AKASTOR

# SECOND QUARTER AND FIRST HALF YEAR RESULTS 2015

16 JULY 2015

# SECOND QUARTER AND FIRST HALF YEAR RESULTS 2015

The challenging market situation has continued in the second quarter, resulting in a mixed performance of the investments. Overall, the majority of the portfolio companies have had satisfactory performance during the second quarter. As in the previous quarter; MHWirth is the company where the market situation is having most impact. All of Akastor's portfolio companies are focusing on making the necessary adjustments to their respective cost bases, as well as improving operational efficiency. The working capital level for Akastor remains high.

## KEY HIGHLIGHTS 2Q 2015:

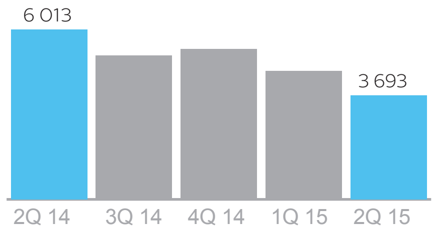
### AKASTOR AS AN INVESTMENT COMPANY

- Significant improvement measures initiated in all portfolio companies.
    - Cost saving programs ongoing.
    - Substantial reduction in workforce implemented.
    - Focus on operational improvements.
- The portfolio companies are affected by the weak oilfield service market.
- Strategy remains firm: Implementing value creation plans for portfolio companies.
- Divested a property in Norway for around NOK 28 million after closing of the second quarter.
- Kristian Røkke appointed CEO, succeeding Frank O. Reite, who will take the position of CFO at Aker ASA.

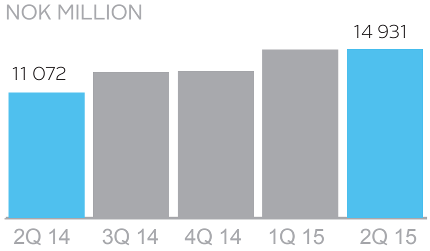
### AKASTOR'S PORTFOLIO

- Revenues of NOK 3 693 million.
- EBITDA of NOK 141 million, with a margin of 3.8 percent.
    - Restructuring costs of NOK 20 million in MHWirth charged to the EBITDA.
    - Hedge transactions not qualifying for hedge accounting with a negative effect of NOK 12 million in EBITDA.
- Order intake of NOK 2.3 billion, giving an order backlog of NOK 18.7 billion.
- Working capital level remains high at NOK 3.1 billion, at the same level as the previous quarter.
- Net interest bearing debt of NOK 6.1 billion.

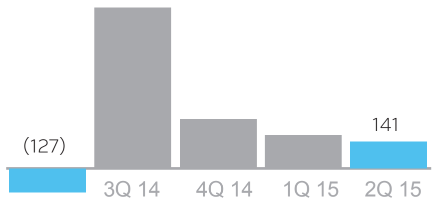
REVENUE
NOK MILLION



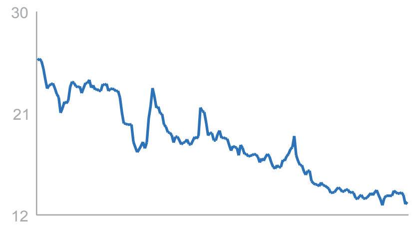

NET CAPITAL EMPLOYED
NOK MILLION




EBITDA
NOK MILLION




SHARE PRICE
29.09.2014 - 15.07.2015



# 01. SECOND QUARTER AND FIRST HALF YEAR UPDATE

## ABOUT THE QUARTER AND FIRST HALF

Both the first and the second quarter were challenging for Akastor as an owner of several companies in the oilfield services industry. Given the circumstances, the majority of the portfolio companies have had satisfactory performance, both in the first and second quarter of 2015. However, MHWirth was the company seeing the most significant impact of the market situation during both quarters. Measures are being taken in all companies in order to adapt to the current market situation.

## FINANCIAL SITUATION

The liquidity reserve for Akastor at the end of the second quarter was around NOK 1.35 billion, with cash and bank deposits of NOK 850 million and undrawn committed credit facilities of NOK 500 million. The working capital level of NOK 3.1 billion has remained relatively stable in the second quarter.

## RESULTS FROM THE COMPANIES

The aggregated revenues of the portfolio companies were down 39 percent in the second quarter compared to the same quarter previous year, to NOK 3 693 million. Revenues for first half 2015 are down 25% from the same period in 2014, to NOK 8 239 million. Lower activity and deterioration of the market situation for the entire oil services industry, and the drilling segment in particular, has caused this development.

The sum of the results of the companies in Akastor's portfolio gave an aggregated 2Q EBITDA result of NOK 141 million, including NOK 20 million in restructuring costs. Hedge transactions not qualifying for hedge accounting had a negative effect of NOK 12 million on the EBITDA. For the first half of 2015, the EBITDA result was NOK 318 million, compared to NOK 265 million in 1H 2014.

## COST IMPROVEMENT INITIATIVES

Given the current situation in the oil and energy markets, Akastor is focusing on ensuring that each of its portfolio companies is equipped to adapt to the changes. Cost reduction activities have been initiated in all portfolio companies to adapt its cost base to the current market environment. The implemented reduction in workforce for all Akastor companies in 2015 is approximately 13.5 percent, down to 6 585 at the end of June 2015. Based on the current initiatives, the number of employees will be approximately 6 000 at the end of the year.

## VALUE CREATION PLANS

The investment team in Akastor is cooperating with the boards and management teams in each company to implement the appropriate value creation plans for each company. The long term ambition and strategy remains firm. In short term, the focus is to ensure that the companies improve operations, strengthen competitive position, and ensure flexibility to adjust to the rapid market changes.

## STRENGTHENING THE TEAMS

As an owner, one of the main tasks of Akastor is to ensure that the portfolio companies have the right management resources. As a part of this process, Akastor is actively facilitating the evaluation and strengthening of its portfolio companies' management teams. Several executive teams have been strengthened recently with additional focus on key areas.

## SHARE PRICE

The share price has developed negatively during the quarter. The stock saw a 14.5 percent decline in the second quarter, whereas the Oslo Energy Index appreciated by 3 percent. The shareprice has decreased by 34 percent during the frst six months of 2015.

## TRANSACTIONS

The current market environment for the majority of Akastor's portfolio is such that Akastor regards it to be more value creating to hold and develop these investments, as opposed to selling them. Akastor sold the remaining 17 percent share of a property in the Oslo area, with a gain of NOK 37 million in the first quarter. In July, after closing of the second quarter, another property in Norway was sold for around NOK 28 million, which was approximately book value of the property.

## CEO'S PERSPECTIVE

CEO Frank Reite states in a comment:

“

*We are taking actions to align our companies to the current market environment, and the majority of our portfolio companies have had a decent performance in the first half of 2015.*

*We are working in close cooperation with the management teams to strengthen and develop each of our businesses. We have a long-term perspective, but must at the same time assure that our portfolio companies have the required flexibility to operate in a challenging market.*

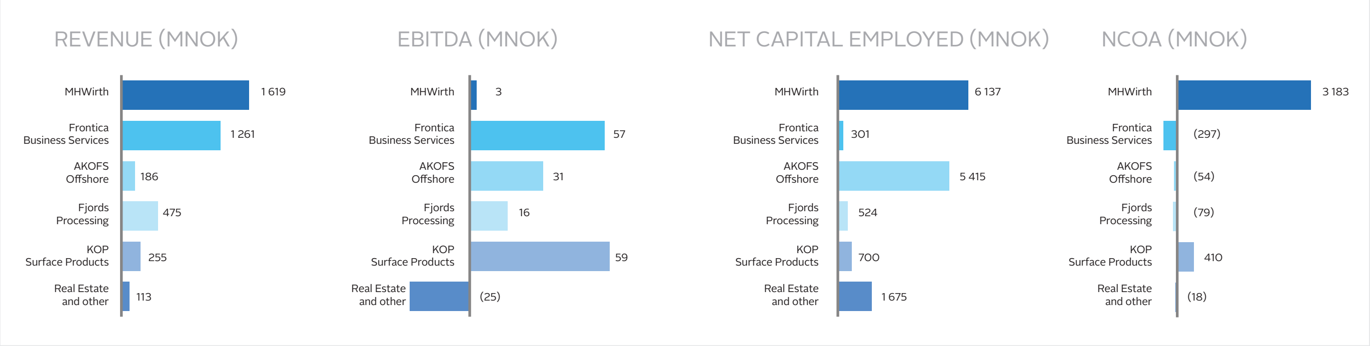
”

# 02. UPDATE ON THE PORTFOLIO COMPANIES

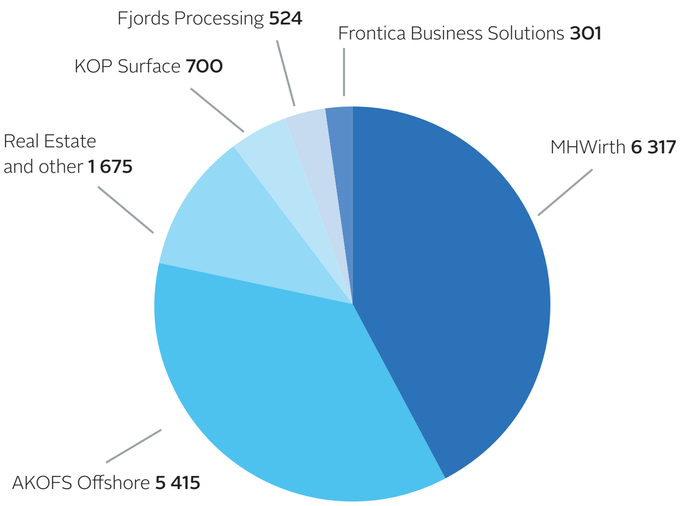
Akastor has six reporting segments: MHWirth, Frontica Business Solutions, AKOFS Offshore, KOP Surface Products, Fjords Processing and Real Estate & other holdings.

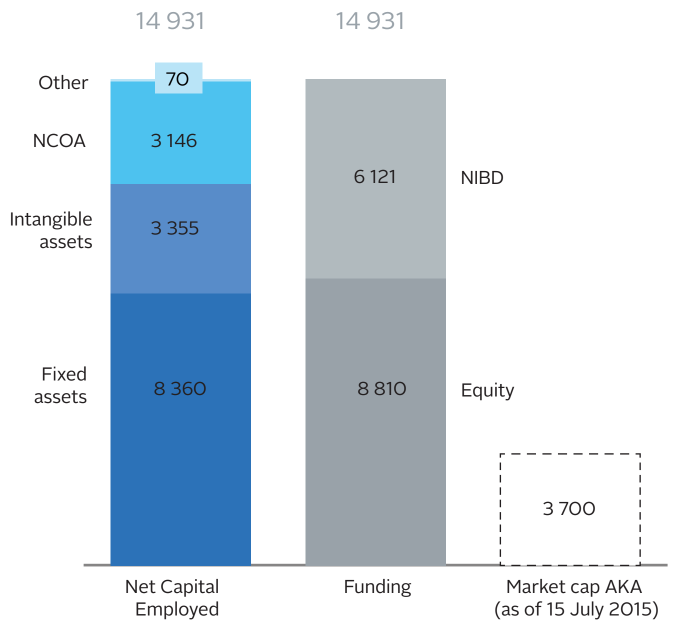
## KEY FINANCIALS: PORTFOLIO COMPANIES

| *NOK million* | MHWirth | Frontica Business Solutions | AKOFS Offshore | Fjords Processing | KOP Surface Products | Real Estate and other | Total |
|---|---|---|---|---|---|---|---|
| Revenue | 1 619 | 1 261 | 186 | 475 | 255 | 113 | 2 693 |
| EBITDA | 3 | 57 | 31 | 16 | 59 | (25) | 141 |
| EBIT | (103) | 31 | (56) | 7 | 45 | (66) | (143) |




## NET CAPITAL EMPLOYED OF 14.9 BILLION
NOK million



## MHWirth

The current down cycle in the offshore drilling market is turning out worse than 2008-09. Contract awards and tenders are almost completely gone with 21 new floater fixtures so far this year compared to 89 in 2014. Floater utilization rates are at approximately 85% (78% including passive fleet). At the same time the new building book is at an all-time-high with 84 Ultra Deep Water (UDW) units under construction. The market is responding by scrapping at an unprecedented rate with 36 floaters announced removed/scrapped in the current down cycle. No new build orders for high end floaters had been placed as of end of May this year (source Clarksons Platou Rig Monthly June 2015) and the current oversupply in the global rig market indicates that this situation will continue into 2016 and beyond.

These market conditions have resulted in a revenue drop for MHWirth of 32 percent the first half of 2015 compared to first half 2014. In response, MHWirth started adapting the organization early on in 2015. In the first quarter the company announced a personnel reduction of 750. In the second quarter, additional cuts have increased the total personnel reduction to approximately 1000 for the full year 2015. The corresponding reduction of the annual cost base is estimated to be around NOK 700 million with a non-recurring restructuring cost of NOK 40 million taken in the first quarter and additional NOK 20 million charged to the second quarter result. The impact of the personnel reduction will gradually take effect throughout the year. Although these cost reduction initiatives are significant, MHWirth is reviewing its operating model in order to further adapt to current market conditions. However, initiatives need to be balanced with securing quality in the delivery of the backlog.

Revenue ended at NOK 1 619 million in the second quarter, 48 percent down compared to second quarter last year and 26 percent down compared to first quarter this year. This was mainly driven by reduced revenue on large projects due to lack of order intake and backlog phasing. MHWirth completed delivery of the DSME built Songa Equinox (Cat D 1) package in the quarter.

EBITDA in the second quarter of 2015 was NOK 3 million, including the restructuring costs of NOK 20 million. DLS results remained robust in second quarter. The results were driven by stable supply of spare parts to operating rigs and supply chain improvements. The working capital level (NCOA) of MHWirth remained on NOK 3.2 billion in the quarter, still impacted by delayed delivery and delayed payments from customers on some larger projects. Order intake in the second quarter ended at NOK 932 million, up from NOK 788 million in the previous quarter. This resulted in a book to bill for the second quarter of 0.6x up from 0.4x in first quarter.

A significant proportion of MHWirths backlog is for delivery of seven drilling packages to Jurong Shipyard in Singapore, for operations in Brazil. Due to the financial uncertainty of Jurongs client; Sete Brazil, progress on the Jurong drilling packages has been slowed down until the situation in Brazil is concluded.

mhwirth

**Sector:** Oil and gas equipment and services
**CEO:** Roy Dyrseth

MHWirth is a leading global provider of first-class drilling solutions and services to the oil and gas industry. 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.

mhwirth.com

## KEY FINANCIALS: MHWIRTH

| *NOK million* | 2Q 15 | 2Q 14 | YTD 15 | YTD 14 |
|---|---|---|---|---|
| Operating revenue and other income | 1 619 | 3 115 | 3 793 | 5 539 |
| EBITDA | 3 | 269 | 7 | 493 |
| EBIT | (103) | 196 | (210) | 345 |
| CAPEX and R&D capitalization | 152 | 191 | 260 | 302 |
| NCOA | 3 183 | 2 946 | 3 183 | 2 946 |
| Net capital employed | 6 317 | 5 379 | 6 317 | 5 379 |
| Order intake | 932 | 1 919 | 1 721 | 3 711 |
| Order backlog | 7 110 | 11 230 | 7 110 | 11 230 |
| Employees | 3 694 | 4 164 | 3 694 | 4 164 |

## FRONTICA BUSINESS SOLUTIONS

Frontica Business Solutions had revenues of NOK 1 261 million in the quarter, down from NOK 1 432 million last year. EBITDA ended at NOK 57 million, with an EBITDA margin of 4.5 percent, down from 5.9 percent in second quarter last year. The order intake of NOK 804 million was somewhat low, due to re-assessment of expected volume from existing contracts in the coming 12 months. During the second quarter, Frontica also secured two strategically important contracts within payroll and staffing with external customers.

Frontica is experiencing a slow-down in the market, which will impact revenues further going forward. However, Frontica also sees opportunities emerging from a continuing trend of outsourcing among potential clients and an increased focus on cost optimal solutions. The company is working continuously to drive down costs and streamline service offerings.

Frontica Business Solutions

**Sector:** Business services
**CEO:** Niels Didrich Buch

Frontica Business Solutions is a global provider of corporate services. The company has a decade of experience as a supplier of in-house services to Aker Solutions. This has given Frontica a thorough understanding of the petroleum industry, its challenges and opportunities.

frontica.com

## KEY FINANCIALS: FRONTICA BUSINESS SOLUTIONS

| *NOK million* | 2Q 15 | 2Q 14 | YTD 15 | YTD 14 |
|---|---|---|---|---|
| Operating revenue and other income | 1 261 | 1 432 | 2 692 | 2 905 |
| EBITDA | 57 | 85 | 121 | 165 |
| EBIT | 31 | 60 | 69 | 118 |
| CAPEX and R&D capitalization | 8 | 20 | 26 | 46 |
| NCOA | (297) | (320) | (297) | (20) |
| Net capital employed | 301 | 136 | 301 | 136 |
| Order intake | 804 | 1 422 | 2 298 | 2 904 |
| Order backlog | 2 260 | 86 | 2 260 | 86 |
| Employees | 1 065 | 1 408 | 1 065 | 1 408 |

## AKOFS OFFSHORE

Revenue in AKOFS Offshore was NOK 186 million in the second quarter compared to NOK 613 million previous year. AKOFS Offshore had two vessels with stable, high performance and one vessel with no activity during the quarter.

Skandi Santos continued its strong track record and operated close to full utilization through the quarter following the dry-docking as a part of a five years classing. Skandi Santos was back in operations in the middle of April, starting on the second five-year contract in Brazil.

Aker Wayfarer continued working on the contract in Germany with full utilization during the quarter. Following the charter extension, the vessel is contracted throughout October, and will go to yard in December 2015 for preparations for the 5 year contract in Brazil.

AKOFS Seafarer was idle during the quarter. The relevant spot market is expected to be challenging going forward. Further initiatives have been taken to reduce the cost level of the vessel, whilst still maintaining flexibility to operate on short notice.

The EBITDA result for AKOFS Offshore of NOK 31 million in the quarter was impacted by the lack of activity of one vessel.

Order intake was NOK 66 million in the second quarter, and backlog at the end of the quarter was NOK 6 194 million. Order intake in the quarter is related to the contract extension for Aker Wayfarer in Germany.

AKOFS Offshore

**Sector:** Oil and gas equipment and services
**CEO**: Geir Sjøberg

AKOFS Offshore is a global provider of vessel-based subsea well construction and intervention services to the oil and gas industry. The company is covering all phases from conceptual development to project execution and offshore operations.

akofsoffshore.com

## KEY FINANCIALS: AKOFS OFFSHORE

| *NOK million* | 2Q 15 | 2Q 14 | YTD 15 | YTD 14 |
|---|---|---|---|---|
| Operating revenue and other income | 186 | 613 | 354 | 1 007 |
| EBITDA | 31 | (480) | 7 | (439) |
| EBIT | (56) | (1 557) | (165) | (1 596) |
| CAPEX and R&D capitalization | 61 | 7 | 1 027 | 9 |
| NCOA | (54) | (180) | (54) | (180) |
| Net capital employed | 5 415 | 2 345 | 5 415 | 2 345 |
| Order intake | 66 | 279 | 186 | 541 |
| Order backlog | 6 194 | 335 | 6 194 | 335 |
| Employees | 102 | 134 | 102 | 134 |

## FJORDS PROCESSING

Revenues of Fjords Processing were NOK 475 million in the quarter, down from NOK 567 million in second quarter last year. EBITDA for the quarter ended at NOK 16 million, with EBITDA margin of 3.4 percent, down from 4.2 percent in second quarter 2014. The drop in revenue and margin results from lower activity within certain areas of the Equipment and Packages segment. The Major Project segment performed well in the quarter.

The order intake in the quarter was NOK 500 million, and included strategically important orders within selected regions. Even if order intake year to date lags somewhat behind last year, short term prospects are looking relatively good and the company expects to build backlog in second half of this year. However, the market situation is still a concern, and could affect future intake. The company is following market developments closely, and is continuously evaluating initiatives to improve its competitive position.

FJORDS PROCESSING

**Sector:** Oil and gas process equipment and services
**CEO:** Rune Fantoft

Fjords Processing provides world-class wellstream processing technology, equipment and expertise to the upstream oil and gas industry. The company delivers market-leading solutions for separation of oil and gas, based on innovative technology and extensive competence accumulated over the last 40 years.

fjordsprocessing.com

## KEY FINANCIALS: FJORDS PROCESSING

| *NOK million* | 2Q 15 | 2Q 14 | YTD 15 | YTD 14 |
|---|---|---|---|---|
| Operating revenue and other income | 475 | 567 | 867 | 1 102 |
| EBITDA | 16 | 24 | 26 | 51 |
| EBIT | 7 | 18 | 9 | 40 |
| CAPEX and R&D capitalization | 13 | 2 | 21 | 8 |
| NCOA | (79) | (114) | (79) | (114) |
| Net capital employed | 524 | 351 | 524 | 351 |
| Order intake | 500 | 843 | 936 | 1 088 |
| Order backlog | 1 245 | 1 264 | 1 245 | 1 264 |
| Employees | 572 | 511 | 572 | 511 |

## KOP SURFACE PRODUCTS

Revenue in KOP Surface Products of NOK 255 million was up by 3 percent compared to the same period previous year. EBITDA ended at NOK 59 million at a margin of 23 percent in the quarter. The increase in margin is driven by improved operational performance and cost efficiency, as well as high share of services and a favorable business mix within the services segment. During the quarter several cost and improvement initiatives have been implemented. Order intake was NOK 138 million in the quarter, giving a backlog of NOK 466 million at the end of the quarter. The market fundamentals remain soft, and the financial results of KOP Surface Products are expected to be weaker for the rest of the year due to lower market activity. KOP Surface Products secured a strategic long term contract in a key market and made good progress on securing other key contracts that will underpin long term growth.

KOP

**Sector:** Oilfield equipment and services
**CEO:** Gordon Cameron

KOP Surface Products is a leading global supplier of flow control equipment to the oil and gas industry. The main products are valves, wellheads and trees for offshore and land-based surface production.

kopsurfaceproducts.com

## KEY FINANCIALS: KOP SURFACE PRODUCTS

| *NOK million* | 2Q 15 | 2Q 14 | YTD 15 | YTD 14 |
|---|---|---|---|---|
| Operating revenue and other income | 255 | 248 | 579 | 493 |
| EBITDA | 59 | 40 | 124 | 73 |
| EBIT | 45 | 32 | 96 | 57 |
| CAPEX and R&D capitalization | 3 | 8 | 8 | 14 |
| NCOA | 410 | 372 | 410 | 372 |
| Net capital employed | 700 | 651 | 700 | 651 |
| Order intake | 138 | 283 | 354 | 585 |
| Order backlog | 466 | 669 | 466 | 669 |
| Employees | 736 | 817 | 736 | 817 |

## REAL ESTATE AND OTHER HOLDINGS

Real Estate and Other Holdings had revenues of NOK 113 million in the quarter. EBITDA in the quarter was NOK - 25 million, including a negative effect from hedge transactions not qualifying for hedging accounting of NOK 12 million. The two businesses Step Oiltools and First Geo delivered a total EBITDA of NOK 6 million in the quarter. The real estate portfolio delivered an EBITDA of NOK 15 million.

The majority of the properties in Akastor's portfolio are on long term leases with Aker Solutions, and one of the properties is on a long term lease to MHWirth.

DOF Deepwater

**Sector:** Investment

Akastor has a portfolio of real estate and other holdings which it manages separately from the other portfolio businesses.

## KEY FINANCIALS: REAL ESTATE AND OTHER HOLDINGS

| *NOK million* | 2Q 15 | 2Q 14 | YTD 15 | YTD 14 |
|---|---|---|---|---|
| Operating revenue and other income | 113 | 288 | 406 | 444 |
| EBITDA | (25) | (65) | 33 | (79) |
| EBIT | (66) | (103) | (39) | (146) |
| CAPEX and R&D capitalization | 42 | 84 | 65 | 102 |
| NCOA | (18) | (127) | (18) | (127) |
| Net capital employed | 1 675 | 2 211 | 1 675 | 2 211 |
| Order intake | 46 | 128 | 255 | 294 |
| Order backlog | 1 660 | 240 | 1 660 | 240 |
| Employees | 416 | 558 | 416 | 558 |

# 03. FINANCIAL RESULTS 2Q AND FIRST HALF YEAR 2015

Akastor, and its portfolio companies, are exposed to markets that have seen a steep decline in oil prices over the past few quarters. Weakening fundamentals and oil companies reducing E&P spend have had an impact across the oil services industry, including Akastor's portfolio companies. The effect has, in particular, affected MHWirth, which saw a significant reduction in results in 2Q and the first half year of 2015.

The Akastor group's revenue was down 39 percent in the second quarter from the same quarter one year earlier, to NOK 3 693 million. Revenue in the first half of 2015 was down 25 percent to NOK 8 239 million. The cost reduction initiatives will not have any material effect until the second half of the year. Consequently, a decline in revenues in the first half of the year has resulted in capacity costs impacting the overall EBITDA.

EBITDA was NOK 141 million for the second quarter and NOK 318 million for the first half year. Depreciation and amortization amounted to NOK -284 million and NOK -559 million for 2Q and first half year of 2015, respectively. Net financial items were NOK -183 million for the second quarter and NOK -322 million for the first half year. Net financial items were impacted negatively by write down of the value of the shares in Ezra of NOK 100 million in the second quarter.

Net tax benefit was NOK 27 million in 2Q giving an effective tax rate of 8 percent in the quarter. The effective tax rate is mainly explained by the mix of revenue the Group earns in jurisdictions with various tax rates and non-tax deductible impairment loss related to Ezra shares. The effective tax rate of 2 percent in the first half year is also affected by tax effects from fluctuations in currency from entities that are taxable in other currencies than the functional currency as well as several one-offs, including withholding tax and non-taxable accounting gain from sale of shares in a property in the Oslo area in the first quarter.

The result for the second-quarter period was a loss of NOK 298 million and loss for the first half year was NOK 549 million.

## FINANCIAL POSITION

Cashflow from operations was negative NOK 66 million for the Akastor group in the second quarter, and NOK 1 091 million for the first half in 2015.

Net current operating assets increased by NOK 68 million in the quarter (NOK 724 million in the first half year).

Net cash flow from investing was negative NOK 224 million in the quarter and NOK 1 174 million in the first half of 2015. Net interest bearing debt increased with NOK 260 million to NOK 6.1 billion at the end of second quarter.

The liquidity reserve at the end of the quarter was around NOK 1.35 billion, with cash and bank deposits of NOK 850 million and undrawn committed credit facilities of NOK 500 million.

The equity ratio was 36.6 percent at the end of the second quarter. Gross interest-bearing debt was NOK 7.2 billion at the end of the second quarter, including the financial lease on Aker Wayfarer of NOK 1.5 billion. Net interest-bearing debt was NOK 6.1 billion at the end of the quarter. In the first half of 2015, increased borrowings of NOK 2.2 billion are mainly explained by an additional financing of USD 125 million related to the purchase of AKOFS Seafarer, increased borrowings by NOK 1 billion under the Revolving Credit Facility as well as BRL 47 million related to new MHWirth plant under construction in Brazil.

Akastor has assisted in establishing a factoring agreement through SEB for Frontica, improving net current operating assets by NOK 190 million in the second quarter.

## RELATED PARTY TRANSACTIONS

Please see note 8 for a summary of significant related party transactions occurred in the first half year of 2015.

## EVENTS AFTER THE END OF THE PERIOD

One of the 8 properties in the real estate portfolio was sold for a price of around NOK 28 million in July.

The Board of Directors of Akastor ASA has appointed Kristian Røkke as its Chief Executive Officer. Mr. Røkke will succeed Frank O. Reite, who will take the position of Chief Financial Officer at Aker ASA. Røkke will assume his new position in Akastor ASA on August 10, 2015. Aker ASA will propose to the nomination committee of Akastor ASA that Frank O. Reite takes the position as Chairman of the Board of Akastor ASA later this year.

## KEY FINANCIALS: AKASTOR GROUP

| *NOK million* | 2Q 15 | 2Q 14 | YTD 15 | YTD 14 |
|---|---|---|---|---|
| Operating revenue and Other income | 3 693 | 6 014 | 8 239 | 11 011 |
| EBITDA | 141 | (127) | 318 | 265 |
| EBIT | (143) | (1 354) | (241) | (1 182) |
| CAPEX and R&D capitalization | 280 | 311 | 1 407 | 482 |
| NCOA | 3 146 | 2 576 | 3 146 | 2 576 |
| Net capital employed | 14 931 | 11 072 | 14 931 | 11 072 |
| Order intake | 2 289 | 4 632 | 5 369 | 8 651 |
| Order backlog | 18 678 | 13 945 | 18 678 | 13 945 |
| Employees | 6 585 | 7 592 | 6 585 | 7 592 |

## PRINCIPLE RISKS AND UNCERTAINTY

Financial results will be affected by customer behavior, project execution, and the general state of the markets in which Akastor and its portfolio companies operate. 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 also frequently engage in mergers and acquisitions and other transactions that could expose the companies to financial and other non-operational risks, such as warranty claims and price adjustment mechanisms.

Akastor has established governing documents and systems to manage its exposure to the financial markets. These systems cover, among other things, currency-, interest rate-, tax-, counterparty- and liquidity risks. Akastor works systematically to manage risk in all of its portfolio companies. The annual report for 2014 and first quarter report for 2015 provide more information on risks and uncertainties. Risks and uncertainties for the first half of 2015 have been reviewed and there were no significant changes from the nature of risks described in the said reports.

## THE AKASTOR SHARE

The company had a market capitalization of NOK 3.6 billion on July 10, 2015. The company owned 2 976 376 Akastor shares at the end of the quarter.

## FINANCIAL CALENDAR

Third quarter results, November 2, 2015

## CONTACT INFORMATION

Tore Langballe
Head of Communication
and Investor Relations
Tel: +47 21 52 58 10
E-mail: tore.langballe@akastor.com
Adr: Fjordalleén 16,
NO-0250 Oslo, Norway

For more information, please visit
www.akastor.com/investors

## DECLARATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and the CEO have today considered and approved the consolidated condensed financial statements for the six months ending June 30, 2015, with comparatives for the corresponding period of 2014 for Akastor Group.

The Board has based this declaration on reports and statements from the group's CEO, the results of the group's activities, and other information that is essential to assess the group's position.

To the best of our knowledge:

- The consolidated condensed financial statements for the six months ending June 30, 2015 have been prepared in accordance with IAS 34 - Interim Financial Reporting and additional disclosure requirements under the Norwegian Securities Trading Act.
- The information provided in the financial statements gives a true and fair portrayal of Akastor Group's assets, liabilities, profit and overall financial position as of June 30, 2015.
- The information provided in the report for first half 2015 provides a true and fair overview of the development, performance, financial position, important events and significant related party transactions in the accounting period as well as the most significant risks and uncertainties facing Akastor Group.

Oslo, July 15, 2015

The Board of Directors and CEO of Akastor ASA

Øyvind Eriksen | Chairman

Lone Fønns Schrøder

Kjell Inge Røkke

Kathryn Moore Baker

Sarah Elizabeth Ryan

Jannicke Sommer-Ekelund

Stig Willy Faraas

Asbjørn Michailoff Pettersen

Frank Ove Reite | CEO

# AKASTOR GROUP INTERIM FINANCIAL STATEMENTS
# SECOND QUARTER 2015

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Second quarter | | First half | | Full year |
|---|---|---|---|---|---|---|
| *NOK million* | *note* | 2015 | 2014 | 2015 | 2014 | 2014 |
| Operating revenues and other income | | 3 693 | 6 013 | 8 239 | 11 010 | 21 432 |
| Operating expenses | | (3 552) | (6 140) | (7 921) | (10 746) | (20 052) |
| **Operating profit before depreciation, amortization and impairment (EBITDA)** | | **141** | **(127)** | **318** | **265** | **1 380** |
| Depreciation, amortization and impairment | | (284) | (1 227) | (559) | (1 447) | (2 086) |
| **Operating profit (loss)** | | **(143)** | **(1 354)** | **(241)** | **(1 182)** | **(706)** |
| Net financial items | *6* | (183) | (111) | (322) | (212) | (947) |
| **Profit (loss) before tax** | | **(325)** | **(1 465)** | **(562)** | **(1 395)** | **(1 653)** |
| Tax income (expense) | | 27 | 333 | 13 | 292 | 266 |
| **Profit (loss) from continuing operations** | | **(298)** | **(1 132)** | **(549)** | **(1 102)** | **(1 387)** |
| Net profit from discontinued operations [1)] | | - | 377 | - | 3 608 | 3 880 |
| **Profit (loss) for the period** | | **(298)** | **(755)** | **(549)** | **2 505** | **2 493** |

[1)] See note 2

| | | | | | |
|---|---|---|---|---|---|
| Attributable to: | | | | | |
| Equity holders of Akastor ASA | (298) | (757) | (549) | 2 501 | 2 482 |
| Non-controlling interests | - | 2 | - | 4 | 11 |
| | | | | | |
| Earnings per share (NOK) | (1.10) | (2.78) | (2.02) | 9.19 | 9.13 |
| Earnings per share (NOK) continuing operations | (1.10) | (4.15) | (2.02) | (4.04) | (5.09) |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Second quarter | | First half | | Full year |
|---|---|---|---|---|---|
| *NOK million* | 2015 | 2014 | 2015 | 2014 | 2014 |
| Net profit (loss) for the period | (298) | (755) | (549) | 2 505 | 2 493 |
| **Other comprehensive income:** | | | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | | | |
| Cash flow hedges, effective portion of changes in fair value | (76) | (461) | (308) | (641) | (942) |
| Cash flow hedges, reclassification to income statement | 99 | 54 | 31 | 115 | 345 |
| Cash flow hedges, tax effect | (3) | 110 | 88 | 142 | 155 |
| Change in fair value reserve | 30 | 15 | - | (83) | (185) |
| Currency translation differences | 19 | 336 | 170 | 235 | 956 |
| **Net items that may be reclassified to profit or loss** | **69** | **54** | **(20)** | **(232)** | **329** |
| **Items that will not be reclassified to profit or loss:** | | | | | |
| Remeasurement gain (loss) net defined benefit liability | - | - | - | (1) | (70) |
| Deferred tax of remeasurement gain (loss) net defined benefit liability | - | - | - | - | 19 |
| **Net items that will not be reclassified to profit or loss** | **-** | **-** | **-** | **(1)** | **(51)** |
| **Total comprehensive income for the period, net of tax** | **(229)** | **(701)** | **(569)** | **2 272** | **2 771** |
| | | | | | |
| Attributable to: | | | | | |
| Equity holders of Akastor ASA | (229) | (707) | (569) | 2 262 | 2 750 |
| Non-controlling interests | - | 6 | - | 10 | 21 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *NOK million* | *note* | June 30 2015 | December 31 2014 |
|---|---|---|---|
| Deferred tax assets | | 196 | 214 |
| Intangible assets | | 3 159 | 3 122 |
| Property, plant and equipment | | 7 664 | 6 469 |
| Investment property | | 696 | 707 |
| Other non-current operating assets | | 569 | 691 |
| Investments | | 472 | 610 |
| Non-current interest-bearing receivables | | 135 | 131 |
| **Total non-current assets** | | **12 892** | **11 946** |
| Current operating assets | *9* | 10 281 | 11 204 |
| Current interest-bearing receivables | | 52 | 205 |
| Cash and cash equivalents | | 850 | 1 075 |
| **Total current assets** | | **11 182** | **12 485** |
| **Total assets** | | **24 074** | **24 430** |
| | | | |
| Equity attributable to equity holders of Akastor ASA | | 8 810 | 9 378 |
| **Total equity** | | **8 810** | **9 378** |
| Deferred tax liabilities | | 276 | 483 |
| Employee benefit obligations | | 466 | 473 |
| Other non-current liabilities | | 229 | 285 |
| Non-current borrowings | | 6 891 | 4 720 |
| **Total non-current liabilities** | | **7 863** | **5 961** |
| Current operating liabilities | *9* | 7 135 | 8 782 |
| Current borrowings | | 265 | 308 |
| **Total current liabilities** | | **7 400** | **9 090** |
| **Total liabilities and equity** | | **24 074** | **24 430** |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| *NOK million* | First half 2015 | First half 2014 | Full year 2014 |
|---|---|---|---|
| Profit (loss) for the period | (549) | 2 505 | 2 493 |
| Profit (loss) for the period - discontinued operations | - | (3 608) | (3 880) |
| Depreciations, amortization and impairment continuing operations | 559 | 1 447 | 2 086 |
| Other adjustments for non-cash items and changes in operating assets and liabilities | (1 101) | 93 | (211) |
| **Net cash from operating activities** | **(1 091)** | **438** | **488** |
| Acquisition of property, plant and equipment | (1 297) | (652) | (1 302) |
| Payments for capitalized development | (97) | (361) | (639) |
| Proceeds from sale of subsidiaries, net of cash | - | 5 906 | 5 948 |
| Acquisition of subsidiaries, net of cash acquired | (6) | (80) | (126) |
| Cash flow from other investing activities | 226 | 483 | 618 |
| **Net cash from investing activities** | **(1 174)** | **5 295** | **4 499** |
| Change in external borrowings | 2 009 | (5 330) | (4 193) |
| Dividends to shareholders | - | (1 115) | (1 115) |
| Cash flow from other financing activities | - | 6 | (28) |
| **Net cash from financing activities** | **2 009** | **(6 439)** | **(5 336)** |
| Effect of exchange rate changes on cash and bank deposits | 31 | 96 | 142 |
| **Net increase (decrease) in cash and bank deposits** | **(225)** | **(610)** | **(206)** |
| Demerger of New Aker Solutions | - | - | (1 064) |
| Cash and bank deposits at the beginning of the period | 1 075 | 2 345 | 2 345 |
| **Cash and bank deposits at the end of the period** | **850** | **1 735** | **1 075** |

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

## Cash flow from discontinued operations

| *NOK million* | First half 2014 | Full year 2014 |
|---|---|---|
| Net cash from operating activities | 878 | 589 |
| Net cash from investing activities | 4 947 | 4 574 |
| Net cash from financing activities | 58 | 142 |
| **Effect on cash flow from discontinued operations** | **5 883** | **5 305** |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *NOK million* | Contributed equity and retained earnings | Other reserves | Total equity attributable to the parent | Non controlling interests | Total equity |
|---|---|---|---|---|---|
| Equity as of January 1, 2015 | 8 636 | 742 | 9 378 | - | 9 378 |
| Total comprehensive income | (549) | (20) | (569) | - | (569) |
| **Equity as of June 30, 2015** | **8 087** | **722** | **8 810** | **-** | **8 810** |
| | | | | | |
| Equity as of January 1, 2014 | 13 022 | 192 | 13 214 | 161 | 13 375 |
| Total comprehensive income | 2 501 | (239) | 2 262 | 10 | 2 272 |
| Dividends | (1 115) | - | (1 115) | - | (1 115) |
| Changes in non-controlling interests | - | - | - | 7 | 7 |
| **Equity as of June 30, 2014** | **14 408** | **(47)** | **14 361** | **178** | **14 539** |

# 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.

On September 26, 2014, the demerger of Akastor was completed and Aker Solutions Holding ASA ("New Aker Solutions"), a subsidiary of Akastor ASA established for the purposes of the demerger, was listed on the Oslo Stock Exchange on September 29, 2014. At the same time Aker Solutions ASA changed name to Akastor ASA.

The group is an oil-services investment company with a portfolio of industrial holdings, real estate 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 2014 for more information on the group's structure.

Akastor's Annual Report for 2014 is available on 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 six months ended June 30, 2015 are prepared in accordance with International Accounting Standard (IFRS) 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 2014. 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, 2014.

The condensed consolidated interim financial statements are unaudited.

### Net profit from discontinued operations for 2014

Net profit from discontinued operation for the interim reporting periods in 2014 does not correspond to the interim reports for 2014 due to the correction of errors that was implemented in the accounts in 4Q 2014. The adjustments made for each interim period are summarized as below:

| *NOK million* | 1Q 14 | 2Q 14 | 3Q 14 | 4Q 14 |
|---|---|---|---|---|
| Net profit from discontinued operations | 53 | 52 | 4 | - |

## 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, 2014.

## NOTE 4 - 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 2014 for descriptions of Akastor's management model and operating segments as well as accounting principles used for segment reporting.

When contract revenues and contract costs are denominated in a foreign currency, the subsidiary hedges the exposure against Corporate Treasury and hedge accounting is applied independently of whether the hedge qualifies for hedge accounting in accordance with IFRS. The correction of the non-qualifying hedges is made as an adjustment at corporate level in order to secure that the consolidated financial statements are prepared in accordance with IFRS. This means that the group's segment reporting reflects all hedges as qualifying even though they may not qualify for hedge accounting in accordance with IFRS.

Hedge transactions not qualifying for hedge accounting represent in 2Q 2015 an accounting loss to EBITDA of NOK 12 million (loss of NOK 3 million in 2Q 2014) and a gain under financial items of NOK 33 million (loss of NOK 9 million in 2Q 2014). Corresponding year-to-date figures are an accounting gain of NOK 20 million to EBITDA (gain of NOK 1 million in 2014) and a gain under financial items of NOK 37 million (gain of NOK 2 million in 2014).

The segment information in the tables below has been restated for prior periods.

### 2Q 2015

| *NOK million* | MHWirth | Frontica Business Solutions | AKOFS Offshore | Fjords Processing | KOP Surface | Real estate & other holdings | Elimina-tions | Total |
|---|---|---|---|---|---|---|---|---|
| External revenue and other income | 1 592 | 1 079 | 186 | 473 | 255 | 109 | - | **3 693** |
| Internal revenue | 27 | 182 | - | 3 | - | 4 | (216) | **-** |
| Total revenue | 1 619 | 1 261 | 186 | 475 | 255 | 113 | (216) | **3 693** |
| Operating profit before depreciation, amortization and impairment (EBITDA) | 3 | 57 | 31 | 16 | 59 | (25) | - | **141** |
| Operating profit (loss) (EBIT) | (103) | 31 | (56) | 7 | 45 | (66) | - | **(143)** |
| Capital expenditure and R&D capitalization | 152 | 8 | 61 | 13 | 3 | 42 | | **280** |
| Cash flow from operating activities | (159) | 232 | (110) | (11) | 49 | (67) | - | **(66)** |

### 2Q 2014

| *NOK million* | MHWirth | Frontica Business Solutions | AKOFS Offshore | Fjords Processing | KOP Surface | Real estate & other holdings | Elimina-tions | Total |
|---|---|---|---|---|---|---|---|---|
| External revenue and other income | 3 108 | 1 194 | 613 | 565 | 248 | 285 | - | **6 013** |
| Internal revenue | 7 | 238 | - | 1 | - | 3 | (249) | **-** |
| Total revenue | 3 115 | 1 432 | 613 | 567 | 248 | 288 | (249) | **6 013** |
| Operating profit before depreciation, amortization and impairment (EBITDA) | 269 | 85 | (480) | 24 | 40 | (65) | - | **(127)** |
| Operating profit (loss) (EBIT) | 196 | 60 | (1 557) | 18 | 32 | (103) | - | **(1 354)** |
| Capital expenditure and R&D capitalization | 191 | 20 | 7 | 2 | 8 | 84 | - | **311** |
| Cash flow from operating activities | (607) | 105 | 117 | (96) | 16 | 67 | - | **(398)** |

## First half 2015

| *NOK million* | MHWirth | Frontica Business Solutions | AKOFS Offshore | Fjords Processing | KOP Surface | Real estate & other holdings | Elimina-tions | Total |
|---|---|---|---|---|---|---|---|---|
| External revenue and other income | 3 743 | 2 304 | 353 | 862 | 579 | 398 | - | **8 239** |
| Internal revenue | 49 | 388 | - | 5 | - | 8 | (450) | **-** |
| Total revenue | 3 793 | 2 692 | 354 | 867 | 579 | 406 | (450) | **8 239** |
| Operating profit before depreciation, amortization and impairment (EBITDA) | 7 | 121 | 7 | 26 | 124 | 33 | - | **318** |
| Operating profit (loss) (EBIT) | (210) | 69 | (165) | 9 | 96 | (39) | - | **(241)** |
| Capital expenditure and R&D capitalization | 260 | 26 | 1 027 | 21 | 8 | 65 | | **1 407** |
| Cash flow from operating activities | (743) | 168 | (217) | (65) | 106 | (339) | - | **(1 091)** |
| Net current operating assets (NCOA) | 3 183 | (297) | (54) | (79) | 410 | (18) | - | **3 146** |
| Net capital employed | 6 317 | 301 | 5 415 | 524 | 700 | 1 675 | - | **14 931** |

## First half 2014

| *NOK million* | MHWirth | Frontica Business Solutions | AKOFS Offshore | Fjords Processing | KOP Surface | Real estate & other holdings | Elimina-tions | Total |
|---|---|---|---|---|---|---|---|---|
| External revenue and other income | 5 526 | 2 447 | 1 007 | 1 099 | 493 | 438 | - | **11 010** |
| Internal revenue | 13 | 457 | - | 3 | - | 6 | (479) | **-** |
| Total revenue | 5 539 | 2 905 | 1 007 | 1 102 | 493 | 444 | (479) | **11 010** |
| Operating profit before depreciation, amortization and impairment (EBITDA) | 493 | 165 | (439) | 51 | 73 | (79) | - | **265** |
| Operating profit (loss) (EBIT) | 345 | 118 | (1 596) | 40 | 57 | (146) | - | **(1 182)** |
| Capital expenditure and R&D capitalization | 302 | 46 | 9 | 8 | 14 | 102 | | **482** |
| Cash flow from operating activities | (841) | 227 | 31 | 84 | (19) | 78 | - | **(440)** |
| Net current operating assets (NCOA) | 2 946 | (320) | (180) | (114) | 372 | (127) | - | **2 576** |
| Net capital employed | 5 379 | 136 | 2 345 | 351 | 651 | 2 211 | - | **11 072** |

## NOTE 5 - SIGNIFICANT EVENTS

### Restructuring

In the first half year of 2015, MHWirth had to undertake a necessary reduction of its global work force due to the very challenging rig market, affecting both MHWirth and its customers. The reduction in workforce is estimated to be 1 000 people including contractors, and a restructuring cost of approximately NOK 60 million is recognized in operating expenses.

### Purchase of AKOFS Seafarer vessel

The purchase of AKOFS Seafarer was executed in February 2015 and is included in capital expenditure in AKOFS Offshore. The purchase price was USD 122.5 million, all financed with new bank debt.

### Borrowings

Borrowings have increased from NOK 5.0 billion to NOK 7.2 billion in the first half of 2015. This is mainly explained by the new bank debt of USD 125 million related to the purchase of AKOFS Seafarer, increased borrowings by NOK 1 billion under the Revolving Credit Facility as well as increased borrowings of BRL 47 million related to new MHWirth plant under construction in Brazil.

## NOTE 6 - NET FINANCIAL ITEMS

| | Second quarter | | First half | | Full year |
|---|---|---|---|---|---|
| *NOK million* | 2015 | 2014 | 2015 | 2014 | 2014 |
| Net interest expenses on financial liabilities measured at amortized costs | (44) | (98) | (82) | (203) | (297) |
| Financial charges under finance leases | (72) | - | (148) | - | (57) |
| Impairment on available for sale assets | (100) | - | (100) | - | (97) |
| Net foreign exchange gain (loss) | (3) | (3) | (18) | (9) | 55 |
| Profit (loss) on foreign currency forward contracts | 33 | (9) | 37 | 2 | (372) |
| Profit (loss) from equity accounted investees | 8 | 8 | (11) | 10 | (126) |
| Other financial income (expenses) | (4) | (8) | - | (10) | (53) |
| **Net financial items** | **(183)** | **(111)** | **(322)** | **(212)** | **(947)** |

Impairment on available for sale assets is related to Akastor's shareholding in Ezra Holdings Limited.

## NOTE 7 - 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 2014 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 June 30, 2015 | Fair value as of December 31, 2014 |
|---|---|---|---|
| *Current operating assets* | | | |
| - Forward foreign exchange contract | Level 2 | 1 882 | 2 199 |
| *Current operating liabilities* | | | |
| - Forward foreign exchange contract | Level 2 | (1 662) | (1 841) |
| *Non-current liabilities* | | | |
| - Non-current borrowings | Level 2 | (6 919) | (4 748) |

## NOTE 8 - RELATED PARTIES

Akastor believes that all transactions with related parties have been carried out based on arm's length terms. For detailed descriptions of related party transactions, please refer to note 35 Related parties in Akastor's Annual Report 2014.

Below is a summary of transactions and balances between Akastor and significant related parties - Aker Entities.

Income statement

| | Second quarter | | First half | |
|---|---|---|---|---|
| *NOK million* | 2015 | 2014 | 2015 | 2014 |
| Operating revenue | 1 128 | 1 220 | 2 306 | 2 454 |
| Operating costs | (60) | (143) | (123) | (256) |
| Net financial items | (72) | (2) | (141) | (5) |

Balance sheet - Assets (Liabilities)

| *NOK million* | June 30, 2015 | June 30, 2014 |
|---|---|---|
| Trade receivables | 372 | 378 |
| Finance lease (Aker Wayfarer) | 1 083 | - |
| Non-current assets (Aker Wayfarer) | 479 | 133 |
| Trade payables | (78) | (164) |
| Finance lease liability (Aker Wayfarer) | (1 465) | - |

## NOTE 9 - CURRENT OPERATING ASSETS AND LIABILITIES

| *NOK million* | June 30 2015 | December 31 2014 |
|---|---|---|
| *Current operating assets:* | | |
| Inventories | 1 718 | 1 785 |
| Trade receivables | 3 081 | 2 997 |
| Amounts due from customers for construction work | 1 802 | 2 325 |
| Advances to suppliers | 246 | 226 |
| Accrued operating revenue | 645 | 576 |
| Current tax assets | 26 | 43 |
| Other receivables | 2 764 | 3 254 |
| **Total current operating assets** | **10 281** | **11 204** |
| | | |
| *Current operating liabilities:* | | |
| Trade payables | 898 | 1 505 |
| Amounts due to customers for construction work, including advances | 2 059 | 2 170 |
| Provisions | 384 | 395 |
| Current tax liabilities | 95 | 97 |
| Accrued operating expenses and other liabilities | 3 699 | 4 616 |
| **Total current operating liabilities** | **7 135** | **8 782** |

## NOTE 10 - EVENTS AFTER THE REPORTING PERIOD

On July 7, 2015, one of the 8 properties in the real estate portfolio, a property in Norway, was sold for a price of around NOK 28 million.