interest rate risk arises from cash balances, interest-bearing borrowings and interest-bearing receivables. Borrowings and receivables issued at variable rates as well as cash expose the group to cash flow interest rate risk. Borrowings and receivables issued at fixed rates expose the group to fair value interest rate risk. However, as these borrowings are measured at amortized cost, interest rate variations do not affect profit and loss when held to maturity.

An increase of 100 basis points in interest rates during 2019 would have increased (decreased) equity and profit and loss by the amounts shown on the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2018.

Effect of increase of 100 basis points in interest rates on profit (loss) before tax

Amounts in NOK million	**2019**	2018
Cash and cash equivalents	**3**	2
Current interest-bearing receivables	**4**	1
Borrowings	**(14)**	(10)
Net	**(7)**	(7)

A decrease of 100 basis points in interest rates during 2019 would have had the equal but opposite effect on the above amounts, on the basis that all other variables remain constant. There are no effects on equity as there are no interest swaps.

Guarantee obligations

The group has provided the following guarantees on behalf of subsidiaries and related parties as of December 31, 2019 (estimated remaining exposure as of December 31, 2019):

- Performance guarantees on behalf of group companies are NOK 0.6 billion (NOK 50 million in 2018)
- Performance guarantees on behalf of related parties NOK 3.4 billion (NOK 0 million in 2018)
- Parent company indemnity guarantees for fulfillment of lease obligations and finance obligations are NOK 4.0 billion (NOK 4.7 billion in 2018).
- Financial guarantees including counter guarantees for bank/surety bonds and guarantees for pension obligations to employees are NOK 0.7 billion (NOK 1 billion in 2018) of which NOK 5 million is on behalf of related parties.

Although guarantees are financial instruments, they are considered contingent obligations and the notional amounts are not included in the financial statements. See more information about guarantees for related parties in Note 35 Related parties.

Price risk

The group is exposed to fluctuations in market prices in the operational areas related to contracts, including changes in market prices for raw materials, equipment and development in wages. These risks are to the extent possible managed in bid processes by locking in committed prices from vendors as a basis for offers to customer or through escalation clauses with customers.

Credit risk

Credit risk is the risk of financial losses to the group if customer or counterparty to financial investments/instruments fails to meet contractual obligations and arise principally from investment securities and receivables.

Derivatives are only traded against approved banks. All approved banks have investment grade ratings. Credit risk related to investment securities and derivatives is therefore considered to be insignificant.

Assessment of credit risk related to customers and subcontractors is an important requirement in the bid phase and throughout the contract period. Such assessments are based on credit ratings, income statement and balance sheet reviews and using credit assessment tools available (e.g. Dun & Bradstreet and Credit Watch). Sales to customers are settled in cash.

Revenues are mainly related to large and long term projects closely followed up in terms of payments up front and in accordance with agreed milestones. Normally, lack of payments is due to disagreements related to project deliveries and is solved together with the customer or escalated to the local authority.

Based on estimates of incurred losses in respect of trade receivables and contract assets, the group establishes a provision for impairmentlosses. Provisions for loss on debtors are based on individual assessments. Provisions for loss on receivables were NOK 49 million in 2019 (NOK 49 million in 2018).

The group evaluates that significant credit risk concentrations are related to trade receivables from major corporate customers. The maximum exposure to credit risk at the reporting date equals the carrying amounts of financial assets (see Note 32 Financial instruments) and contract assets (see Note 7 Revenue and other income). The group does not hold collateral as security.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities. The group manages its liquidity to ensure that it will always have sufficient liquidity reserves to meet its liabilities when due.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Akastor Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The group policy for the purpose of optimizing availability and flexibility of cash within the group is to operate a centrally managed cash pooling arrangement. An important condition for the participants (business units) in such cash pooling arrangements is that the group as an owner of such pools is financially viable and is able to prove its capability to service its obligations concerning repayment of any net deposits made by business units. Management monitors rolling weekly and monthly forecasts of the group's liquidity reserve on the basis of expected cash flow.

Financial liabilities and the period in which they mature

The following is the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

Amounts in NOK million	*Note*	Book value	Total cash flow [1]	6 months and less	6–12 months	1–2 years	2–5 years	More than 5 years
2019								
Borrowings [2]	*24*	1 448	1 639	39	35	1 380	70	115
Lease liabilities	*33*	677	847	84	78	136	275	274
Other non-current liabilities	*25*	203	203	23	23	50	103	5
Derivative financial instruments	*31*	22	22	(19)	23	18	-	-
Deferred settlement obligations	*25, 28*	272	272	-	69	81	121	-
Trade and other payables	*28*	2 176	2 176	1 745	431	-	-	-
Total financial liabilities		**4 798**	**5 159**	**1 871**	**659**	**1 666**	**569**	**394**
Financial guarantees [3]			8 538	585	226	7	1 239	6 480
2018								
Borrowings [2]	*24*	601	675	24	10	21	621	-
Other non-current liabilities	*25*	149	149	16	17	37	74	6
Derivative financial instruments	*31*	210	210	200	5	5	-	-
Deferred settlement obligations	*25, 28*	408	408	257	4	88	58	-
Trade and other payables	*28*	1 738	1 738	1 363	376	-	-	-
Total financial liabilities		**3 106**	**3 180**	**1 858**	**412**	**151**	**753**	**6**
Financial guarantees [3]			5 815	287	418	497	66	4 548

[1] *Nominal currency value including interest.*

[2] *The interest costs are calculated using the last fixing rate known by year end (plus applicable margin).*

[3] *Financial guarantees are not recognized on the consolidated balance sheet. The undiscounted cash flows potentially payable under financial guarantees are classified on the basis of expiry date.*

Note 31 | Derivative financial instruments

The group uses derivative financial instruments such as currency forward contracts and currency options to hedge its exposure to foreign exchange arising from operational, financial and investment activities. In addition, there are embedded foreign exchange forward derivatives separated from ordinary commercial contracts. Further information regarding risk management policies in the group is available in Note 30 Financial risk management and exposures. Derivative financial instruments are classified as current assets or liabilities as they are a part of the operating cycle.

The group is holding the following foreign exchange forward contracts:

		Maturity		
Amounts in NOK million	**Total**	**6 months and less**	**6-12 months**	**1-2 years**
2019				
Foreign exchanges forward contracts to hedge highly probable forecasted sales				
Notional amounts USD	243	124	75	45
Average forward rate (USD/NOK)		9.05	8.43	8.37
Average forward rate (EUR/USD)		1.54	1.12	-
Foreign exchanges forward contracts to hedge highly probable forecasted purchases				
Notional amounts USD	46	41	4	-
Average forward rate (USD/NOK)		8.85	8.45	-
Notional amounts EUR	28	15	8	4
Average forward rate (EUR/NOK)		9.95	9.96	10.05
2018				
Foreign exchanges forward contracts to hedge highly probable forecasted sales				
Notional amounts USD	286	248	14	24
Average forward rate (USD/NOK)		7.92	8.24	8.30
Average forward rate (EUR/USD)		1.15	1.20	-
Foreign exchanges forward contracts to hedge highly probable forecasted purchases				
Notional amounts USD	34	34	-	-
Average forward rate (USD/NOK)		8.01	-	-
Notional amounts EUR	28	27	1	-
Average forward rate (EUR/NOK)		9.71	9.73	-

Fair value of derivative instruments with maturity

The table below presents the fair value of the derivative financial instruments and a maturity analysis of the derivatives cash flows.

Amounts in NOK million	Instruments at fair value	Total cash flow [1]	6 months or less	6–12 months	1–2 years [2]
2019					
Assets					
Cash flow hedges	**48**	**48**	43	4	1
Embedded derivatives in ordinary commercial contracts	**4**	**4**	4	-	-
Fair value adjustments to hedged assets	**(10)**	**(10)**	(10)	-	-
Total forward foreign exchange contracts, assets	**43**	**43**	**37**	**4**	**1**
Liabilities					
Cash flow hedges	**(55)**	**(55)**	(9)	(27)	(19)
Embedded derivatives in ordinary commercial contracts	**(7)**	**(7)**	(7)	-	-
Fair value adjustments to hedged liabilities	**(3)**	**(3)**	(3)	-	-
Total forward foreign exchange contracts, liabilities	**(65)**	**(65)**	**(19)**	**(27)**	**(19)**
2018					
Assets					
Cash flow hedges	69	69	69	-	-
Fair value adjustments to hedged assets	48	48	48	-	-
Total forward foreign exchange contracts, assets	**117**	**117**	**117**	**-**	**-**
Liabilities					
Cash flow hedges	(151)	(151)	(141)	(5)	(5)
Net investment hedge	(9)	(9)	(9)	-	-
Embedded derivatives in ordinary commercial contracts	(40)	(40)	(40)	-	-
Fair value adjustments to hedged liabilities	(10)	(10)	(10)	-	-
Total forward foreign exchange contracts, liabilities	**(210)**	**(210)**	**(200)**	**(5)**	**(5)**

[1] *Cash flows from matured derivatives are translated to NOK using the exchange rates on the balance sheet date.*

[2] *No derivatives with maturity later than 2 years.*

Foreign exchange derivatives

Akastor entities hedge the group's future transactions in foreign currencies with external banks. The exposure to foreign exchange variations in future cash flows is hedged back-to-back in order to meet the requirements for hedge accounting. The foreign exchange derivatives are either subject to hedge accounting or separated embedded derivatives. Hedges qualifying for hedge accounting are classified as cash flow hedges (hedges of highly probable future revenues and/or expenses).

Embedded derivatives are foreign exchange derivatives separated from construction contracts. The reason for separation is that the agreed payment is in a currency different from any of the major contract parties' own functional currency, or that the contract currency is not considered to be commonly used for the relevant economic environment defined as the countries involved in the cross-border transaction. The embedded derivatives represent currency exposures, which is hedged against external banks. Since the embedded derivatives are measured and classified in the same way as their hedging derivatives, they will have an almost equal, opposite effect to profit and loss. In the table above, the derivatives hedging the embedded derivatives are included in Forward foreign exchange contracts - not hedge accounted.

The hedged transactions in foreign currency that are subject to cash flow hedge accounting are highly probable future transactions expected to occur at various dates during the next one to four years, depending on progress in the projects. Gains and losses on forward foreign exchange contracts are recognized in other comprehensive income and reported as hedging reserve in equity until they are recognized in the income statement in the period or periods during which the hedged transactions affect the income statement. If the forward foreign exchange contract is rolled due to change in timing of the forecasted cash flow, the settlement effect is included in Contract assets or Contract liabilities.

Unsettled cash flow hedges' impact on profit and loss and equity (not adjusted for tax)

Amounts in NOK million	**2019**	2018
Fair value of all hedging instruments	**(6)**	(82)
Recognized in profit and loss	**11**	(17)
Deferred in equity (the hedge reserve)	**(17)**	(65)

The purpose of the hedging instrument is to secure a situation where the hedged item and the hedging instrument together represent a predetermined value independent of fluctuations of exchange rates. Revenue and expense on the underlying construction contracts are recognized in the income statement in accordance with progress. Consequently, NOK 11 million (negative NOK 17 million in 2018) of the value of the forward contracts have already affected the income statement indirectly as revenues and expenses are recognized based on updated forecasts and progress. The negative NOK 17 million (NOK 65 million in 2018) that are currently recorded directly in the hedging reserve, will be reclassified to income statement over the next years.

Note 32 | Financial instruments

Accounting classifications and fair values
The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. For financial instruments measured at fair value, the levels in the fair value hierarchy are as shown below.

Level 1 - fair values are based on prices quoted in an active market for identical assets or liabilities.

Level 2 - fair values are based on price inputs other than quoted prices derived from observable market transactions in an active market for identical assets or liabilities. Level 2 includes currency or interest derivatives and interest bonds, typically when the group uses forward prices on foreign exchange rates or interest rates as inputs to valuation models.

Level 3 - Fair values are based on unobservable inputs, mainly based on internal assumptions used in the absence of quoted prices from an active market or other observable price inputs.

Amounts in NOK million	*Note*	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
2019				
Financial assets measured at fair value				
Fair value – hedging instruments				
Derivative financial instruments	*31*	**43**	43	Level 2
Fair value through P&L (mandatorily at FVTPL)				
Equity securities	*18*	**47**	47	Level 1
Equity securities [1)]	*18*	**904**	904	Level 3
Warrants	*18*	**79**	79	Level 3
Contingent considerations	*17, 21*	**69**	69	Level 3
Fair value through Other comprehensive income				
Debt instruments [1)]	*18*	**613**	613	Level 3
Financial assets not measured at fair value				
Financial assets at amortized cost				
Cash and cash equivalents	*22*	**555**		
Current interest-bearing receivables	*19*	**9**		
Non-current interest-bearing receivables	*19*	**201**		
Trade and other receivables	*21*	**1 223**		
Financial assets		**3 743**		

Financial liabilities not measured at fair value				
Financial liabilities at amortized cost				
Borrowings [2]	*24*	**(1 448)**	(1,456)	Level 2
Other financial liabilities				
Other non-current liabilities	*25*	**(203)**		
Trade and other payables	*28*	**(2 176)**		
Financial liabilities measured at fair value				
Fair value – hedging instruments				
Derivative financial instruments	*31*	**(65)**	(65)	Level 2
Fair value through profit & loss				
Deferred settlement obligations	*25, 28*	**(272)**	(272)	Level 3
Financial liabilities		**(4 164)**		

Amounts in NOK million	*Note*	**Carrying amount**	**Financial instruments measured at fair value**	**Level in fair value hierarchy**
2018				
Financial assets measured at fair value				
Fair value – hedging instruments				
Derivative financial instruments	*31*	117	117	Level 2
Fair value through P&L (mandatorily at FVTPL)				
Equity securities	*18*	76	76	Level 1
Equity securities [1]	*18*	849	849	Level 3
Warrants	*18*	33	33	Level 3
Contingent considerations	*17, 21*	65	65	Level 3
Fair value through Other comprehensive income				
Debt instruments [1]	*18*	512	512	Level 3
Financial assets not measured at fair value				
Financial assets at amortized cost				
Cash and cash equivalents	*22*	198		
Current interest-bearing receivables	*19*	257		
Trade and other receivables	*21*	1 474		
Financial assets		**3 581**		
Financial liabilities not measured at fair value				
Financial liabilities at amortized cost				
Borrowings [2]	*24*	(601)	(613)	Level 2
Other financial liabilities				
Other non-current liabilities	*25*	(149)		
Trade and other payables	*28*	(1 738)		
Financial liabilities measured at fair value				
Fair value – hedging instruments				
Derivative financial instruments	*31*	(210)	(210)	Level 2
Fair value thorugh profit & loss				
Deferred settlement obligations	*25, 28*	(408)	(408)	Level 3
Financial liabilities		**(3 106)**		

[1] *Investments in level 3 in the hierarchy relate to equity securities and debt securities with no active market. These investments are measured at the best estimate of fair value.*
[2] *For credit facilities and other loans with floating interest, notional amounts are used as approximation of fair values.*

Reconciliation of Level 3 financial assets and financial liabilities

Amounts in NOK million	Assets	Liabilities
Balance as of December 31, 2017	641	(84)
Additions	756	(120)
Settlements	(19)	31
Sale of business	(2)	-
Net gain (loss) in the income statement1)	45	(224)
Fair value through OCI	(34)	-
Currency translation difference	72	(10)
Balance as of December 31, 2018	**1 458**	**(408)**
Additions	**2**	**-**
Settlements	**(18)**	**204**
Net gain (loss) in the income statement1)	**207**	**(65)**
Fair value through OCI	**17**	**-**
Currency translation difference	**(2)**	**(3)**
Balance as of December 31, 2019	**1 665**	**(271)**

[1] *Negative NOK 56 million in discontinued operations and NOK 9 million in financial items (2018: negative NOK 224 million and negative NOK 45 million, respectively).*

Measurement of fair values at level 3

Debt instruments at FVOCI

Financial assets measured at FVOCI are related to debt instruments in NES Global Talent. The valuation model considers the present value of the expected cash flows from the ultimate disposal of the investments weighted with different probabilities. The expected disposal value is determined by forecast EBITDA at the time of disposal and market multiples, adjusted by forecast net debt of the investee. The estimated fair value would increase (decrease) if:

- The forecast EBITDA were higher (lower);
- The market multiples applied were higher (lower); or
- The net debt of the investees at the date of disposal were lower (higher).

Financial assets at FVTPL

Financial assets measured using Level 3 inputs relate mainly to preferred equity and warrant investment in Odfjell Drilling.

- Preferred equity: The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate of 10%. The estimated fair value would increase (decrease) if the risk-adjusted discount rate were lower (higher).
- Warrants: The valuation is obtained from external valuation experts, using a Monte Carlo simulation model where the simulated stock prices are based on a lognormal stock price model assumed to follow a Geometric Brownian Motion. The key inputs to the valuation model consist of the stock price of Odfjell Drilling (listed on the Oslo Stock Exchange under ticket ODL) at the valuation date, as well as assumption of future volatility based on the share's historical prices. The estimated fair value is mostly sensitive to the ODL share price and would increase (decrease) if the ODL share price were higher (lower).

Contingent considerations and deferred settlement obligations

These assets and liabilities relate to contingent considerations and obligations from business acquisitions and disposals. Final amounts to be paid or received depend on future earnings in the acquired and disposed companies or outcome of indemnity claims and price adjustment mechanisms.

- Assets and liabilities depending on future earnings: The recognized amounts are determined based on recent forecasts and strategy figures for these entities, thus the final realized values are sensitive to the above inputs as driven by market conditions.
- Assets and liabilities depending of outcome of indemnity claims and price adjustment mechanisms: Provisions are made based on all available evidence as at the reporting date.

The credit exposure on the Level 3 asset is limited to the amount recognized and the credit risk is not considered to be significant due to the nature of the arrangement.

Note 33 | Leases

The group has initially applied IFRS 16 Leases from January 1, 2019, while the comparative information for 2018 is presented under IAS 17 and related interpretations. Please refer to Note 2 Basis for preparation and Note 3 Significant accounting policies for more information about the implementation effect of IFRS 16 and accounting policies for leases.

Group as lessee

The group has property leases on a number of locations worldwide. The leases typically run for a period of 3-10 years and some of the leases have extension options. The group has also lease agreements related to cars, machinery, IT equipment and office equipment. These leases have an average lease period of 2-3 years, generally with no renewal options included. In 2018, these leases were classified as operating leases under IAS 17.

The group applies the short-term lease recognition exemptions for leases of property or machinery with lease term of 12 months or less. Leases of IT equipment and office equipment are considered as leases of low-value assets. The right-of-use assets and lease liabilities are not recognized for short-term leases or leases of low-value assets.

The lease agreements do not impose any covenants or restrictions.

Right-of-use assets

Amounts in NOK million	*Note*	2019
Balance as of January 1 (at implementation of IFRS 16)	*2*	**522**
Additions		**121**
Additions through acquisition of subsidiaries		**51**
Depreciation		**(96)**
Impairment		**(9)**
Remeasurement		**(53)**
Currency translation differences		**1**
Total Right-of-use assets		**537**

The right-of-assets are mainly related to leases of properties.

Lease liabilities

Amounts in NOK million	*Note*	2019
Balance as of January 1 (at implementation of IFRS 16)	*2*	**707**
Cash payments		**(151)**
Additions		**121**
Remeasurement		**(53)**
Additions through business combinations		**51**
Currency translation differences		**1**
Total lease liabilities	*29*	**677**
Current lease liabilities		**160**
Non-current lease liabilities		**516**

Lease and sublease payments recognized in the income statement

Amounts in NOK million	
2019 – leases under IFRS 16	
Expenses related to short term leases	**81**
Expenses related to leases of low-value assets	**103**
Total	**184**
2018 – Operating leases under IAS 17	
Minimum lease payments	258
Sublease income	(10)
Total	248

The total net cash outflow for leases in 2019 was NOK 339 million.

Some property leases contain extension or termination options exercisable before the end of the non-cancellable period. They are used to maximize operational flexibility in terms of managing the assets used in the group's operations. The extension and termination options held are exercisable only by the group and not by the respective lessor. The group assesses at lease commencement date whether it is reasonably certain to exercise the extension or termination options.

Most extension options in offices leases have not been included in the lease liability, because the group expects to be able to replace the assets without significant cost or business disruption. Most of the early termination options are not considered in the lease term either as the group assesses it as reasonably certain that the leases will not be terminated early. If the group had exercised the extension options in significant property leases as of December 31, 2019, the group estimates potential future lease payments (undiscounted) of approximately NOK 460 million, which are not included in the lease liabilities.

As of December 31, 2019, the group has committed to leases which will be commenced in 2020. The expected future lease payments (undiscounted) for the committed leases are NOK 41 million.

Group as lessor

The group subleases out some of the property leases which are presented as part of the right-of-use assets. In 2019, the group has lease income only from subleasing of right-of-use assets.

Finance leases

In 2019, some of the subleases of right-of-use assets are classified as finance lease under IFRS 16, with reference to the right-of-use assets arising from the head leases. In 2018, the group did not have any finance lease as a lessor under IAS 17.

The following table sets out a maturity analysis of finance lease receivables, showing the undiscounted lease payments to be received after the reporting date.

Amounts in NOK million	2019
Due within one year	9
Due in one to two years	5
Due in two to three years	5
Due in three to four years	5
Due in four to five years	5
Due in more than five years	-
Total undiscounted lease receivable	**28**
Unearned interest income	4
Total finance lease receivables	**25**
Current finance lease receivables	**9**
Non-current finance lease receivables	**16**

Operating leases

In 2019, most of the subleases are classified as operating leases except for the finance leases identified above. The lease income from subleasing right-of-use assets in 2019 was NOK 148 million. All subleases were classified as operating leases in 2018.

The following table sets out future undiscounted sublease income under the non-cancellable lease periods.

Amounts in NOK million	
2019 – Operating leases under IFRS 16	
Due within one year	38
Due in one to two years	14
Due in two to three years	3
Due in three to four years	3
Due in four to five years	3
Due in more than five years	10
Total	**70**
2018 – Operating leases under IAS 17	
Due within one year	116
Due in one to five years	54
Due in more than five years	15
Total	**185**

Note 34 | Group companies

This note gives an overview of subsidiaries of Akastor ASA. For information about other investments in the group, refer to Note 16 Equity-accounted investees and Note 18 Other investments. If not stated otherwise, ownership equals share of voting rights.

Group companies as of December 31

			Ownership (%)	
Company	**Location**	**Country**	**2019**	**2018**
Akastor ASA	Fornebu	Norway		
MHWirth				
MHWirth Pty Ltd	Argenton	Australia	**100**	100
MHWirth do Brasil Equipamentos Ltda	Rio de Janeiro	Brazil	**100**	100
MHWirth Canada Inc	Newfoundland	Canada	**100**	100
MHWirth Offshore Petroleum Engineering (Shanghai) Co Ltd	Shanghai	China	**100**	100
MHWirth GmbH	Erkelenz	Germany	**100**	100
MHWirth (India) Pvt Ltd	Mumbai	India	**100**	100
MHWirth Sdn Bhd	Kuala Lumpur	Malaysia	**100**	100
Drilltech AS	Kristiansand	Norway	**100**	100
Maritime Promeco AS	Kristiansand	Norway	**100**	100
MHWirth AS	Kristiansand	Norway	**100**	100
MHWirth 1 AS [1)]	Kristiansand	Norway	**-**	100
MHWirth Singapore Engineering Management Pte Ltd	Singapore	Singapore	**100**	100
MHWirth (Singapore) Pte Ltd	Singapore	Singapore	**100**	100
MHWirth UK Ltd	Aberdeen	UK	**100**	100
Bronco Manufacturing LLC	Houston	USA	**100**	-
MHWirth Inc	Houston	USA	**100**	100
MHWirth FZE	Dubai	UAE	**100**	100
MHWirth Gas & Oil- Field Equipment & Services LLC	Abu Dhabi	UAE	**100**	100
Step Oiltools				
Step Oiltools (Australia) Pty Ltd	Perth	Australia	**100**	100
Step Oiltools GmbH	Bad Fallingbostel	Germany	**100**	100
PT Step Oiltools	Jakarta	Indonesia	**100**	100
Step Oiltools LLP	Aktau	Kazakhstan	**100**	100
Step Oiltools (M) Sdn Bhd	Kuala Lumpur	Malaysia	**100**	100
Step Oiltools BV	Amsterdam	Netherlands	**100**	100
Step Oiltools AS	Stavanger	Norway	**100**	100
Step Oiltools Services LLC	Muscat	Oman	**67**	51
Step Oiltools LLC	Moscow	Russia	**100**	100
Step Oiltools Pte Ltd	Singapore	Singapore	**100**	100
Step Oiltools (Thailand) Ltd	Bangkok	Thailand	**100**	100
Step Oiltools (UK) Ltd [4)]	Aberdeen	UK	**100**	100
Step Oiltools FZE	Dubai	UAE	**100**	100
AGR [2)]				
AGR (Australia) Pty Ltd		Australia	**100**	-
AGR AS	Oslo	Norway	**100**	-
AGR Petroleum Services AS	Oslo	Norway	**100**	-
AGR Software AS	Oslo	Norway	**91**	-
AGR Consultancy Services AS	Oslo	Norway	**100**	-
First Geo AS	Stavanger	Norway	**100**	100
AGR Mexico Well Management S.de R.L de C.V	Mexico City	Mexico	**100**	-
AGR Well Management Ltd	Aberdeen	UK	**100**	-

AGR Consultancy Solutions Ltd	Aberdeen	UK	**100**	-
AGR Group Americas Inc	Houston	USA	**100**	-

Other companies

Zoetermeer Process Belgium NV/SA	Antwerp	Belgium	**100**	100
Aker Cool Sorption (Beijing) Technology Co Ltd [1]	Beijing	China	**-**	100
Frontica Global Employment Ltd	Limassol	Cyprus	**100**	100
Cool Sorption A/S	Glostrup	Denmark	**100**	100
Zoetermeer Process BV [1]	Zoetermeer	Netherlands	**-**	100
Well Systems Servicing Ltd	Ikoyi - Lagos	Nigeria	**100**	100
AKA SPH AS	Fornebu	Norway	**100**	100
Akastor AS	Fornebu	Norway	**100**	100
Akastor Real Estate AS	Fornebu	Norway	**100**	100
Fjords Processing AS [3]	Fornebu	Norway	**-**	100
KOP Surface Products Singapore Pte Ltd	Singapore	Singapore	**100**	100
Aker Cool Sorption Siam Ltd	Rayong	Thailand	**100**	100
Frontica Business Solutions Ltd [4]	London	UK	**100**	100
AK Pharmaceuticals LLC	Houston	USA	**100**	100
AK Wilfab Inc	Williamsport	USA	**100**	100
AKOFS Angola Limited	Luanda	Angola	**100**	100

1) *Liquidated in 2019*

2) *Akastor holds 100 percent of the shares, and 55 percent of the economic interests*

3) *Merged into Akastor AS in 2019*

4) *STEP Oiltools (UK) Ltd. (registered number SC412738) and Frontica Business Solutions Ltd (registered number 4962691) are exempted from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006, UK.*

Note 35 | Related parties

Related party relationships are those involving control (either direct or indirect), joint control or significant influence. Related parties are in a position to enter into transactions with the company that would not be undertaken between unrelated parties. All transactions with related parties to Akastor have been based on arm's length terms.

Akastor ASA is a parent company with control of around 50 companies around the world. These subsidiaries are listed in Note 34 Group companies. Any transactions between the parent company and the subsidiaries are shown line by line in the separate financial statements of the parent company, and are eliminated in the consolidated financial statements.

Joint ventures and associates are consolidated using the equity method, see Note 16 Equity-accounted investees. Transactions between the group and these entities are shown in the table below.

Remunerations and transactions with directors and executive officers are summarized in Note 36 Management remunerations.

The largest shareholder of Akastor, Aker Kværner Holding AS, is controlled by Aker ASA (70 percent) which in turn is controlled by Kjell Inge Røkke through TRG Holding AS and The Resource Group TRG AS. Aker ASA also holds 8.5 percent of the shares in Akastor ASA directly. All subsidiaries and associates of Aker ASA, including Kvaerner, Aker Solutions and Aker BP, are considered related parties to Akastor, referred as "Aker entities" in the table below. The entities controlled directly by Kjell Inge Røkke through TRG Holding AS and The Resource Group TRG AS, are referred as "Related parties to Aker ASA".

Summary of transactions and balances with significant related parties

	2019			2018		
Amounts in NOK million	Aker entities	Joint ventures	Total	Aker entities	Joint ventures	Total
Income statement						
Revenue	210	14	**224**	163	-	163
Operating expenses	(16)	-	**(16)**	(41)	-	(41)
Depreciation and impairment (ROU assets)	(26)	-	**(26)**	-	-	-
Net financial items	(4)	29	**25**	-	2	2
Included in Net profit from discontinued operations	-	-	**-**	(171)	2	(169)
Assets (liabilities)						
Right-of-use assets	49	-	**49**	-	-	-
Finance lease receivables	22	-	**22**	-	-	-
Interest-bearing receivables	-	191	**191**	-	257	257
Trade receivables	32	2	**34**	28	6	33
Trade payables	(11)	-	**(11)**	-	-	-
Lease liabilities	(87)	-	**(87)**	-	-	-

Below are descriptions of significant related party agreements.

Related party transactions with Aker entities

Aker Solutions

Akastor has entered into a number of agreements and arrangements with Aker Solutions, including:

- Various lease agreements from Akastor Real Estate AS and other Akastor companies to subsidiaries of Aker Solutions.
- Some parent company guarantees issued on behalf of Aker Solutions entities by Akastor (as their previous parent company) were not transferred in connection with the demerger of Aker Solutions in 2014. Aker Solutions is liable to indemnity Akastor for any rightful claim such parent company guarantees and to pay a guarantee commission to Akastor.
- Several of the agreements addressing various separation issues between Akastor and Aker Solutions are still valid after the demerger in 2014, including secondary joint liability for obligations existing in Aker Solutions at the time of the demerger, yet limited in amount to the net value allocated to Akastor in the demerger.

Aker BP

In 2017, Akastor Real Estate AS entered into agreement to sublease offices in Stavanger, Norway, to Aker BP.

Kværner

Akastor Real Estate AS and Kvaerner have entered into lease agreement related to offices in Trondheim, Norway.

Agreements with related parties to Aker ASA

The Resource Group TRG AS

MHWirth AS, a wholly owned subsidiary of Akastor, entered into long-term lease agreements in 2015 with subsidiaries of The Resource Group TRG AS, for properties in Kristiansand in Norway. The annual lease payment is approximately NOK 22 million for a lease period of 19 years starting October 1, 2015, with options for renewal.

AK Wilfab Inc, a wholly owned subsidiary of Akastor, is together with Aker Solutions Inc and The Resource Group TRG AS sponsoring the US pension plan named the Kvaerner Consolidated Retirement Plan. Akastor holds one third of the liability of the sponsors for the underfunded element of the plan and The Resource Group TRG AS holds two thirds of the ultimate liability. Aker ASA guarantees for The Resource Group TRG AS' liability and covers for all its expenses related to the pension plan.

Fornebuporten Næring 3 AS

Akastor leases its headquarter offices at Fornebu from Fornebuporten Næring 3 AS, an associated company of The Resource Group TRG AS. The contract term is 10 years starting August 31, 2015, with two additional five-year options.

Related party transactions with joint ventures

DOF Deepwater AS

During 2019, the shareholder's loan to DOF Deepwater AS was increased by NOK 60 million. As of December 31, 2019, the balance of the shareholder's loan from Akastor to DOF Deepwater AS is NOK 97 million (NIBOR 6 months + margin 3.6 percent). The carrying amount of the receivable is reduced to zero due to recognition of Akastor's share of losses in 2019.

Akastor ASA has issued financial guarantees in favor of banks related to financing of the five vessels in DOF Deepwater. The liability is capped at 50 percent of drawn amount. The guarantee is NOK 495 million as of December 31, 2019 (NOK 507 million in 2018).

AKOFS Offshore

As of December 31, 2019, Akastor has interest-bearing receivables of NOK 191 million against AKOFS Offshore (LIBOR 1.9 percent + margin 5.5 percent). Further, Akastor has made available a NOK 100 million revolving facility to AKOFS Seafarer AS from contract commencement with Equinor.

As part of the joint venture shareholders agreement, the other two investors, Mitsui and MOL, are entitled to a guaranteed preferred equity return, in respect of the operations of AKOFS Seafarer, amounting to a total of USD 46 million over a 6 year's period. The payment of preferred return will be settled firstly by ordinary dividend from AKOFS Offshore, yet any shortfall is guaranteed by Akastor. Akastor ASA has issued a bank guarantee for payment of preferred return for a total amount of NOK 319 million.

Akastor has issued a financial parent company indemnity guarantee of NOK 43 million and a financial guarantee of NOK 136 million in favour of finance institutions for fulfilment of lease obligations related to Avium Subsea AS. Akastor has issued a financial parent company indemnity guarantee of NOK 2.1 billion in favour of OCY Wayfarer Limited for fulfilment of lease obligations related to AKOFS 3 AS. In addition, Akastor is guaranteeing the performance of AKOFS Norway Operations AS (operating AKOFS Seafarer) under the 5 year charter agreement with Equinor. The total contract value of this charter agreement is NOK 3.3 billion. Avium Subsea AS, AKOFS 3 AS and AKOFS Seafarer AS are wholly owned subsidiaries of AKOFS Offshore.

Other related parties

Aker Pensjonskasse

Aker Pensjonskasse was established by Aker ASA to manage the retirement plan for employees and retirees in Akastor as well as related Aker companies. Akastor holds 93.4 percent of the paid-in capital in Aker Pensjonskasse and Akastor's share of paid-in equity was NOK 158 million at the end of 2019 (NOK 158 million in 2018). Akastor's premium paid to Aker Pensjonskasse amounts to NOK 8 million in 2019 (NOK 8 million in 2018). Akastor also has an interest-bearing receivable against Aker Pensjonskasse of NOK 10 million and an additional financing commitment NOK 10 million (3% interest of drawn amount and 1% interest of committed amount).

Even though Akastor owns 93.4 percent in Aker Pensjonskasse, the ownership does not constitute control since Akastor does not have the power to govern the financial and operating policies so as to obtain benefits from the activities in this entity.

Grants to employee representative's collective fund

Aker ASA has signed an agreement with employee representatives that regulate use of grants from Akastor ASA for activities related to professional development. The grant in 2019 was NOK 521 250 (NOK 510 000 in 2018).

Note 36 | Management remunerations

Board of directors

The board of directors did not receive any other fees than those listed in the table below, except for employee representatives who has market based salaries. The members of the board of directors have no agreements that entitle them to any extraordinary remuneration.

The fees in the table below represent expenses recognized in the income statement based on assumptions about fees to be approved at the general assembly rather than actual payments made in the year.

	2019		2018	
Amounts in NOK	Audit Committee fees	Board fees	Audit Committee fees	Board fees
Kristian Monsen Røkke	-	600 000	-	600 000
Øyvind Eriksen	-	340 000	-	340 000
Lone Fønss Schrøder [1]	205 000	490 000	205 000	527 500
Kathryn Baker	115 000	340 000	115 000	340 000
Sarah Ryan [1]	-	395 600	-	421 426
Stian Sjølund	-	170 000	-	170 000
Henning Jensen	115 000	170 000	115 000	170 000
Asle Christian Halvorsen	-	170 000	-	170 000
Total	435 000	2 675 600	435 000	2 738 926

[1] *Board fees include an allowance of NOK 12 500 per meeting per physical attendance for board members residing outside the Nordic countries*

According to policy in Aker, fees to directors employed in Aker companies are paid to the Aker companies, not to the directors in person. Therefore, board fees for Kristian Monsen Røkke and Øyvind Eriksen were paid to Aker ASA.

Audit Committee

Akastor has an audit committee comprising three of the directors, which held 6 meetings in 2019. As of December 31, 2019, the audit committee comprises Lone Fønss Schrøder (chairperson), Kathryn M. Baker and Henning Jensen.

Guidelines for remuneration to the members of the executive management of Akastor

As of December 31, 2019, the executive management of Akastor comprised the company's CEO Karl Erik Kjelstad and CFO Leif Borge. The company practices standard employment contracts and standard terms and conditions regarding notice period and severance pay for the Akastor management. Karl Erik Kjelstad and Leif Borge both have a six months' notice period as part of their employment contracts.

The main purpose of the executive remuneration is to encourage a strong and sustainable performance-based culture, which supports growth in shareholder value. Compensation to the executive management has a fixed element which includes a base salary which pursuant to the company's benchmarking is competitive with other investment companies. In addition, the executive management has variable remuneration, as further described below. All variable pay shall be subject to a cap.

The salary figures for the remuneration for the executive management represent what has been expensed in the year.

Amounts in NOK	Job title	Base salary	Variable pay [1]	Other benefits [2]	Total taxable remuneration	Pension benefit earned/ cost to company [3]
2019						
Karl Erik Kjelstad	CEO	4 631 731	2 336 040	30 164	6 997 935	248 892
Leif Borge	CFO	3 719 523	1 667 764	31 748	5 419 035	257 965
Total		8 351 254	4 003 804	61 912	12 416 970	506 857
2018						
Karl Erik Kjelstad	CEO	4 649 849	2 040 378	23 236	6 713 463	247 849
Leif Borge	CFO	3 664 895	1 642 653	17 997	5 325 544	257 006
Total		8 314 744	3 683 031	41 233	12 039 008	504 855

[1] *See below for further description of principles for performance based remuneration.*

[2] *Other benefits include insurance agreements, such as membership in the standard employee scheme and an additional executive group life and disability insurance.*

[3] *Pension benefits include the standard employee pension scheme, a disability pension scheme and certain management pension rights related to the wound up schemes and early retirement schemes.*

Benefits

The executive management participates in the standard employee, pension and insurance plan applicable to all employees in the company. No executive personnel in Akastor has performance based pension plans and there are no current loans, prepayments or other forms of credit from the company to its executive management. No members of the executive management are part of any option- or incentive programs other than what is described in this statement.

Performance based remuneration

In addition to the fixed compensation set out above, the executive management (as well as other members of the corporate organization) participates in a variable pay program. The objective of the program is to incentivize the management to contribute to sound financial results for the company, recruit and retain key personnel as well as executing leadership in accordance with the company's values and business ethics. The potential payment under the variable pay program is set individually, with 100 percent of the annual base salary as the maximum.

The payments under the variable pay program are determined based on three components:

- Development of Akastor ASA's share price
- Delivery of certain key financial, operational and strategic targets for Akastor
- Delivery of personal performance objectives during the year

Since the variable pay program for the executive management is partly linked to the development of the Akastor ASA share price, it requires approval by the general meeting and the guidelines will thereafter be binding.

Further, the executive management may be offered additional variable pay arrangements going forward which differs from the ordinary variable pay program described above. The variable pay arrangements offered to the executive management may in its entirety be linked to the development of the company's share price. The executive management may from time to time be granted a discretionary variable pay. There was no discretionary pay paid out for 2018 or 2019.

The CEO and CFO also participate in a long-term incentive bonus plan, under which the maximum bonus amount is capped at two times of annual salary. Payments under the bonus scheme are determined based on delivery of certain key strategic targets for the company and/or development of Akastor ASA's share price for a time period of four years.

Share purchase program for Akastor's executive management team

The executive management were invited to participate in Akastor's share purchase programs in 2019. The ordinary employee share purchase program gave the executive management the opportunity to purchase maximum 250 000 shares for CEO and CFO with a reduction of 25 percent in addition to NOK 3 000. Shares purchased under the programs is subject to a three year lock-up period during which the acquired shares may not be sold or otherwise disposed of.

Directors' and executive management's shareholding

The following number of shares is owned by the directors and the members of the executive management (and their related parties) as of December 31:

	Job title	2019	2018
Karl Erik Kjelstad	CEO	**300 000**	123 074
Leif Borge	CFO	**340 000**	250 000
Kristian Monsen Røkke	Chairman	**200 000**	200 000
Lone Fønss Schrøder	Deputy chairman	**4 400**	4 400
Kathryn Baker	Director	**45 683**	45 683
Sarah Ryan	Director	**5 000**	5 000
Asle Christian Halvorsen	Director	**10 000**	-
Stian Sjølund	Director	**10 000**	-

The overview includes only direct ownership of Akastor shares and does not include Øyvind Eriksen's indirect ownership through ownership in Aker ASA.

Note 37 | Events after the reporting date

In March 2020, the outbreak of COVID-19 virus was declared as a global pandemic by World Health Organization. Norway, together with many other countries, have taken national emergency measures in attempt to contain the spread of the virus, including extensive mandatory quarantines and travel restrictions. MHWirth sent out warning notice of temporary layoffs to all employees in Norway, as reduced industry activity level is expected in the coming periods. The detailed plan for temporary layoffs is currently under preparation.

The outbreak of COVID-19 virus is expected to have significant negative impact on the global economy and the group's operational activities in 2020. The financial impact to the group is currently uncertain as the duration of pandemic cannot be estimated reliably.

04.b. FINANCIALS AND NOTES

AKASTOR ASA

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Akastor ASA | Income statement
For the year ended December 31

Amounts in NOK million	*Note*	**2019**	2018
Operating revenue	*2*	**1**	8
Operating expenses	*2*	**(31)**	(37)
Operating profit (loss)		**(30)**	(29)
Net financial items	*3*	**(37)**	(277)
Profit (loss) before tax		**(67)**	(306)
Income tax benefit (expense)	*4*	**(1)**	6
Profit (loss) for the period		**(67)**	(300)
Profit (loss) for the period distributed as follows			
Other equity		**(67)**	(300)
Profit (loss) for the period		**(67)**	(300)

Akastor ASA | Statement of financial position
For the year ended December 31

Amounts in NOK million	*Note*	**2019**	2018
Assets			
Investments in group companies	*5*	**5 310**	5 022
Non-current interest-bearing receivables on group companies	*7*	**819**	830
Non-current interest-bearing receivables on related parties	*7*	**115**	-
Other non-current interest-bearing receivables		**2**	2
Total non-current assets		**6 246**	5 855
Current interest-bearing receivables on group companies	*7*	**5**	-
Current interest-bearing receivables on related parties		**-**	257
Other receivables on group companies	*7*	**-**	243
Derivative financial instruments, assets	*10*	**-**	9
Cash in cash pool system	*7*	**316**	-
Total current assets		**321**	510
Total assets		**6 567**	6 365
Equity and liabilities			
Issued capital		**162**	162
Treasury shares		**(1)**	(2)
Share premium		**2 000**	2 000
Other paid in capital		**2 003**	2 003
Other equity		**168**	231
Total equity	*6*	**4 331**	4 395
Non-current borrowings, external	*8*	**1 284**	588
Deferred tax liability	*4*	**14**	14
Total non-current liabilities		**1 298**	602
Current borrowings, external	*8*	**3**	14
Current borrowings from group companies	*7*	**882**	1 306
Current tax liabilities		**1**	1
Other liabilities to group companies	*7*	**30**	-
Derivative financial instruments	*10*	**-**	9
Other current liabilities		**21**	39
Total current liabilities		**937**	1 368
Total liabilities		**2 235**	1 970
Total equity and liabilities		**6 567**	6 365

Fornebu, March 18, 2020 I Board of Directors of Akastor ASA

Kristian 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 | CEO

Akastor ASA | Statement of cash flow
For the year ended December 31

Amounts in NOK million	*Note*	2019	2018
Profit (loss) before tax		(67)	(306)
Adjustments:			
Impairment of receivables and shares	3	-	301
Net interest cost and unrealized currency (income) loss		82	122
Profit (loss), net of adjustments		**15**	117
Changes in net operating assets		(24)	23
Net interest paid		(54)	(92)
Income taxes paid		-	(16)
Net cash from operating activities		**(63)**	31
Change in borrowings to related parties		142	(154)
Net cash from investing activities		**142**	(154)
Proceeds from borrowings		1 135	924
Repayment of borrowings		(450)	(1 154)
Changes in borrowings from group companies		-	(106)
Changes in borrowings to group companies		(2)	1 999
Change in overdraft cash pool		(436)	(2 303)
Proceeds from employees share purchase programme		4	-
Payment of group contribution		-	800
Net cash from financing activities		**251**	(160)
Effect of exchange rate changes on cash and cash deposits		(14)	(38)
Net increase (decrease) in cash and bank deposits		**316**	-
Cash in cash pool system at the beginning of the period		-	-
Cash in cash pool system at the end of the period [1)]	7	**316**	-

[1)] Unused credit facilities amounted to NOK 1.6 billion as of December 31, 2019 (NOK 2.0 billion in 2018).

Note 1 | Accounting principles

Akastor ASA (the parent company) is a company domiciled in Norway. The financial statements are presented in conformity with Norwegian Accounting Act and Norwegian generally accepted accounting principles (NGAAP).

Revenue recognition

Operating revenue mainly comprise parent company guarantees (PCG) recharged to entities within the group. The revenue is recognized over the guarantee period.

Investments in subsidiaries

Investments in subsidiaries are measured at cost in the parent company accounts, less any impairment losses. The investments are impaired to fair value if the impairment is not considered temporary. Impairment losses are reversed if the basis for the impairment loss is no longer present. Investments in subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment.

Dividends, group contributions and other distributions from subsidiaries are recognized as income the same year as they are recognized in the financial statement of the provider. If the dividends or group contributions exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and is recognized as a reduction of carrying value of the investment.

Classification

Current assets and current liabilities include items due within one year or items that are part of the operating cycle. Other balance sheet items are classified as non-current assets/debts.

Non-current borrowings are presented as current if a loan covenant breach exists at balance date. If a covenant waiver is approved subsequent to year-end and before the approval of the financial statements, the liability is presented as non-current debt to the extent maturity date is beyond one year.

Measurement of borrowings and receivables

Financial assets and liabilities consist of investments in other companies, trade and other receivables, interest-bearing receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowing.

Trade receivables and other receivables are recognized in the balance sheet at nominal value less provision for expected losses.

Interest-bearing borrowings are initially recorded at transaction value less transaction costs. Subsequent to initial recognition, these borrowings are measured at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Cash in cash pool system

Akastor ASA has a cash pool that includes the parent company's cash as well as net deposits from subsidiaries in the group cash pooling system owned by the parent company. Correspondingly, Akastor ASA's current debt to group companies will include their net deposit in the group's cash pool system.

Share capital

Costs for purchase of own shares including transaction costs are accounted for directly against equity. Sales of own shares are performed according to stock-exchange quotations at the time of award and accounted for as increase in equity.

Cash flow statement

The statement of cash flow is prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments.

Functional currency and presentation currency

The parent company's financial statements are presented in NOK, which is Akastor ASA's functional currency. All financial information presented in NOK has been rounded to the nearest million (NOK million), except when otherwise stated. The subtotals and totals in some of the tables in these financial statements may not equal the sum of the amounts shown due to rounding.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate applicable at the date of the transaction. Monetary items in a foreign currency are translated to NOK using the exchange rate applicable on the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement as they occur.

Derivative financial instruments

All financial assets and liabilities related to foreign exchange contracts are remeasured at fair value in respect to exchange rates at reporting date.

Tax

Tax income (expense) in the income statement comprises current tax, withholding tax and changes in deferred tax. Deferred tax is calculated as 22 percent of temporary differences between accounting and tax values as well as any tax losses carry-forward at the year end. Net deferred tax assets are recognized only to the extent it is probable that they will be utilized against future taxable profits.

Note 2 | Operating revenue and expenses

Operating revenue comprises NOK 1 million in income from parent company guarantees (NOK 8 million in 2018, of which NOK 5 million from related parties).

There are no employees in Akastor ASA and hence no salary or pension related costs and also no loan or guarantees related to the executive management team. Group management and corporate staff are employed by other Akastor companies and costs for their services as well as other parent company costs are recharged to Akastor ASA.

NOK 3.2 million has been allocated to payable fees to the Board of Directors for 2019 (2018: 3.2 million). Remuneration to and shareholding of the Board of directors and CEO is described in note 36 Management remunerations in Akastor's consolidated financial statements.

Fees to the auditors

Fees to KPMG for statutory audit amounted to NOK 2.5 million (2018: 2.9 million).

Note 3 | Net financial items

Amounts in NOK million	*Note*	**2019**	2018
Interest income from group companies		**44**	162
Interest income from related parties		**24**	2
Interest income, external		**31**	12
Interest expense, external		**(117)**	(96)
Impairment on receivables to group companies	7	**-**	(25)
Impairment of shares		**-**	(276)
Other financial expenses		**(2)**	(1)
Foreign exchange gain (loss)		**(17)**	(55)
Net financial items		**(37)**	(277)

Note 4 | Tax

Amounts in NOK million	**2019**	2018
Calculation of taxable income		
Profit (loss) before tax	**(67)**	(306)
Write down internal shares	**-**	276
Loss on receivables	**-**	(395)
Other permanent differences	**5**	(16)
Changes in timing differences	**-**	7
Generated (utilized) tax loss	**61**	435
Taxable income	**-**	-
Taxable (deductible) temporary differences		
Other temporary differences	**(7)**	(19)
Tax loss carry-forward[1]	**72**	82
Basis for deferred tax	**66**	63
Tax rate	**22%**	22%
Deferred tax assets (liability)	**(14)**	(14)
Tax expense		
Origination and reversal of temporary differences in income statement	**(1)**	6
Withholding tax	**-**	1
Income tax benefit (expense)	**(1)**	6

[1] *Akastor ASA has unrecognized tax loss carry forwards of NOK 1.5 billion. A significant part of these tax loss carryforwards (NOK 1 015 million) originates from 2016 and is currently being subject to inquiries from Norwegian Tax Authorities.*

Note 5 | Investments in group companies

Amounts in NOK million	**Registered office**	**Share capital**	**Number of shares held**	**Percentage owner- / voting share**	**2019**	2018
Akastor AS [1]	Fornebu, Norway	1 004	1	100%	**5 310**	5 022
Total					**5 310**	5 022

[1] *Shareholding in Akastor AS was increased in 2019 by a contribution-in-kind of NOK 288 million.*

Akastor AS financial information

Amounts in NOK million	**2019**
Profit (loss) for the period	**324**
Equity as of December 31	**6 077**

See note 13 Subsequent events for information about dividends.

Note 6 | Shareholders' equity

Amounts in NOK million	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total
Equity as of January 1, 2018	162	(2)	2 000	2 003	531	4 695
Profit (loss) for the period	-	-	-	-	(300)	(300)
Equity as of December 31, 2018	**162**	**(2)**	**2 000**	**2 003**	**231**	**4 395**
Employee share purchase programme		-			4	4
Profit (loss) for the period	-	-	-	-	(67)	(67)
Equity as of December 31, 2019	**162**	**(1)**	**2 000**	**2 003**	**168**	**4 331**

The share capital of Akastor ASA is divided into 274 000 000 shares with a nominal value of NOK 0.592. The shares can be freely traded. See note 12 Shareholders for an overview of the company's largest shareholders.

The number of treasury shares held by the end of 2019 are 2 390 215 and are held for the purpose of being used for future awards under any share purchase program for employees, as settlement in future corporate acquisitions or for other purpose as decided by the board of directors. 386 161 treasury shares were sold during 2019 in relation to the Employee share purchase programme.

Note 7 | Receivables and borrowings from group companies

Amounts in NOK million	2019	2018
Group companies deposits in the cash pool system	**882**	1 306
Akastor ASA's net borrowings in the cash pool system	**(566)**	(1 306)
Cash in cash pool system	**316**	-
Non-current interest-bearing receivables on group companies	**819**	830
Current interest-bearing receivables on group companies	**5**	-
Current borrowings from group companies [1]	**(882)**	(1 306)
Net interest-bearing receivables on group companies	**(58)**	(475)
Other receivables on group companies	**-**	243
Other liabilities to group companies	**(30)**	-
Total other receivables on group companies	**(30)**	243
Non-current interest-bearing receivables on related parties	**115**	-
Current interest-bearing receivables on related parties	**-**	257
Total interest-bearing receivables on related parties	**115**	257

[1] *Includes Akastor ASA's net borrowings in the cash pool system*

Interest-bearing receivables on and borrowings from group companies

Akastor ASA is the group's central treasury function (Akastor Treasury) and enters into borrowings and deposit agreements with group companies. Deposits and borrowings are done at market terms and are dependent of the group companies' credit rating and the duration of the borrowings.

Cash pool arrangement

Akastor ASA is the owner of the cash pool system arrangements with DNB. The cash pool systems cover a majority of the group geographically and assure good control and access to the group's cash. Participation in the cash pool is vested in the group's policy and decided by each company's board of directors and confirmed by a statement of participation. The participants in the cash pool system are jointly and severally liable and it is therefore important that Akastor as a group is financially viable and can repay deposits and carry out transactions. Any debit balance on a sub account can be set-off against any credit balance. Hence, a debit balance represents a claim on Akastor ASA and a credit balance a borrowing from Akastor ASA.

The cash pool system has a net cash of NOK 316 million as of December 31, 2019 (net overdraft of NOK 13 million in 2018), reported as cash in the cash pool system (2018: reported as external borrowings).

Note 8 | Borrowings

Amounts in million	Currency	Nominal currency value	Carrying amount (NOK)	Interest rate	Interest margin [1]	Interest coupon	Maturity [2]	Interest terms
2019								
Revolving credit facility (NOK 1 250 million)	NOK	800	**794**	1.65%	3.25%	4.90%	Dec 2021	NIBOR + margin
Revolving credit facility (USD 155 million)	USD	56	**494**	1.71%	3.25%	4.96%	Dec 2021	USD LIBOR + margin
Total borrowings			**1 287**					
Current borrowings			**3**					
Non-current borrowings			**1 284**					
Total			**1 287**					
2018								
Revolving credit facility (NOK 1 005 million)	NOK	588	588	1.18%	2.25%	3.43%	Dec 2021	NIBOR + margin
Revolving credit facility (USD 147 million)	USD	-	-		2.25%		Dec 2021	USD LIBOR + margin
Overdraft facility			13					
Total borrowings			601					
Current borrowings			14					
Non-current borrowings			588					
Total			601					

1) *The margin applicable to the facility is decided by a price grid based on the leverage ratio and level of utilization. Commitment fee is 35 percent of the margin (2018: 35 percent).*

2) *The maturity date reflects maturity date as defined in the loan agreements.*

All facilities are provided by a bank syndicate consisting of high-quality Nordic and international banks. The terms and conditions include restrictions which are customary for these kinds of facilities, including inter alia negative pledge provisions and restrictions on acquisitions, disposals and mergers and change of control provisions. The facilities include no dividend restrictions.

The financial covenants are a gearing ratio based on net debt/equity, an interest coverage ratio (ICR) based on EBITDA/net interest costs and a minimum liquidity amount. The financial covenants are tested on a quarterly basis.

- The company's gearing ratio shall not exceed 1.0 times and is calculated from the consolidated net total borrowings to the consolidated equity.
- The ICR shall not be lower than 3.0 when gearing ratio is below 0.5, calculated from the consolidated EBITDA to consolidated Net Finance Cost.
- The ICR shall not be lower than 4.0 when gearing ratio exceeds 0.5, calculated from the consolidated EBITDA to consolidated Net Finance Cost.
- Minimum liquidity amount shall exceed NOK 500 million on consolidated level

The covenants are monitored on a regular basis by the Akastor Treasury department to ensure compliance with the loan agreements and are tested and reported on a quarterly basis. Akastor was not in breach with any covenants as of December 31, 2019, and on the basis of the covenants and its forecasts, management believes that the risk of covenant being breached is low and that the group will continue as a going concern for the foreseeable future. See more information in note 29 Capital management in the Akastor Group consolidated accounts.

Financial liabilities and the period in which they mature

Amounts in NOK million	Carrying amount	Total undiscounted cash flow [1]	6 months and less	6–12 months	1–2 years	2–5 years [2]
2019						
Revolving credit facility (NOK 1 250 million)	794	**882**	23	20	839	-
Revolving credit facility (USD 155 million)	494	**541**	12	12	517	-
Total borrowings	**1 288**	**1 423**	**35**	**32**	**1 356**	
2018						
Revolving credit facility (NOK 1 250 million)	588	662	11	10	21	621
Revolving credit facility (USD 155 million)	-	-	-	-	-	-
Overdraft facility	13	13	13	-	-	-
Total borrowings	601	675	24	10	21	621

[1] *The interest costs are calculated using the last fixing rate known by year end (plus applicable margin).*
[2] *Repayment of the loan in the table is according to maturity date of the facility in the loan agreement.*

Note 9 | Guarantees

Akastor has provided the following guarantees on behalf of wholly owned subsidiaries and related parties as of December 31 (all obligations are per date of issue):

Amounts in NOK million	**2019**	2018
Parent Company Guarantees to group companies [1]	**1 510**	1 422
Parent Company Guarantees to related companies [2]	**5 806**	2 894
Counter guarantees for bank/surety bonds, group companies [3]	**730**	1 055
Counter guarantees for bank/surety bonds, related parties [3]	**5**	5
Total guarantee liabilities	**8 052**	5 376
Maturity of guarantee liabilities:		
6 months and less	**99**	237
6-12 months	**226**	418
1-2 years	**7**	66
2-5 years	**1 239**	107
5 years and more	**6 480**	4 548

[1] *Parent Company Guarantees to support subsidiaries in contractual obligations towards clients.*
[2] *Parent Company Guarantees to support related parties in contractual obligations towards clients, mainly AKOFS 1 AS, AKOFS 3 AS, AKOFS Norway Operations AS and DOF Deepwater AS.*
[3] *Bank guarantees and surety bonds are issued on behalf of Akastor subsidiaries and related parties, and counter indemnified by Akastor ASA.*

Although guarantees are financial instruments, they are considered contingent obligations and the notional amounts are not included in the financial statements.

US pension plan

AK Wilfab Inc, a wholly owned subsidiary of Akastor, is together The Resource Group TRG AS and Akastor ASA sponsoring the US pension plan named the Kvaerner Consolidated Retirement Plan. Akastor Group holds one third of the liability of the sponsors for the underfunded element of the plan and The Resource Group TRG AS holds two thirds of the ultimate liability. Aker ASA guarantees for The Resource Group TRG AS' liability and covers for all its expenses related to the pension plan.

Note 10 | Financial risk management and financial instruments

Currency risk

Subsidiaries may enter into financial derivative agreements with the parent company to hedge their foreign exchange exposure. Accordingly, derivatives from external banks are used to mitigate the foreign exchange exposure from the financial derivative agreements with the subsidiaries. In addition, Akastor ASA may have cash flow exposure towards its financial assets and liabilities. Akastor ASA may enter into financial derivative agreements to hedge these potential cash flow exposures.

As of 31 December 2019, Akastor ASA had not entered into any forward exchange contracts with subsidiaries.

	2019		2018	
Amounts in NOK million	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts with group companies	-	-	9	-
Forward exchange contracts with external counterparts	-	-	-	(9)
Total	-	-	9	(9)

Interest rate risk

The company is exposed to changes in interest rates because of floating interest rate on loan receivables and loan payables. The company does not hedge transactions exposure in financial markets and does not have any fixed interest rate loan receivables nor loan payables. The company is therefore not exposed to fair value risk on its outstanding loan receivables or loan payables. Interest bearing loan receivables and loan payables expose the company to income statement and cash flow interest risk.

Interest-bearing borrowings to group companies reflect the cost of external borrowing, reducing the interest risk exposure for Akastor ASA.

Credit risk

Credit risk is the risk of financial losses to the company if a customer or counterparty fails to meet contractual obligations. Credit risk relates to loans to subsidiaries and associated companies, hedging contracts, guarantees to subsidiaries and associated companies and deposits with external banks. External deposits and hedging contracts are done according to a list of approved banks and primarily with banks where the company also have a borrowing relationship.

Loss provisions for interest-bearing receivables are made in situations of negative equity if the company is not expected to be able to fulfill its loan obligations from future earnings. No impairment was booked in 2019 (NOK 25 million was impaired in 2018). See note 7 Receivables and borrowings from group companies for more information about receivables.

Liquidity risk

Liquidity risk relates to the risk that the company will not be able to meet its debt and guarantee obligations and is managed through maintaining sufficient cash and available credit facilities. Due to the dynamic nature of the underlying businesses, Akastor Treasury maintains flexibility in funding by maintaining availability under committed credit lines. Development in the group's and thereby Akastor ASA's available liquidity is continuously monitored through weekly and monthly cash flow forecasts, annual budgets and long term planning.

Note 11 | Related parties

Transactions and balances with subsidiaries and related parties are described in the following notes:

Transactions	Note
Other services	Note 2
Financial items	Note 3
Cash pool, receivables and borrowings	Note 7
Guarantees	Note 9
Foreign exchange contracts	Note 10

All transactions with related parties are carried out at market terms and in accordance with the arm's lengths principle.

Note 12 | Shareholders

Shareholders with more than 1 percent shareholding

Company	*Note*	Nominee	Number of shares held	Ownership
2019				
Aker Kværner Holding AS			**110 333 615**	**40.27%**
Goldman Sachs & Co		Nominee	**35 373 096**	**12.91%**
Morgan Stanley & Co. LLC		Nominee	**31 296 769**	**11.42%**
Aker ASA			**23 331 762**	**8.52%**
ODIN Norge			**10 575 925**	**3.86%**
Jefferies LLC SP. RES. A/C FBO CUS		Nominee	**7 288 162**	**2.66%**
Fond Finans Norge			**3 100 000**	**1.13%**

Company	*Note*	Nominee	Number of shares held	Ownership
2018				
Aker Kværner Holding AS			110 333 615	40.27 %
Goldman Sachs & Co		Nominee	39 600 376	14.45 %
Aker ASA			23 331 762	8.52 %
Morgan Stanley & Co. LLC		Nominee	19 535 505	7.13 %
Euroclear Bank S.A./N.V.('BA')		Nominee	11 444 917	4.18 %
Jefferies LLC SP. RES. A/C FBO CUS		Nominee	8 765 881	3.20 %
ODIN Norge			7 840 060	2.86 %
Skandinaviska Enskil SEB STO, SFMA1			3 115 302	1.14 %
Fond Finans Norge			3 000 000	1.09 %
Akastor ASA	*6*		2 776 376	1.01 %

Note 13 | Subsequent events

On February 25, 2020, the subsidiary Akastor AS declared dividends of NOK 500 million based on Akastor AS financial statement for 2018. The dividends will be recognized in the income statement of Akastor ASA in 2020.

05. AUDITOR'S REPORT

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To the Annual Shareholders' Meeting of Akastor ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Akastor ASA, which comprise:

- The financial statements of the parent company Akastor ASA (the "Company"), which comprise the statement of financial position as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Akastor ASA and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway ("NGAAP").
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Akastor ASA

Construction contract accounting estimates

Reference is made to Note 3 Significant accounting policies, Note 4 Significant accounting estimates and judgements, and Note 7 Revenue and other income.

The key audit matter	*How the matter was addressed in our audit*
The majority of the Group's revenues and profits are derived from long-term construction and service contracts. In IFRS 15 *Revenue from contracts with customers* there is a high degree of judgement in determining the number of performance obligations which can impact the timing and amount of revenue recognition for certain contracts. Accounting for such contracts, where revenue from performance obligations are satisfied over time, is considered to be a risk area due to the significant judgement and estimation applied by management as well as the degree of complexity of the contracts currently in the portfolio. Furthermore, estimating the outcome of disputes and renegotiations on long-term projects is considered to be a risk area due to the significant judgment and estimation applied by management as well as the degree of complexity of the contracts, current market environment and challenges faced by customers. These management estimates and judgments are often complex and involve assumptions regarding future events for which there may be little or no external corroborative evidence available. There are typically a wide range of reasonably possible outcomes, and a high degree of uncertainty on the outcomes of negotiations and disputes linked to complex contract interpretations. As such, these contract accounting estimates also require significant attention during the audit and are subject to a high degree of auditor judgment.	For financially significant contracts and any contracts with a reasonable possibility of being in a significant loss-making position, we applied professional scepticism and critically assessed the accounting estimates and judgments against the requirements of IFRS 15. Our audit procedures in this area included, among others: • Challenging management's measure of progress estimate and evaluated management's process for assessing the measurement of progress and the method applied; • Updating our understanding of the project performance, comparing changes to previous forecasts, sensitivities and risks by reviewing management's project reporting and discussing with relevant management; • Assessing contractual revenue forecasts including corroborating those forecasts with reference to signed contracts and variation orders to assess the contractual basis of estimated future revenues; • Evaluating the calculation of project revenue and cost and contract assets and contract liabilities in relation to the stage of completion and forecasts; • Analysing preliminary rulings or other relevant pronouncements for items in arbitration and historical outcomes of negotiations with customers and other proceedings; • Challenging management on their assessment of probable settlement negotiations regarding liquidated damages and disputes; • Challenging management on the estimate of cost to complete, timing of the cost and the risk assessment related to forecast cost; • Obtaining and reading a selection of correspondence between the Group and the customer and the Group's legal advisors; and • Considering events subsequent to reporting date and challenged management on their impact to the estimates made at year-end.

KPMG Akastor ASA

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of our report on Other Legal and Regulatory Requirements below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with NGAAP, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 18 March 2020
KPMG AS

Vegard Tangerud
State Authorised Public Accountant

06. 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 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.

The definitions of these measures are as follows:

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 and finance lease receivables (excluding non-current interest-bearing receivables) added by net current operating assets minus non-current operating liabilities (deferred tax liabilities, employee benefit obligations, other non-current liabilities and lease liabilities).

Gross debt - sum of current and non-current borrowings, excluding 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.

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 entered into or committed at the reporting date. The backlog does not include options on existing contracts, or contract value from short-cycled service orders.

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

Net current operating assets (NCOA)

Amounts in NOK million	**2019**	2018
Current tax assets	**10**	4
Inventories	**528**	548
Trade and other receivables	**3 177**	2 801
Current operating assets	**3 716**	3 354
Current tax liabilities	**(11)**	(8)
Provisions, current	**(119)**	(236)
Trade and other payables	**(2 974)**	(2 734)
Current operating liabilities	**(3 105)**	(2 979)
Net current operating assets (NCOA)	**611**	375

Net capital employed (NCE)

Amounts in NOK million	**2019**	2018
Total non-current assets	**6 256**	5 077
Net current operating assets (NCOA)	**611**	375
Current finance lease receivables	**9**	-
Non-current interest-bearing receivables	**(201)**	-
Deferred tax liabilities	**(11)**	(9)
Employee benefit obligations	**(359)**	(332)
Other non-current liabilities	**(491)**	(390)
Non-current provisions	**(51)**	(166)
Total lease liabilities	**(677)**	-
Net capital employed (NCE)	**5 085**	**4 556**

Gross debt/Net debt/NIBD

Amounts in NOK million	**2019**	2018
Non-current borrowings	**1 444**	588
Current borrowings	**3**	14
Gross debt	**1 448**	601
Cash and cash equivalents	**(555)**	(198)
Net debt	**893**	403
Non-current interest-bearing receivables	**(201)**	-
Current interest-bearing receivables	**-**	(257)
Net interest-bearing debt (NIBD)	**692**	146

Equity ratio

Amounts in NOK million	**2019**	2018
Total equity	**4 371**	4 317
Divided by Total assets	**10 578**	9 005
Equity ratio	**41%**	48%

Liquidity reserve

Amounts in NOK million	**2019**	2018
Cash and cash equivalents	**555**	198
Undrawn committed credit facilities	**1 320**	2 000
Liquidity reserve	**1 875**	2 198

07. BOARD OF DIRECTORS

Kristian M. Røkke | Chairman

Kristian Røkke is currently the Chief Investment Officer of Aker ASA and has extensive experience from offshore oil services, shipbuilding and M&A. Mr. Røkke was CEO of Akastor ASA from August 2015 to December 2017. He is a board member of TRG Holding AS, Aker Capital AS and Aker Solutions ASA. Mr. Røkke holds an MBA from The Wharton School, University of Pennsylvania.

As of December 31, 2019, Mr. Røkke holds, through a privately owned company, 200 000 shares in Akastor ASA and has no stock options. Mr. Røkke is both a Norwegian and American citizen and has been elected for the period 2018-2020.

Lone Fønss Schrøder | Deputy Chairman

Lone Fønss Schrøder has experience from CEO and Senior Management positions at the Danish shipping and oil group A.P. Møller-Maersk A/S. She is Executive Director of Geely Financials Denmark, Director and Chairperson for the audit committee at Volvo Cars and Valmet Oy, and Director of Ikea Group. Ms. Fønss Schrøder has a fintech portfolio of her own.

Ms. Fønss Schrøder has a law degree from the University of Copenhagen and of economics from Copenhagen Business School. As of December 31, 2019, she holds 4 400 shares in the company and has no stock options. She is a Danish citizen and has been elected for the period 2018-2020.

Øyvind Eriksen | Director

Øyvind Eriksen joined Aker ASA in January 2009. Mr. Eriksen holds a law degree from the University of Oslo. He joined Norwegian law firm BA-HR in 1990, where he became a partner in 1996 and a director/chairman from 2003. As a corporate attorney, he among other things worked with strategic and operational development, M&A and negotiations. Mr. Eriksen has held several board positions in different industries, including shipping, finance, asset management, offshore drilling, fisheries, media, trade and industry. Mr. Eriksen is chairman of the board in Aker BP ASA, Aker Solutions ASA, Cognite AS, Aker Capital AS, Aker Kværner Holding AS and REV Ocean Inc, and a director of several companies, including Aker Energy AS, The Resource Group TRG AS, TRG Holding AS and The Norwegian Cancer Society (Kreftforeningen). He is also member of the World Economic Forum's Centre for the Fourth Industrial Revolution Global Network Advisory Board.

As of December 31, 2019, Mr. Eriksen holds no shares or stock options in Akastor directly; he has an ownership interest through his holding of 219 027 shares in Aker ASA. He also holds, through a privately owned company, 0.2 percent of the B-shares in TRG Holding AS, the largest shareholder in Aker ASA. Mr. Eriksen is a Norwegian citizen and has been elected for the period 2018-2020.

Kathryn M. Baker | Director

Kathryn M. Baker has over 30 years of business experience in a broad range of industries and roles. She currently serves on the Executive Board of the Central Bank of Norway (Norges Bank), where she is also a member of the audit and the risk and investment committees. Other current board positions include Chairman of Catena Media Plc, board member of DOF ASA as well as a member of the Investment Committee of Norfund. Ms. Baker also serves on the European Advisory Board of the Tuck School of Business and leads the Ethics Committee of the Norwegian Private Equity and Venture Capital Association (NVCA), where she previously served as Chairman. Ms. Baker was a partner at the Norwegian private equity firm Reiten & Co for 15 years. Prior to that, she was a management consultant at McKinsey & Company in Oslo and a financial analyst at Morgan Stanley in New York.

Ms. Baker holds a bachelor degree in Economics from Wellesley College and an MBA from the Amos Tuck School of Business at Dartmouth College. AS of December 31, 2019, she holds 45 683 shares in the company. Ms. Baker is an American citizen and has been elected for the period 2018-2020.

Sarah Ryan | Director

Dr. Sarah Ryan has 30 years of experience in the global oil&gas and oilfield services industries. She currently serves as Non-Executive Director of Woodside Petroleum, where she is also a member of the audit and risk and sustainability committees. Other current board positions include Central Petroleum and Kinetic Energy Services, and previous board positions include Aker Solutions and Vautron. Dr Ryan also serves as chair of the Advisory Board of Unearthed Solutions and is a Fellow of the Australian Academy of Technological Sciences and Engineering.

Dr. Ryan was energy advisor, Investment director and equity analyst at Earnest Partners, a US-based investment management firm. Prior to that, she held various senior management, technical and operational roles during her 15 years with Schlumberger.

Dr. Ryan holds a BSc in Geology from the University of Melbourne, a BSc (Hons) in Geophysics and a PhD in Petroleum Geology and Geophysics from the University of Adelaide. As of December 31, 2019, she holds 5 000 shares in the company and had no stock options. Ms. Ryan is an Australian citizen. She has been elected for the period 2018-2020.

Henning Jensen | Director

Henning Jensen currently works as a specialist engineer in project control department at MHWirth AS. Mr. Jensen joined MHWirth in 2005. He has since then held various positions in the company.

Mr. Jensen holds a bachelor degree in Marine Technology and a Master in Industrial Economy and Technology from Agder University College in Grimstad.

As of December 31, 2019, Mr. Jensen holds no shares or stock options in the company. Mr. Jensen is a Norwegian citizen and has been elected for the period 2019-2021.

Asle Christian Halvorsen | Director

Asle Christian Halvorsen currently works as Senior Engineer in Mud Products dept at MHWirth AS. He began his career with the Aker group in 2011 when he joined STEP Offshore.

Mr. Halvorsen holds a BS c in mechanical engineering from Sør-Trøndelag University College. As of December 31, 2019, he holds 10 000 shares in the company. Mr. Halvorsen is a Norwegian citizen. He has been elected for the period 2019-2021.

Stian Sjølund | Director

Stian Sjølund currently works as Performance Optimization Engineer at MHWirth AS. Mr. Sjølund joined the Company in 1998 as an Engineer in Drilling Lifecycle Services department. He has since then held various positions in the company in Norway and abroad.

Mr. Sjølund holds a technical college degree in electrical engineering from Grimstad Technical College. As of December 31, 2019, Mr. Sjølund holds 10 000 shares in the company. Mr. Sjølund is a Norwegian citizen and has been elected for the period 2019-2021.

08. MANAGEMENT

Karl Erik Kjelstad | Chief Executive Officer

Karl Erik Kjelstad joined the Aker group in 1998 and has held various CEO and executive positions throughout the Aker group, including EVP of Aker Solutions, Aker ASA and CEO of Aker Yards. Mr. Kjelstad holds an MSc in Marine Engineering from the Norwegian University of Science and Technology (NTNU) and an AMP from Harvard Business School. As of March 18, 2020, he holds, through a privately-owned company, 300 000 shares in the company and has no stock options. Mr. Kjelstad is a Norwegian citizen.

Øyvind Paaske | Chief Financial Officer

Øyvind Paaske joined the investment team of Akastor in 2014. Prior to this, he held the position as Investment Manager in Aker ASA. Mr. Paaske holds an MSc in Financial Economics from the Norwegian School of Economics and Business Administration (NHH) and UNC Kenan-Flagler Business School. As of March 18, 2020, he holds 5 083 shares in the company and has no stock options. Mr. Paaske is a Norwegian citizen.

09. COMPANY INFORMATION

Reports on the Internet

The quarterly and annual reports of Akastor are available on the internet. Akastor encourages its shareholders to subscribe to the company's annual reports via the electronic delivery system of the Norwegian Central securities Depository (VPS). Please note that VPS services (VPS Investortjenester) are designed primarily for Norwegian shareholders. Subscribers to this service receive annual reports in PDF format by email. VPS distribution takes place at the same time as distribution of the printed version of Akastor's annual report to shareholders who have requested it. Quarterly reports, which are generally only distributed electronically, are available on the company's website and other sources. Shareholders who are unable to receive the electronic version of interim reports may subscribe to the printed version by contacting Akastor's investor relations staff.

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