# Q1

AKASTOR

# FIRST QUARTER RESULTS 2017

# Q1 HIGHLIGHTS

- Frontica Advantage joined NES Global Talent in January 2017
- EBITDA of NOK 59 million
- Net debt at NOK 3.0 billion
- Working capital at NOK 1.4 billion

**Key Figures Akastor Group**

| *NOK million* | Q1 17 | Q1 16 (restated) |
|---|---|---|
| Operating revenue and Other income | 1 018 | 1 353 |
| EBITDA | 59 | (48) |
| EBIT | (102) | (264) |
| CAPEX and R&D capitalization | 16 | 65 |
| NCOA | 1 392 | 2 031 |
| Net capital employed | 8 726 | 10 211 |
| Order intake | 712 | 932 |
| Order backlog | 7 394 | 12 078 |
| Net Debt | 3 037 | 5 256 |
| Employees | 2 628 | 3 504 |

**Q1 Key Figures Portfolio Companies**

| *NOK million* | MHWirth | AKOFS Offshore | KOP Surface Products | Other Holdings |
|---|---|---|---|---|
| Revenue and Other income | 627 | 186 | 76 | 143 |
| EBITDA | 55 | 33 | 6 | (35) |
| EBIT | 9 | (48) | (5) | (58) |

# 01. OVERVIEW

Akastor's portfolio of companies experienced challenging market conditions in the first quarter, as was the situation throughout 2016. Revenues in the 2017 first quarter were NOK 1 018 million, compared with NOK 1 353 million in the 2016 first quarter, a decrease of 25 percent. The reduction in revenues in the first quarter was primarily due to reduced activity levels and weaker market conditions in the offshore oil service industry and offshore drilling market. EBITDA in the 2017 first quarter was NOK 59 million, compared to an EBITDA of NOK -48 million in the 2016 first quarter.

During the first quarter, net debt increased by NOK 470 million to NOK 3 037 million, mainly due to increased working capital level. Akastor's liquidity reserve at the end of the quarter was approximately NOK 1.8 billion with cash and bank deposits of NOK 315 million, and undrawn committed credit facilities of NOK 1.5 billion.

The order intake for Akastor in the quarter was NOK 712 million, resulting in an aggregate backlog of NOK 7.4 billion.

In January, the sale of Frontica Advantage to NES Global Talent to create a leading staffing service provider for the Oil and Gas sector was completed. Following the transaction, Akastor has an initial economic ownership of 15.2 percent of the combined company, resulting in an accounting gain of NOK 383 million presented as Net profit from discontinued operations.

# 02. PORTFOLIO COMPANIES

## MHWIRTH

MHWirth reported revenues of NOK 627 million in the 2017 first quarter, a reduction of 31 percent compared to the 2016 first quarter. The decrease in revenues from 2016 was primarily driven by reduced project and equipment related work as a result of low order intake since 2014, and due to fewer rigs with MHWirth equipment in operations and reduced upgrade and modification work, Drilling Lifecycle Services (DLS) experienced lower activity than in previous years.

EBITDA for Q1 was NOK 55 million, compared to NOK -63 million (including a restructuring charge of NOK 97 million), in the 2016 first quarter which gives an EBITDA margin of 8.8 percent. The working capital level (NCOA) of MHWirth increased from fourth quarter 2016 by NOK 160 million to NOK 1.3 billion.

Order intake in the 2017 first quarter was NOK 471 million compared to NOK 631 million in the 2016 first quarter. Market conditions continue to be weak with further decreases in floater utilization levels observed during the quarter. In Q1, overall floater utilization was approximately 63 percent for the active fleet (source: Clarksons Platou Offshore Drilling Rig Monthly). Total backlog as of Q1 amounts to NOK 1 325 million, of which the four remaining drilling packages to Jurong Shipyard amount to approximately NOK 800 million.

While MHWirth continues to see a challenging market for 2017 driven by fewer active rigs in operation and reduced project work, there are indications in recent months that the decline in rig market activity has slowed. MHWirth will continue to respond to the changing activity levels by adjusting capacity and cost base.

As per Q1 2017, MHWirth had 1 648 employees.

## AKOFS Offshore

AKOFS Offshore reported revenues of NOK 186 million in the 2017 first quarter, compared with NOK 159 million in the 2016 first quarter. EBITDA was NOK 33 million in the quarter, compared with NOK 38 million in the same period last year. The order backlog ended at NOK 5.7 billion. The company had 106 employees at the end of the quarter.

Skandi Santos operated on somewhat lower utilization during the beginning of the first quarter compared with previous quarters. The vessel has started its third year of the five year option period which commenced in March 2015. AKOFS Seafarer remained idle during the first quarter with operating expenses continuing at less than USD 10 000 per day. The vessel is currently being marketed for work in the subsea construction and service market as well as for Light Well Intervention.

Aker Wayfarer is currently on stand-by in Norway, awaiting startup of the 5+5 year contract with Petrobras in Brazil, which is expected to take place in Q4 2017.

## KOP Surface Products

KOP Surface Products reported revenues in the period of NOK 76 million compared with NOK 123 million in the 2016 first quarter. Market conditions for surface products in KOP's key regions continue to be challenging, however, some indications in recent months point toward an eventual increase in activity levels.

EBITDA was NOK 6 million in the quarter compared with NOK 14 million in the first quarter 2016. Order intake in the quarter was NOK 69 million giving an order backlog of NOK 124 million at quarter-end. The company had 481 employees at the end of the quarter.

## Other Holdings

Other Holdings reported revenues of NOK 143 million in the quarter, with EBITDA of NOK -35 million. Step Oiltools, Cool Sorption and First Geo delivered a total EBITDA of NOK -5 million in the quarter. Effect of hedges not qualifying for hedge accounting is included in EBITDA by NOK -2 million in the first quarter.

# 03. AKASTOR GROUP

The Akastor group's revenues decreased by 25 percent in the first quarter compared to the same quarter last year, to NOK 1 018 million, primarily due to reduced activity levels and weaker market conditions in the offshore oil service industry and drilling market.

EBITDA was NOK 59 million for the first quarter, as compared to an EBITDA in the same period in 2016 of NOK -48 million. The result was improved despite the continued challenging market conditions.

Depreciation, amortization and impairment amounted to NOK 161 million for Q1 2017. Net financial expenses were NOK 135 million for the quarter, compared with NOK 192 million in Q1 2016.

Net tax income was NOK 43 million in the first quarter. The effective tax rate is explained by the mix of revenue the group earns in jurisdictions with various tax rates, impairment of deferred tax assets, as well as tax effects from fluctuations in currencies from entities that are taxable in other currencies than the functional currency.

The result for the first quarter from continuing operations was a loss of NOK 193 million and the total profit for the period was NOK 189 million.

**Financial Position**

Cash flow before financing activities was negative NOK 511 million in the first quarter, mainly explained by increased working capital level and financial investments.

Net current operating assets were NOK 1 392 million at the end of March, an increase of NOK 320 million since previous quarter.

Net debt increased from NOK 2 567 million in the fourth quarter of 2016 to NOK 3 037 million at the end of the period. Net bank debt was NOK 1 447 million, while financial leases was NOK 1 590 million.

The liquidity reserve at the end of the quarter was around NOK 1.8 billion, with cash and bank deposits of NOK 315 million and undrawn committed credit facilities of NOK 1.5 billion. The reduced liquidity reserve is mainly due to reduction of the Revolving Facility by NOK 717 million, as well as increased working capital in the quarter.

The equity ratio was 45.2 percent at the end of the first quarter. Gross debt was NOK 3 351 million at the end of the quarter.

On March 1, 2017, Akastor signed an agreement with its bank syndicate to replace its ICR covenant with a nominal EBITDA amount until Q2 2018.

**Related Party Transactions**

There have not occurred significant related party transactions during the first quarter of 2017 other than the related party agreements described in details in note 35 in Akastor's Annual Report 2016.

**Principle Risks and Uncertainty**

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

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

To manage and mitigate risks within Akastor, risk evaluation is an integral part of all business activities. As owner, Akastor actively supervises risk management in its portfolio companies through participation on board of each portfolio company, and by defining a clear set of risk management and mitigation processes and procedures that all portfolio companies must adhere to. Akastor's annual report for 2016 provides more information on risks and uncertainties.

**The Akastor Share**

The company had a market capitalization of NOK 3.7 billion on May 2, 2017. The company owned 2 776 376 own shares at the end of the quarter.

Fornebu, May 2, 2017
The Board of Directors and CEO of Akastor ASA

# AKASTOR GROUP INTERIM FINANCIAL STATEMENTS FIRST QUARTER 2017

## CONDENSED CONSOLIDATED INCOME STATEMENT

| *NOK million* | *note* | First quarter 2017 | 2016 (Restated) | Full year 2016 |
|---|---|---|---|---|
| Operating revenues and other income | | **1 018** | 1 353 | 5 310 |
| Operating expenses | | **(958)** | (1 400) | (5 241) |
| Operating profit before depreciation, amortization and impairment | | **59** | (48) | 69 |
| Depreciation and amortization | | **(161)** | (184) | (746) |
| Impairment | | **-** | (32) | (473) |
| Operating profit (loss) | | **(102)** | (264) | (1 151) |
| Net financial items | *7* | **(135)** | (192) | (1 174) |
| Profit (loss) before tax | | **(237)** | (456) | (2 324) |
| Tax income (expense) | | **43** | 110 | 307 |
| Profit (loss) from continuing operations | | **(193)** | (346) | (2 017) |
| Net profit (loss) from discontinued operations | *5* | **382** | (20) | 734 |
| Profit (loss) for the period | | **189** | (366) | (1 282) |
| Attributable to: | | | | |
| Equity holders of Akastor ASA | | **189** | (366) | (1 282) |
| Basic/diluted earnings (loss) per share (NOK) | | **0.70** | (1.35) | (4.73) |
| Basic/diluted earnings (loss) per share continuing operations (NOK) | | **(0.71)** | (1.28) | (7.44) |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *NOK million* | First quarter 2017 | 2016 | Full year 2016 |
|---|---|---|---|
| Net profit (loss) for the period | **189** | (366) | (1 282) |
| Other comprehensive income: | | | |
| Cash flow hedges, effective portion of changes in fair value | **(7)** | 114 | 180 |
| Cash flow hedges, reclassification to income statement | **14** | (171) | (537) |
| Change in fair value reserve | **31** | 17 | - |
| Currency translation differences | **(15)** | (154) | (81) |
| Currency translation differences, reclassification to income statement | **(27)** | - | (105) |
| Deferred tax effect | **(2)** | 6 | 55 |
| Net items that may be reclassified to profit or loss | **(6)** | (188) | (488) |
| Remeasurement gain (loss) net defined benefit liability | **(1)** | (1) | (40) |
| Deferred tax of remeasurement gain (loss) net defined benefit liability | **-** | - | 4 |
| Net items that will not be reclassified to profit or loss | **(1)** | (1) | (36) |
| Total comprehensive income (loss) for the period, net of tax | **182** | (555) | (1 806) |
| Attributable to: | | | |
| Equity holders of Akastor ASA | **182** | (555) | (1 806) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *NOK million* | *note* | March 31 2017 | March 31 2016 | December 31 2016 |
|---|---|---|---|---|
| Deferred tax assets | | **635** | 654 | 600 |
| Intangible assets | | **1 702** | 2 667 | 1 731 |
| Property, plant and equipment | | **5 035** | 6 383 | 5 198 |
| Other non-current operating assets | | **153** | 260 | 104 |
| Equity-accounted investees and other investments | | **615** | 454 | 213 |
| Non-current interest-bearing receivables | | **51** | 110 | 51 |
| Total non-current assets | | **8 191** | 10 528 | 7 897 |
| Current operating assets | *10* | **4 223** | 7 958 | 4 250 |
| Current interest-bearing receivables | | **16** | 70 | 15 |
| Cash and cash equivalents | | **315** | 485 | 487 |
| Assets classified as held for sale | | **-** | - | 212 |
| Total current assets | | **4 553** | 8 513 | 4 964 |
| Total assets | | **12 744** | 19 041 | 12 861 |
| | | | | |
| Equity attributable to equity holders of Akastor ASA | | **5 762** | 6 831 | 5 580 |
| Total equity | | **5 762** | 6 831 | 5 580 |
| Deferred tax liabilities | | **15** | 37 | 15 |
| Employee benefit obligations | | **374** | 417 | 380 |
| Other non-current liabilities and provisions | | **418** | 405 | 445 |
| Non-current borrowings | *4* | **2 997** | 5 448 | 1 494 |
| Total non-current liabilities | | **3 803** | 6 307 | 2 334 |
| Current operating liabilities and provisions | *10* | **2 825** | 5 609 | 3 209 |
| Current borrowings | *4* | **355** | 294 | 1 560 |
| Liabilities classified as held for sale | | **-** | - | 177 |
| Total current liabilities | | **3 180** | 5 902 | 4 947 |
| Total liabilities and equity | | **12 744** | 19 041 | 12 861 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

| | First quarter | | Full year |
|---|---|---|---|
| *NOK million* | 2017 | 2016 | 2016 |
| Profit (loss) for the period | **189** | (366) | (1 282) |
| (Profit) loss for the period - discontinued operations | **(382)** | 20 | (734) |
| Depreciations, amortization and impairment continuing operations | **161** | 216 | 1 220 |
| Other adjustments for non-cash items and changes in operating assets and liabilities | **(355)** | 96 | 668 |
| Net cash from operating activities | **(387)** | (35) | (129) |
| Acquisition of property, plant and equipment | **(13)** | (63) | (153) |
| Payments for capitalized development | **(3)** | (7) | (49) |
| Proceeds from sale of subsidiaries, net of cash*) | **(42)** | - | 2 382 |
| Acquisition of subsidiaries, net of cash acquired | **-** | (7) | (7) |
| Cash flow from other investing activities | **(66)** | (25) | 548 |
| Net cash from investing activities | **(124)** | (102) | 2 720 |
| Changes in external borrowings | **324** | 117 | (2 624) |
| Net cash from financing activities | **324** | 117 | (2 624) |
| Effect of exchange rate changes on cash and cash equivalents | **15** | (58) | 10 |
| Net increase (decrease) in cash and cash equivalents | **(172)** | (78) | (23) |
| Cash and cash equivalents at the beginning of the period*) | **487** | 563 | 563 |
| Cash and cash equivalents at the end of the period | **315** | 485 | 540 |

*) Excluding the cash and cash equivalents in Frontica Advantage of NOK 53 million which was classified as Assets held for sale as of December 31, 2016 and subsequently disposed of in January 2017. See also note 5.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *NOK million* | Contributed equity and retained earnings | Other reserves | Total equity attributable to the parent | Total equity |
|---|---|---|---|---|
| Equity as of January 1, 2017 | 4 769 | 811 | 5 580 | **5 580** |
| Total comprehensive income | 189 | (7) | 182 | **182** |
| Equity as of March 31, 2017 | **4 958** | **804** | **5 762** | **5 762** |
| Equity as of January 1, 2016 | 6 051 | 1 335 | 7 386 | 7 386 |
| Total comprehensive income | (366) | (189) | (555) | (555) |
| Equity as of March 31, 2016 | 5 685 | 1 146 | 6 831 | 6 831 |

# NOTES

## NOTE 1 - GENERAL

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

The group is an oil-services investment company with a portfolio of industrial holdings and other investments. Akastor is listed on the Oslo Stock Exchange under the ticker AKA. Please refer to note 34 *Group companies* in Akastor's Annual Report 2016 for more information on the group's structure.

Akastor's Annual Report for 2016 is available at www.akastor.com.

## NOTE 2 - BASIS FOR PREPARATION

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

Akastor's condensed interim financial statements for the three months ended March 31, 2017 are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information and disclosures required for a complete set of annual consolidated financial statements, and should be read in conjunction with Akastor's Annual Report 2016. The accounting policies applied in these financial statements are the same as those applied in the group's consolidated financial statements as for the year ended December 31, 2016.

The condensed consolidated interim financial statements are unaudited.

## NOTE 3 - JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

In preparing these interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of uncertainty in the estimates are consistent with those applied to the consolidated financial statements as for the period ended December 31, 2016.

## NOTE 4 - BORROWINGS

On March 1, 2017, Akastor signed an agreement with its bank syndicate to replace its Interest Coverage Ratio (ICR) covenant with a nominal EBITDA amount until Q2 2018. Please refer to note 25 *Borrowings* in Akastor's Annual Report 2016 for more information. The external borrowings of NOK 1.5 billion under the agreement, with maturity in 2019, are classified as non-current borrowings.

## NOTE 5 - Disposal of subsidiaries

On January 6, 2017, Akastor completed the transaction to sell Frontica's staffing business (Frontica Advantage) to NES Global Talent (NES) in exchange for a minority shareholding in the combined entity. Akastor holds a 15.2% economic ownership interest in NES after the transaction, which is presented as Other investments and measured at fair value. The disposal resulted in an accounting gain of NOK 383 million, presented as Net profit from discontinued operations. Frontica Advantage was classified as discontinued operations and as held-for-sale as of December 31, 2016. Please refer to note 5 *Discontinued operations* for more information about the discontinued operations and divestments that were completed in 2016.

The table below shows the effects on the consolidated statement of financial position from disposal.

| *NOK million* | March 31 2017 |
|---|---|
| Deferred tax assets | (33) |
| Intangible assets | (47) |
| Current operating assets | (73) |
| Cash and cash equivalents | (53) |
| Deferred tax liabilities | 29 |
| Trade and other payables | 62 |
| Other current liabilities | 81 |
| Currency translation reserve | 27 |
| Net assets and liabilities | **(6)** |
| Total consideration at fair value | 406 |
| Consideration received in cash, net of transaction costs | (17) |
| Cash and cash equivalents disposed of | (53) |
| Net cash flow from disposal | **(70)** |

Cash flows from discontinued operations

| | First quarter | | Full year |
|---|---|---|---|
| *NOK million* | 2017 | 2016 | 2016 |
| Net cash from operating activities | **-** | (116) | (73) |
| Net cash from investing activities | **(95)** | (12) | 2 333 |

## NOTE 6 - OPERATING SEGMENTS

Akastor identifies its reportable segments and discloses segment information under IFRS 8 *Operating Segments*. See note 6 *Operating segments* in Akastor's Annual Report 2016 for descriptions of Akastor's management model and operating segments as well as accounting principles used for segment reporting.

### Q1 2017

| *NOK million* | MHWirth | AKOFS Offshore | KOP Surface Products | Other holdings | Eliminations | Total |
|---|---|---|---|---|---|---|
| External revenue and other income | 620 | 186 | 75 | 138 | - | **1 018** |
| Internal revenue | 8 | - | - | 5 | (13) | **-** |
| Total revenue | **627** | **186** | **76** | **143** | **(13)** | **1 018** |
| Operating profit before depreciation, amortization and impairment (EBITDA) | 55 | 33 | 6 | (35) | - | **59** |
| Operating profit (loss) (EBIT) | 9 | (48) | (5) | (58) | - | **(102)** |
| Capital expenditure and R&D capitalization | 3 | 12 | 1 | 0 | - | **16** |
| Cash flow from operating activities | (106) | (158) | (5) | (119) | - | **(387)** |
| Net current operating assets (NCOA) | 1 250 | 192 | 125 | (175) | - | **1 392** |
| Net capital employed | 3 338 | 4 372 | 393 | 624 | - | **8 726** |

### Q1 2016 (Restated)

| *NOK million* | MHWirth | AKOFS Offshore | KOP Surface Products | Other holdings | Eliminations | Total continuing operations |
|---|---|---|---|---|---|---|
| External revenue and other income | 899 | 159 | 123 | 172 | - | **1 353** |
| Internal revenue | 7 | - | - | 22 | (29) | **-** |
| Total revenue | **907** | **159** | **123** | **194** | **(29)** | **1 353** |
| Operating profit before depreciation, amortization and impairment (EBITDA) | (63) | 38 | 14 | (37) | - | **(48)** |
| Operating profit (loss) (EBIT) | (163) | (41) | (1) | (59) | - | **(264)** |
| Capital expenditure and R&D capitalization | 11 | 48 | 3 | 3 | - | **65** |
| Cash flow from operating activities | 226 | (137) | 38 | (45) | - | **81** |
| Net current operating assets (NCOA) | 1 811 | 103 | 187 | (68) | - | **2 031** |
| Net capital employed | 3 909 | 5 142 | 490 | 670 | - | **10 211** |

## NOTE 7 - NET FINANCIAL ITEMS

| *NOK million* | First quarter 2017 | 2016 (Restated) | Full year 2016 |
|---|---|---|---|
| Net interest expenses on financial liabilities measured at amortized costs | **(27)** | (88) | (236) |
| Financial charges under finance leases | **(73)** | (72) | (292) |
| Impairment on external receivables | **-** | - | (94) |
| Loss from disposal of external investments | **-** | - | (26) |
| Net foreign exchange gain (loss) | **37** | 19 | 28 |
| Profit (loss) on foreign currency forward contracts | **-** | (42) | (289) |
| Profit (loss) from equity accounted investees | **(70)** | - | (214) |
| Other financial expenses | **(1)** | (9) | (50) |
| Net financial items | **(135)** | (192) | (1 174) |

Loss from equity accounted investees relates mainly to impairment loss of the vessels in DOF Deepwater AS.

## NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified by the levels in the fair value hierarchy. See note 33 *Financial instruments* in Akastor's Annual Report 2016 for more information about valuation methodologies and the group's financial instruments. The estimated fair values of material financial instruments are as below:

| *NOK million* | Fair value hierarchy | Fair value as of March 31, 2017 | Fair value as of December 31, 2016 |
|---|---|---|---|
| *Financial assets* | | | |
| - Other investments | Level 3 | **591** | 121 |
| - Forward foreign exchange contract | Level 2 | **204** | 269 |
| *Financial liabilities* | | | |
| - Non-current borrowings | Level 2 | **(3 003)** | (1 494) |
| - Current borrowings | Level 2 | **(355)** | (1 567) |
| - Forward foreign exchange contract | Level 2 | **(199)** | (301) |

## NOTE 9 - RELATED PARTIES

All transactions with related parties have been carried out based on arm's length terms. There have not occurred significant related party transactions other than the related party agreements described in details in note 35 *Related parties* in Akastor's Annual Report 2016.

## NOTE 10 - CURRENT OPERATING ASSETS AND LIABILITIES

| *NOK million* | March 31 2017 | December 31 2016 |
|---|---|---|
| Inventories | **1 069** | 1 086 |
| Trade receivables | **1 490** | 1 624 |
| Amounts due from customers for construction work | **257** | 262 |
| Advances to suppliers | **101** | 163 |
| Accrued operating revenue | **175** | 176 |
| Current tax assets | **53** | 65 |
| Hedge adjustments, assets | **204** | 269 |
| Other receivables | **875** | 604 |
| Total current operating assets | **4 223** | 4 250 |

| *NOK million* | March 31 2017 | December 31 2016 |
|---|---|---|
| Trade payables | **311** | 299 |
| Amounts due to customers for construction work, including advances | **1 144** | 363 |
| Provisions | **296** | 354 |
| Current tax liabilities | **50** | 63 |
| Hedge adjustments, liabilities | **199** | 301 |
| Accrued operating expenses and other liabilities | **825** | 1 830 |
| Total current operating liabilities | **2 825** | 3 209 |

# ALTERNATIVE PERFORMANCE MEASURES

## DEFINITIONS

Akastor discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Such performance measures are used to provide an enhanced insight into the operating performance, financing and future prospects of the company and are frequently used by securities analysts, investors and other interested parties.

The definitions of these measures are as follows:

EBITDA - Operating profit or loss (earnings) before (i) income tax, (ii) net financial items, (iii) depreciation, amortization and impairment

EBIT - Operating profit or loss (earnings) before net financial items and income tax

Capex and R&D capitalization - Expenditure on PPE or intangible assets that qualify for capitalization

NCOA (Net current operating assets) - Current operating assets minus current operating liabilities, excluding current assets or liabilities related to hedging.

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

Gross debt - Sum of current and non-current borrowings

Net debt - Gross interest-bearing debt minus cash and cash equivalents

Liquidity reserve - Cash and cash equivalents plus undrawn committed credit facilities

Equity ratio - Total equity divided by Total assets at the reporting date

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

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

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

### Net current operating assets (NCOA)

| *NOK million* | March 31 2017 | December 31 2016 |
|---|---|---|
| Current operating assets | **4 223** | 4 250 |
| Less: | | |
| Current operating liabilities | **2 825** | 3 209 |
| Net hedging assets (liabilities) | **5** | (32) |
| Net current operating assets | **1 392** | 1 072 |

## Net capital employed (NCE)

| *NOK million* | March 31 2017 | December 31 2016 |
|---|---|---|
| Total non-current assets | **8 191** | 7 897 |
| Net current operating assets (NCOA) | **1 392** | 1 072 |
| Less: | | |
| Non-current interest-bearing receivables | **51** | 51 |
| Deferred tax liabilities | **15** | 15 |
| Employee benefit obligations | **374** | 380 |
| Other non-current liabilities | **418** | 445 |
| Net capital employed | **8 726** | 8 078 |

## Gross/Net debt

| *NOK million* | March 31 2017 | December 31 2016 |
|---|---|---|
| Non-current borrowings | **2 997** | 1 494 |
| Current borrowings | **355** | 1 560 |
| Gross debt | **3 351** | 3 054 |
| Less: | | |
| Cash and cash equivalents | **315** | 487 |
| Net debt | **3 037** | 2 567 |
| Less: | | |
| Non-current interest-bearing receivables | **51** | 51 |
| Current interest-bearing receivables | **16** | 15 |
| Net interest-bearing debt (NIBD) | **2 970** | 2 501 |

## Equity ratio

| *NOK million* | March 31 2017 | December 31 2016 |
|---|---|---|
| Total equity | **5 762** | 5 580 |
| divided by Total assets | **12 744** | 12 861 |
| Equity ratio | **45 %** | 43 % |

**Financial Calendar**
Second quarter results 2017, July 13, 2017.
Third quarter results 2017, October 25, 2017.

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