

First Quarter Results 2015

Frank O. Reite and Leif Borge
Oslo | 28 April 2015



AKASTOR

Agenda



FIRST QUARTER HIGHLIGHTS

Frank O. Reite
CEO



FINANCIALS

Leif Borge
CFO



Q & A

Frank O. Reite and Leif Borge

Akastor - First quarter 2015 - summary

- Challenging market environment for MHWirth
- Satisfactory performance for the other portfolio companies
- Taking action to adapt to the current market



Update 1Q 2015: Akastor as an investment company

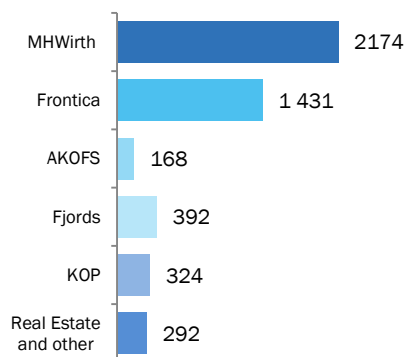


- The portfolio companies exposed to the challenging oilfield service market
 - in particular the drilling segment
- Significant cost reduction activities initiated in response to the market
- Value creation plans for portfolio companies being developed and implemented
 - Maintaining flexibility and long term focus
- Strengthening the investment team further
- Sold remaining 17 % share of a property in the Oslo area, with a gain of NOK 37 million

Update 1Q 2015: Akastor's portfolio

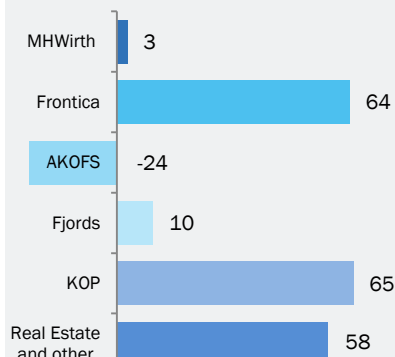
Revenues

NOK 4 546 million



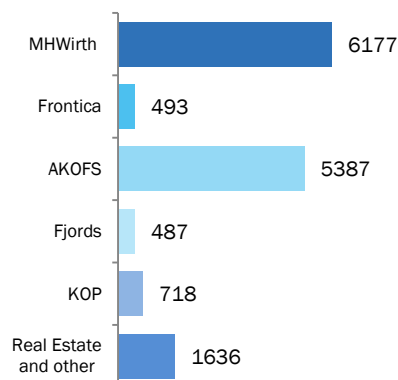
EBITDA

NOK 177 million



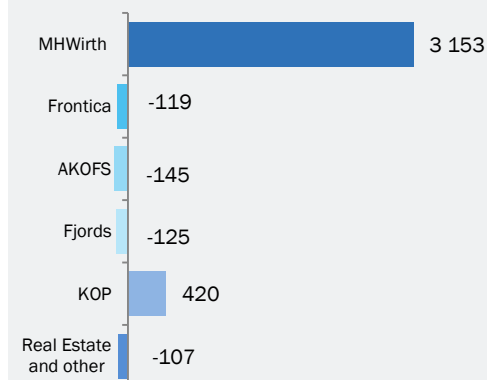
Net capital employed

NOK 14 899 million



NCOA

NOK 3 078 million



Order intake
NOK 3.1 billion

Order backlog
NOK 20.0 billion

Net interest bearing debt
NOK 5.9 billion

The Akastor portfolio – First quarter highlights



Real estate
and other holdings

The Akastor portfolio – First quarter highlights

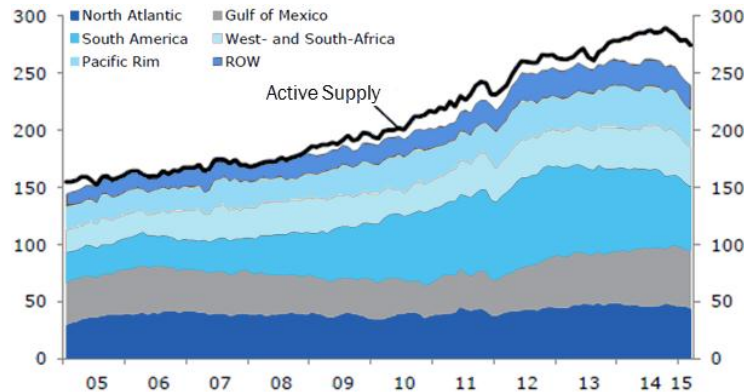


Real estate
and other holdings

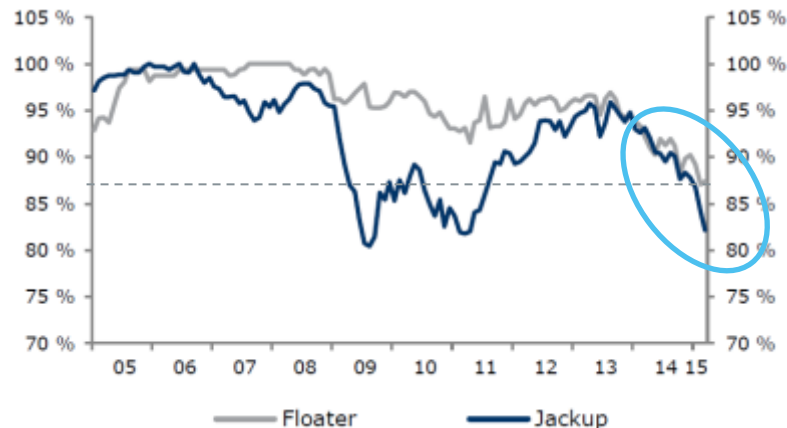
MHWirth: Continued weak floater market

ACTIVE SUPPLY AND REGIONAL DEMAND

#Floaters



RIG UTILIZATION



OBSERVATIONS

- Supply demand gap of 35 floaters with additional 80 in the order books
- Floater utilization of 87%, the lowest level in more than 10 years
- No new build orders signed in 1Q-2015 – globally
- So far in the down cycle, contractors have announced removal/scrapping of 30 floaters
- Situation could last years rather than months

Source: RS Platou Rig Monthly, April 2015

MHWirth: A challenging quarter

- Reducing number of employees by 750, limited effect for 1H
- Productivity suffered through the ongoing restructuring process
- Uncertainty and delays related to some projects
- Progress on packages to Brazilian market may be impacted until financial situation of end client is concluded
- Contract cancellations of around NOK 500 million (no complete packages)

However,

- Steady life cycle services business with revenue of NOK 774 million in 1Q 2015 and an average installed base age of 12.5 years



MHWirth going forward

SHORT TO MEDIUM TERM

- Focus on existing backlog, life cycle services and single equipment
- Continue to monitor the situation closely in order to make required adjustments
 - Temporary lay-offs announced
- Continued weak results in 2Q

LONG TERM

- Long term strategy remains unchanged
- Will balance need for capacity adjustments and cost reductions with ambitions to keep competence and technology platform



The Akastor portfolio – First quarter highlights



Real estate
and other holdings

AKOFS Offshore



- Skandi Santos operated at close to full utilization until dry-docking in March
 - Skandi Santos back in operations in mid April, starting on the second five-year contract in Brazil
- Aker Wayfarer with full utilization for the quarter
 - Firm contract until end July 2015
 - Commencing 5 year contract in Brazil in 2H 2016
- AKOFS Seafarer acquired for USD 122.5 million
- AKOFS Seafarer had one short term engagement in 1Q
- The spot market is expected to be challenging going forward

GOING FORWARD:

- Long term business in Brazil
- Secure work for AKOFS Seafarer

The Akastor portfolio – First quarter highlights



- Steady revenues and operations in the quarter
- Commercializing the organization
- Working in close cooperation with its customers to drive down costs and streamline service offerings



- Lower revenue generation in 1Q due to lower activity within certain regions
- Stable backlog through the quarter
- Solid prospect list, however uncertainty related to timing of awards



- Strong financial performance; 20 % margin in the quarter
- High share of high margin services in the quarter
- Signs of softening markets going forward

Real estate
and other holdings

- First Geo and Step Oiltools break-even results (EBITDA)
- Exploring opportunities to monetize real estate assets

Meeting the market challenges

THE CHALLENGES

- Weak oil services market development
- Low oil price impacts E&P investments and spending
- Cost base reflects higher activity than the current situation in most of the portfolio companies

ACTIONS INITIATED

- Cost reduction initiatives initiated in all portfolio companies
- Reduction of 750 employees in MHWirth
- Proactive monitoring of market demand to right-size capacity
- Active dialogue with clients to improve backlog and activity



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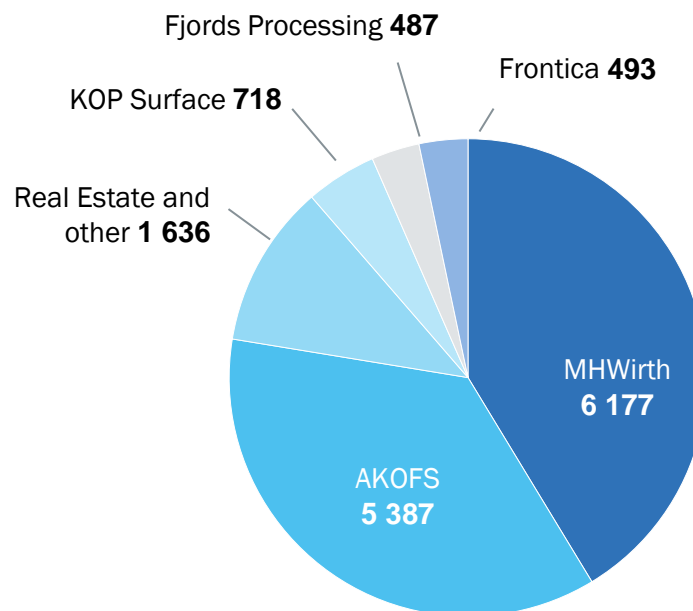
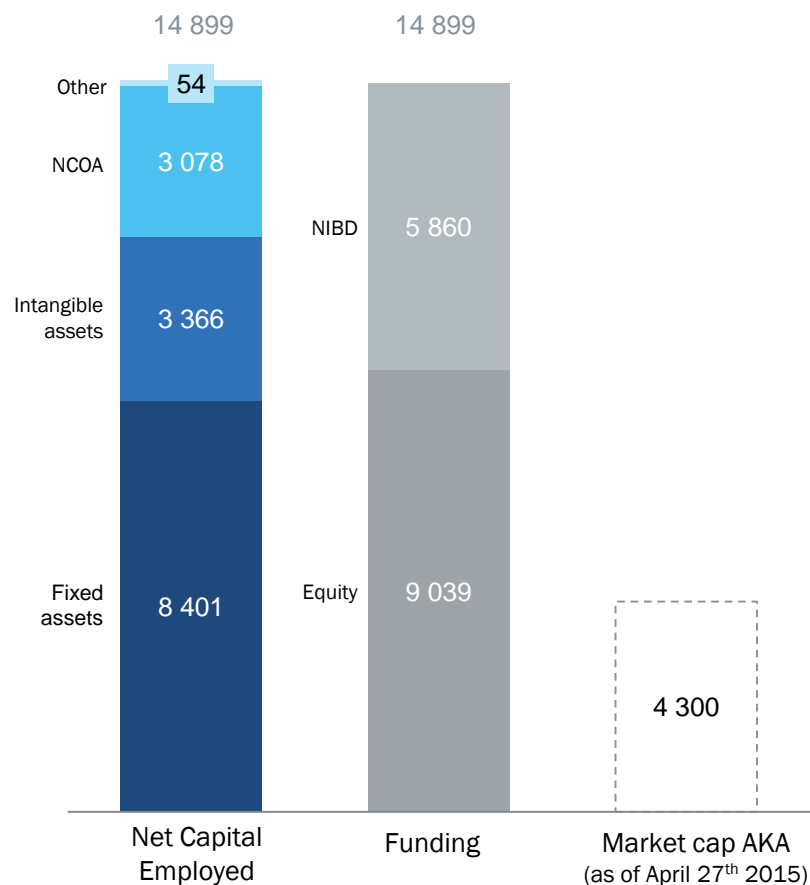
Consolidated income statement

<i>NOK million</i>	1Q 15	1Q 14
Operating revenues and other income	4 546	4 997
Operating expenses	(4 370)	(4 606)
EBITDA	177	391
Depreciation, amortization and impairment	(275)	(219)
Operating profit (loss)	(98)	172
Net financial items	(139)	(101)
Profit (loss) before tax	(237)	71
Income tax income (expense)	(14)	(41)
Profit (loss) from continuing operations	(251)	30
Net profit from discontinued operations	-	3 230
Profit (loss) for the period	(251)	3 260

The Akastor portfolio

NET CAPITAL EMPLOYED OF 14.9 BILLION

NOK million



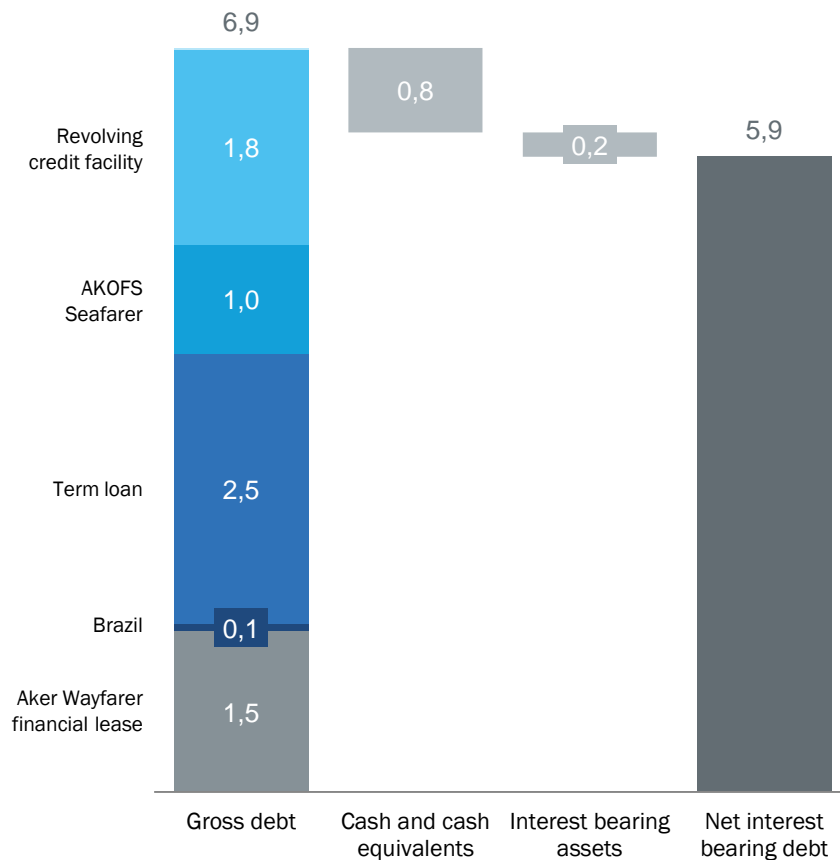
INCREASE IN NET CAPITAL EMPLOYED OF NOK 1.9 BILLION IN 1Q

- Acquisition of AKOFS Seafarer hull for USD 122.5 million
- Increase in NCOA of NOK 656 million
- Currency translation effect AKOFS Wayfarer lease NOK ~100m

Capital structure

NIBD OF 5.9 BILLION PER 1Q 2015

NOK billion



FUNDING

	SIZE	MATURITY	MARGIN
TERM LOAN	NOK 2.5 billion	September 2017	1.4%-2.3%
REVOLVING	NOK 2.0 billion	September 2019	1.3%-2.2%
AKOFS SEAFARER FACILITY*	USD 125 million	February 2017	1.4%-1.8%
BRAZIL FACILITY	BRL 129 million	December 2021	6.1% average cost

COVENANTS

- Net borrowings/Equity < 1.0x
As of 1Q: 0.6x
- Interest cover ratio > 4.0x
As of 1Q: 6.9x

LIQUIDITY RESERVE AT 1Q OF NOK ~1.0 BILLION

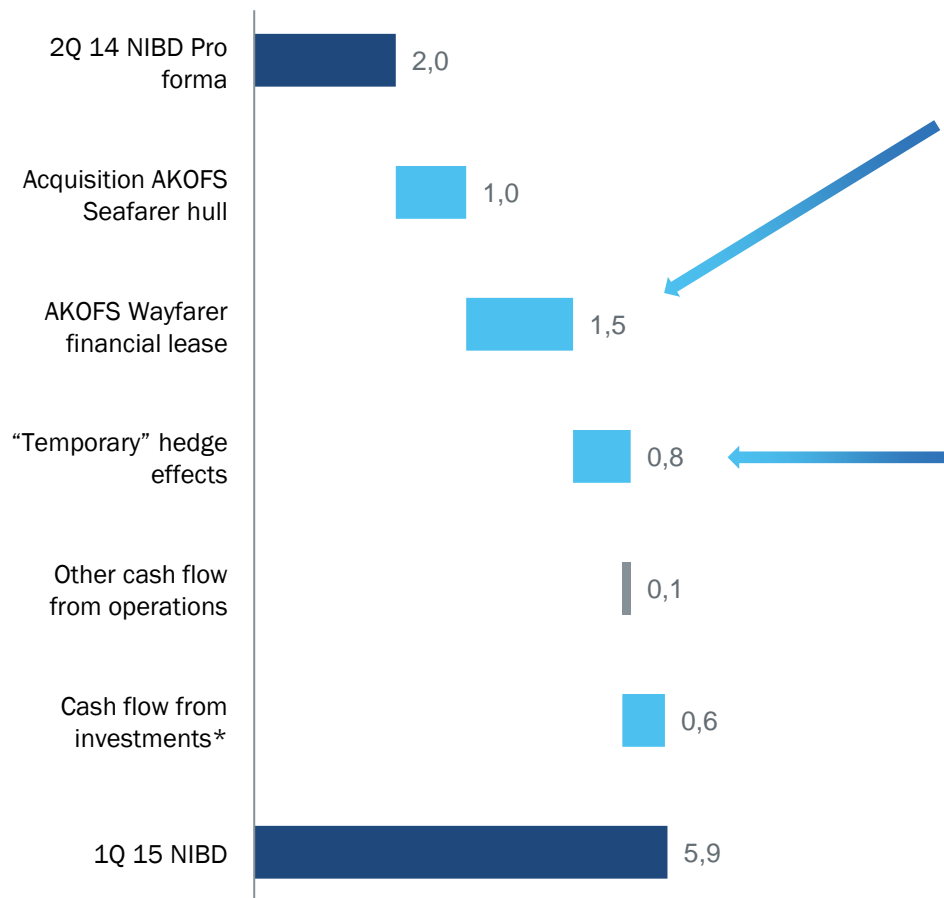
- Cash and undrawn Revolving credit facility NOK ~1.0 billion
- Additionally, other short- and medium-term credit facilities of NOK ~0.7 billion as of April

*Loan to Akastor ASA with same terms and conditions as term loan

Development in NIBD and currency effects

NIBD DEVELOPMENT FROM 2Q 14 TO 1Q 15

NOK billion



Translation effect on debt in foreign currency

- AKOFS Wayfarer financial lease currency translation effect of NOK 107 million in quarter

Project hedges

- Akastor hedges currency exposure in projects
- If customer or vendor payments are postponed, the hedges will be rolled, which may have a cash effect
- The cash effect is temporary
- Cash effect 2Q 14-1Q 15: ~ NOK -0.3 billion

Intra-group loan hedges

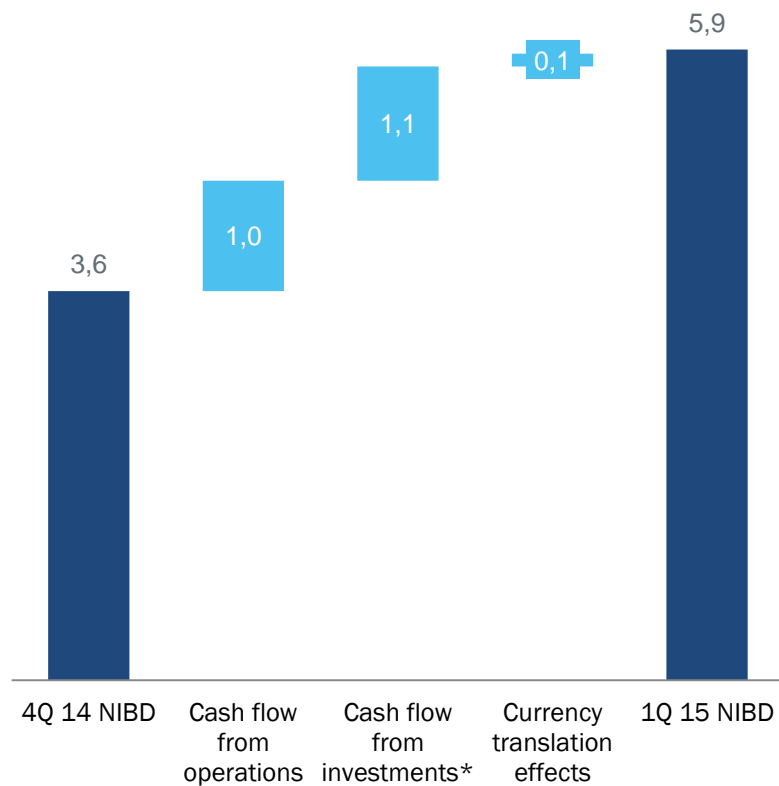
- Intra-group funding is provided in subsidiary currency, and hedged on Akastor-level
- The hedges are rolled regularly, which may have a cash effect
- The cash effect is temporary until subsidiary repays loan
- Cash effect 2Q 14-1Q 15: ~ NOK -0.5 billion

*Excluding change in interest bearing assets and acquisition AKOFS Seafarer hull

Cash flows

CASH FLOWS BEFORE FINANCE 1Q 15

NOK billion



COMMENTS

- Cash flow from operations of NOK -1.0 billion
 - Increase in NCOA of NOK -656 million, mainly driven by MHWirth
 - Liquidity effect of hedges ~NOK -400 million
- Cash flow from investments of NOK -1.1 billion
 - Investments: NOK -1 129 million
 - Divestments: NOK 50 million
- Currency translation effect on AKOFS Wayfarer financial lease NOK 107 million

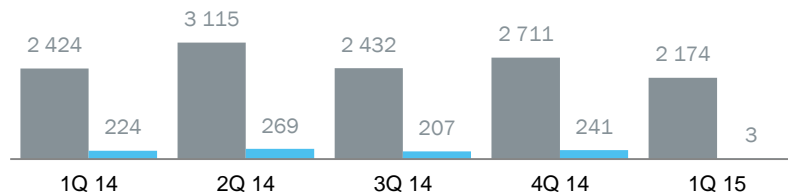
*Excluding change in interest bearing assets

MHWirth

- Revenues down 10 percent in 1Q 2015 compared with 1Q 2014
- EBITDA of NOK 43 million (before restructuring cost) in the quarter, compared to NOK 224 million in 1Q 2014
- Restructuring cost of NOK 40 million in 1Q
- Reduction of 750 staff through downsizing and attrition, limited effect before 2H 2015
- Order intake of NOK 788 million mainly from life-cycle services and single equipment

Revenue and EBITDA

NOK million



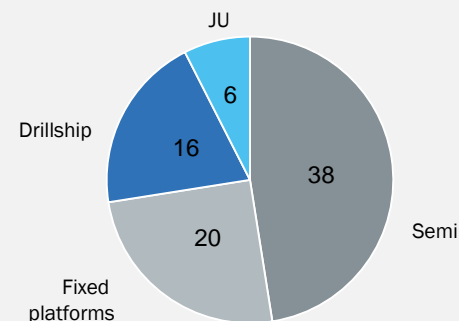
■ Revenue ■ EBITDA

BUSINESS SPLIT YTD BASED ON REVENUE

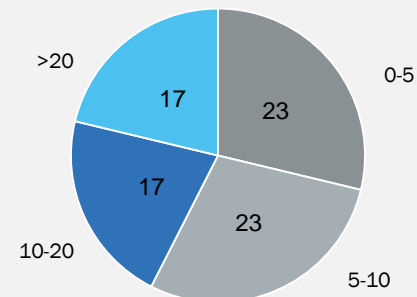


INSTALLED BASE (80 UNITS)

by type



by age

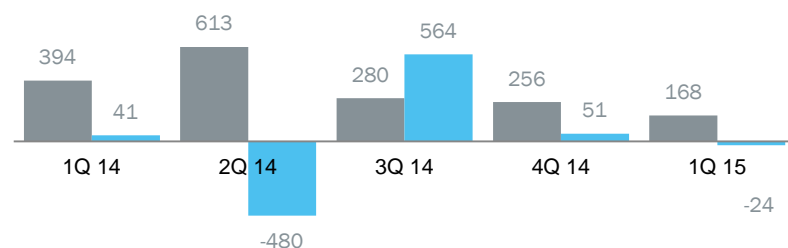


AKOFS Offshore

- Aker Wayfarer with stable, high performance and AKOFS Seafarer with limited activity in the quarter
- Skandi Santos with reduced activity due to dry-docking in March
- Revenues of NOK 168 million
- The EBITDA result of NOK -24 million in the quarter was impacted by lower utilization of Skandi Santos and AKOFS Seafarer
- Purchase of AKOFS Seafarer was executed in the quarter for a price of USD 122.5 million

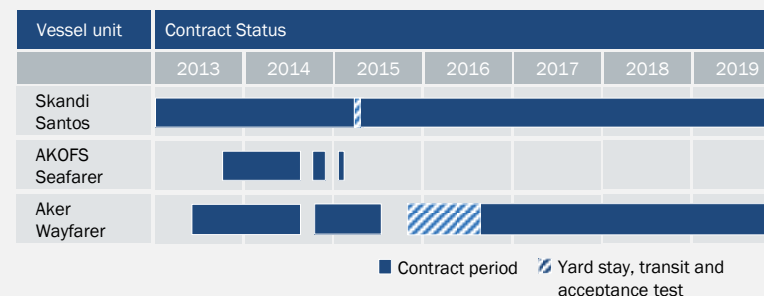
Revenue and EBITDA

NOK million

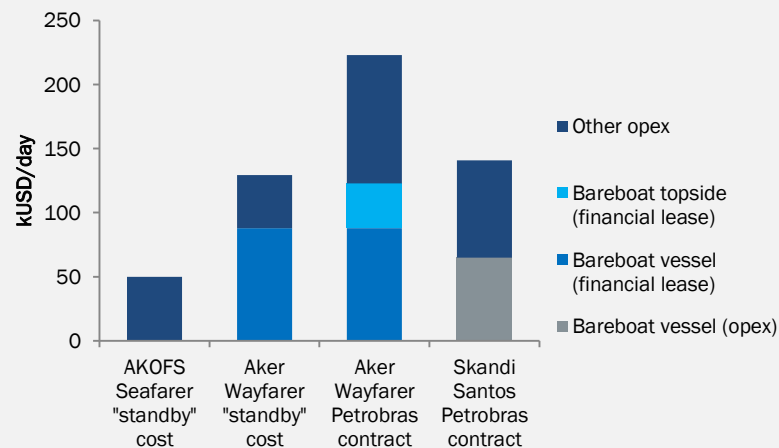


■ Revenue ■ EBITDA

VESSEL PROGRAM



INDICATIVE OPEX LEVELS

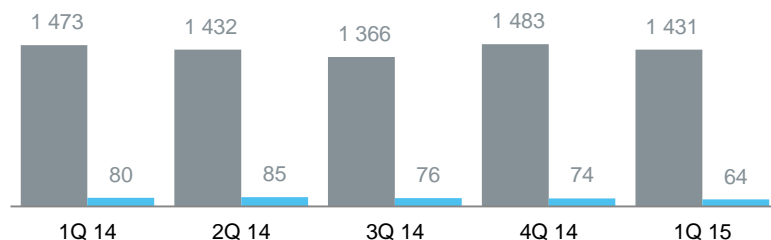


Frontica Business Solutions

- Revenue of NOK 1.4 billion in the quarter, on the same level as a year earlier
- EBITDA margin drop from 5.4% last year to 4.5% this year mainly related to one-off costs in connection with the start-up of a large outsourcing contract

Revenue and EBITDA

NOK million



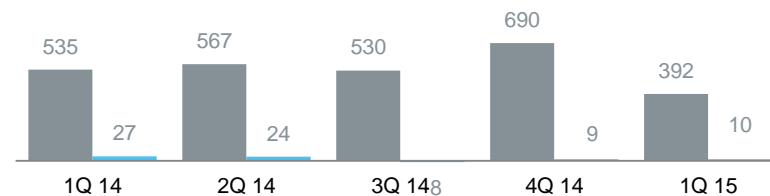
■ Revenue ■ EBITDA

Fjords Processing

- Revenues of NOK 392 million, down from 535 million last year, impacted by phasing of projects
- EBITDA of NOK 10 million impacted by low operation leverage
- Order intake of NOK 435 million in 1Q. Continuous unpredictability in the market in terms of timing of awards.

Revenue and EBITDA

NOK million

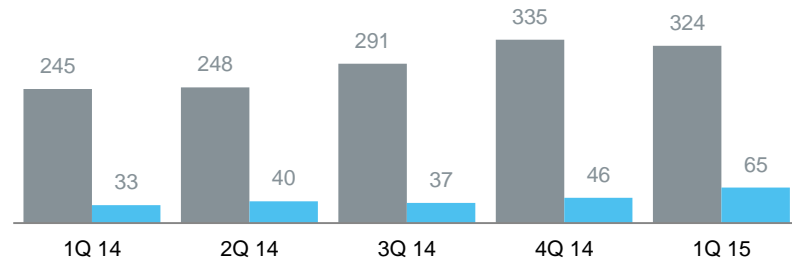


KOP Surface Products

- Revenue rose 32 percent year on year, of which translation effect represents 27 percent
- EBITDA of NOK 65 million gave a margin of 20 percent in the quarter
- Order intake of NOK 216 million in 1Q
- Signs of softening markets going forward

Revenue and EBITDA

NOK million



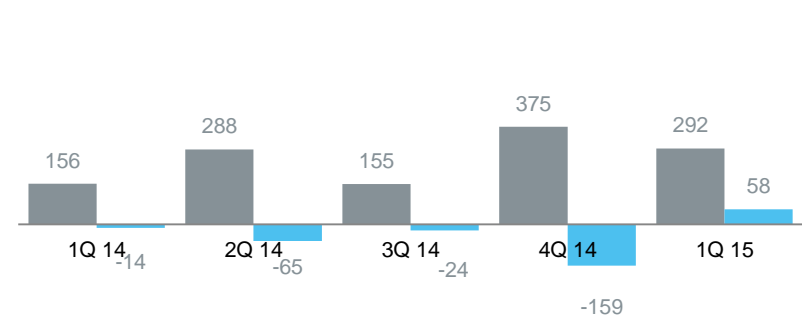
■ Revenue ■ EBITDA

Real Estate and other holdings

- Real Estate and Other Holdings delivered an EBITDA in the quarter of NOK 58 million
- Step Oiltools and First Geo: EBITDA of NOK 2 million
- Real Estate with EBITDA of NOK 17 million
- The 17 % share in an office building in Oslo was sold for NOK 30 million, giving a gain of NOK 37 million
- Effect from hedge-adjustment for non-qualifying hedges NOK 32 million, compared to NOK 4 million in 1Q 2014

Revenue and EBITDA

NOK million



Akastor is set up to create value through active ownership



Our mandate

Oilfield services investment company with a flexible mandate for long-term value creation

Our portfolio

Portfolio companies with multiple levers for growth and improvements

Our approach

Value creation through active ownership combining a range of strategic, operational and financial measures

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Additional information

Consolidated balanced sheet

	March 31	December 31
Amounts in NOK million	2015	2014
Deferred tax assets	218	214
Intangible assets	3 149	3 122
Property, plant and equipment	7 704	6 469
Investment property	697	707
Other non-current operating assets	613	691
Investments	532	610
Non-current interest-bearing receivables	135	131
Total non-current assets	13 049	11 946
Current operating assets	11 327	11 204
Current interest-bearing receivables	89	205
Cash and cash equivalents	780	1 075
Total current assets	12 196	12 485
Total assets	25 245	24 430
Equity attributable to equity holders of Akastor ASA	9 039	9 378
Total equity	9 039	9 378
Deferred tax liabilities	352	483
Employee benefits obligations	467	473
Other non-current liabilities	275	285
Non-current borrowings	6 602	4 720
Total non-current liabilities	7 696	5 961
Current operating liabilities	8 249	8 782
Current borrowings	262	308
Total current liabilities	8 510	9 090
Total liabilities and equity	25 245	24 430

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Key figures

AKASTOR GROUP

	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15
Operating revenue and other income	4 997	6 014	5 107	5 335	4 546
EBITDA	391	(127)	853	262	177
EBIT	172	(1 354)	579	(103)	(98)
CAPEX and R&D capitalization	171	311	257	308	1 127
NCOA	2 150	2 576	2 678	2 422	3 078
Net capital employed	12 086	11 072	12 897	12 995	14 899
Order intake	4 020	4 632	11 356	5 247	3 079
Order backlog	16 025	13 945	20 257	21 555	19 998
Employees	4 997	6 014	5 107	5 335	4 546

Split per company

MHWIRTH

	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15
Operating revenue and other income	2 424	3 115	2 432	2 711	2 174
EBITDA	224	269	207	241	3
EBIT	149	196	79	102	(107)
CAPEX and R&D capitalization	112	191	206	253	107
NCOA	2 171	2 946	2 852	2 573	3 153
Net capital employed	4 431	5 379	5 541	5 603	6 177
Order intake	1 792	1 919	1 662	1 569	788
Order backlog	12 361	11 230	10 526	9 566	7 659
Employees	4 092	4 164	4 255	4 237	3 990

FRONTICA BUSINESS SOLUTIONS

	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15
Operating revenue and other income	1 473	1 432	1 366	1 483	1 431
EBITDA	80	85	76	74	64
EBIT	58	60	51	49	38
CAPEX and R&D capitalization	27	20	8	56	17
NCOA	(294)	(320)	(225)	(237)	(119)
Net capital employed	170	136	207	374	493
Order intake	1 482	1 422	3 634	1 658	1 495
Order backlog	96	86	2 356	2 620	2 698
Employees	1 432	1 408	1 391	1 356	1 135

Split per company

AKOFS OFFSHORE

	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15
Operating revenue and other income	394	613	280	256	168
EBITDA	41	(480)	564	51	(24)
EBIT	(39)	(1 557)	500	(21)	(109)
CAPEX and R&D capitalization	2	7	(58)	3	967
NCOA	(90)	(180)	(86)	(73)	(145)
Net capital employed	3 697	2 345	4 092	4 312	5 387
Order intake	262	279	5 457	142	120
Order backlog	1 594	335	5 495	6 186	6 371
Employees	132	134	124	115	98

FJORDS PROCESSING

	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15
Operating revenue and other income	535	567	530	690	392
EBITDA	27	24	(8)	9	10
EBIT	22	18	(16)	1	2
CAPEX and R&D capitalization	6	2	18	35	8
NCOA	(221)	(114)	(312)	(157)	(125)
Net capital employed	236	351	208	436	487
Order intake	245	843	605	505	435
Order backlog	960	1 264	1 319	1 190	1 228
Employees	613	614	622	617	583

Split per company

KOP SURFACE PRODUCTS

	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15
Operating revenue and other income	245	248	291	335	324
EBITDA	33	40	37	46	65
EBIT	26	31	28	24	51
CAPEX and R&D capitalization	7	8	12	5	4
NCOA	346	372	356	375	420
Net capital employed	622	651	649	674	718
Order intake	302	283	137	330	216
Order backlog	620	669	536	659	590
Employees	784	817	816	854	848

REAL ESTATE AND OTHER HOLDINGS

	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15
Operating revenue and other income	156	288	155	375	292
EBITDA	(14)	(64)	(24)	(159)	58
EBIT	(44)	(102)	(64)	(258)	27
CAPEX and R&D capitalization	17	84	20	7	23
NCOA	238	(127)	93	(58)	(107)
Net capital employed	2 930	2 211	2 200	1 595	1 636
Order intake	166	128	150	1 653	210
Order backlog	281	240	261	1 658	1 728
Employees	528	558	443	430	407

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