

# THIRD QUARTER RESULTS 2015



Kristian Røkke and Leif Borge  
Oslo | November 2, 2015

AKASTOR

# Agenda



## THIRD QUARTER HIGHLIGHTS

Kristian Røkke  
CEO



## FINANCIALS

Leif Borge  
CFO



## Q & A

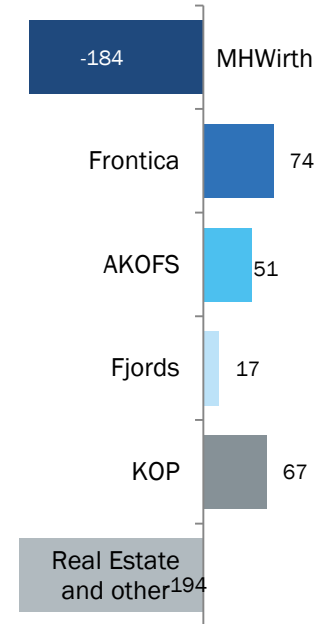
Kristian Røkke and Leif Borge

# Highlights

- ✓ Mixed financials: weak MHWirth, impairments, satisfactory other results
- ✓ Challenging market conditions with further weakening expected
- ✓ Taking action – cost base adjustments and fundamental business improvements
- ✓ Developing Akastor as an investment company

## EBITDA

NOK -169 million



EBITDA  
NOK -169 million

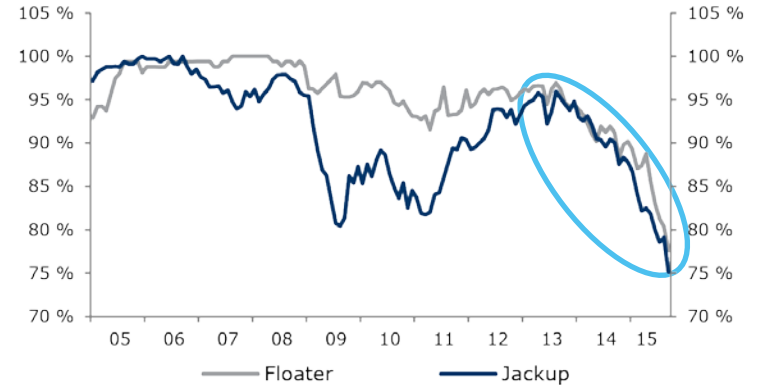
NIBD  
NOK 6.4 billion

Order Backlog  
NOK 17.8 billion

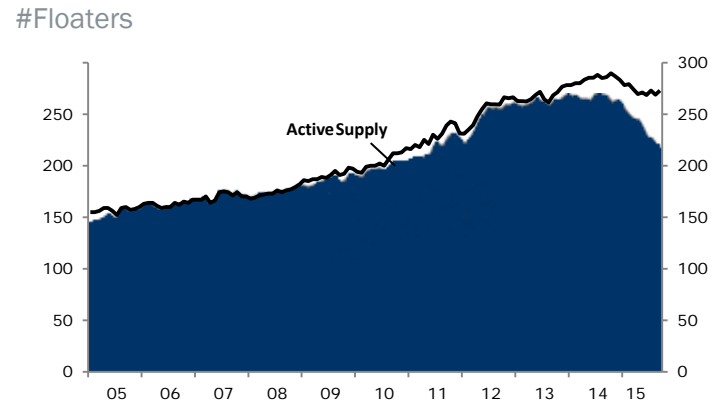
# Business environment

- Relentless cost cutting throughout the oil and gas industry
- Prolonged headwinds in offshore drilling
- More focus on second-hand assets than newbuilds for foreseeable future
- Pockets of opportunity
- New business models likely to emerge during downturn

## Rig Utilization



## Active Supply and Demand



Source: Clarksons Platou Rig Monthly, September 2015

# MHWirth

## Q3 Status

- Weak financial results; restructuring charges / MPO loss
- Robust lifecycle services performance
- Brazil situation: signals indicate completion of backlog, but timing uncertain
- MPO: EBITDA of NOK -102 million; evaluating strategic alternatives

## Company Priorities

- Execute backlog (and get paid)
- Reduce cost and excess capacity
- Protect and extend lifecycle services

## Ownership Perspectives

- Long-term supportive owner of MHWirth
- Highly cyclical market, but valuable long-term business with high barriers to entry, advanced technical capabilities, and close customer relationships
- Understand structural shifts in business/industry and resulting opportunities

# Portfolio highlights



- EBITDA margin improved, driven by effects of capacity adjustment
- Improved NCOA by NOK 128 million mainly due to factoring agreement in the UK
- Lower activity level among clients affecting revenues, especially within staffing



- Skandi Santos close to full utilization and Aker Wayfarer at full utilization
- AKOFS Seafarer operating expenses will be reduced to below USD 10 000/day
- Impairment loss of NOK 1 037 million related to AKOFS Seafarer



- Lower activity within certain areas, specifically within Equipment and Packages
- Expect increased activity for the remaining part of 2015



- High margins due to improved operational performance and cost efficiency
- Low order intake as a result of market conditions

Real estate  
and other holdings

- Provision of NOK 173 million related to office leases
- Divested a property in Norway for NOK 28 million



# Akastor as an investment company

## Portfolio Company

- ✓ Empowered management
- ✓ Stand-alone BoDs and operating management organizations
- ✓ Intense focus on operational strategy and running the business

## Akastor

- ✓ Allocates capital, sets goals and incentives, monitors performance, supports strategic initiatives
- ✓ Continuously explores M&A
- ✓ Opportunistic investor and long-term “builder of businesses”

### Priorities

- ① Cost base adjustments
- ② Building fundamental business value during the downturn

### Priorities

- ① Supporting market adjustments at PCs\*
- ② Creating transaction optionality
- ③ Enhancing financial flexibility
- ④ Building systemic value

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## Q & A

Kristian Røkke and Leif Borge



# Condensed consolidated income statement

	Third Quarter		First Three Quarters		Full year
<i>NOK million</i>	2015	2014	2015	2014	2014
Operating revenues and other income	3 678	5 095	11 917	16 106	21 432
Operating expenses	(3 847)	(4 243)	(11 768)	(14 989)	(20 052)
<b>Operating profit before depreciation, amortization and impairment (EBITDA)</b>	<b>(169)</b>	<b>853</b>	<b>149</b>	<b>1 117</b>	<b>1 380</b>
Depreciation and amortization	(284)	(215)	(823)	(664)	(922)
Impairment	(1 123)	(59)	(1 143)	(1 057)	(1 164)
<b>Operating profit (loss)</b>	<b>(1 576)</b>	<b>579</b>	<b>(1 817)</b>	<b>(604)</b>	<b>(706)</b>
Net financial items	(198)	(339)	(520)	(551)	(947)
<b>Profit (loss) before tax</b>	<b>(1 775)</b>	<b>240</b>	<b>(2 337)</b>	<b>(1 155)</b>	<b>(1 653)</b>
Tax income (expense)	397	(49)	411	243	266
<b>Profit (loss) from continuing operations</b>	<b>(1 377)</b>	<b>190</b>	<b>(1 926)</b>	<b>(912)</b>	<b>(1 387)</b>
Net profit from discontinued operations	-	299	-	3 907	3 880
<b>Profit (loss) for the period</b>	<b>(1 377)</b>	<b>490</b>	<b>(1 926)</b>	<b>2 995</b>	<b>2 493</b>

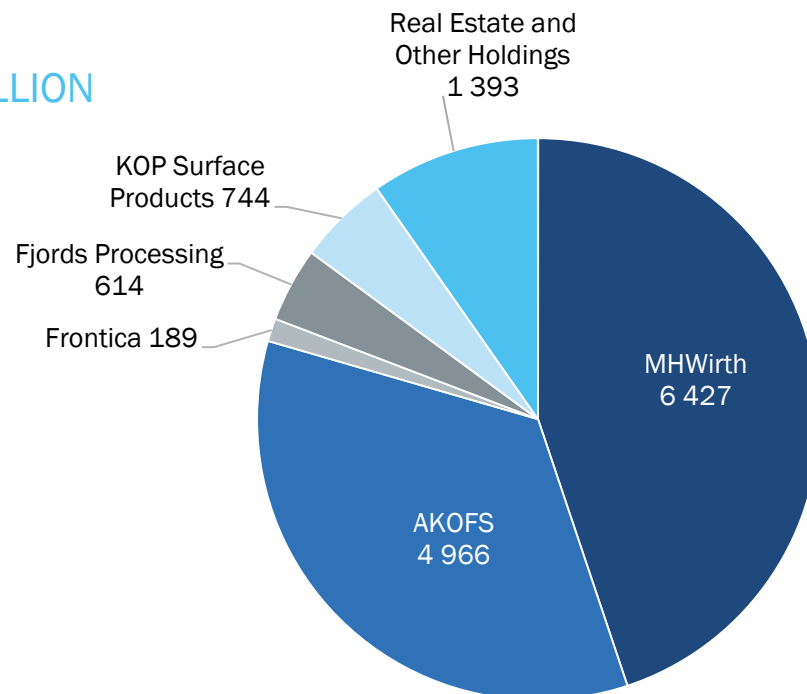
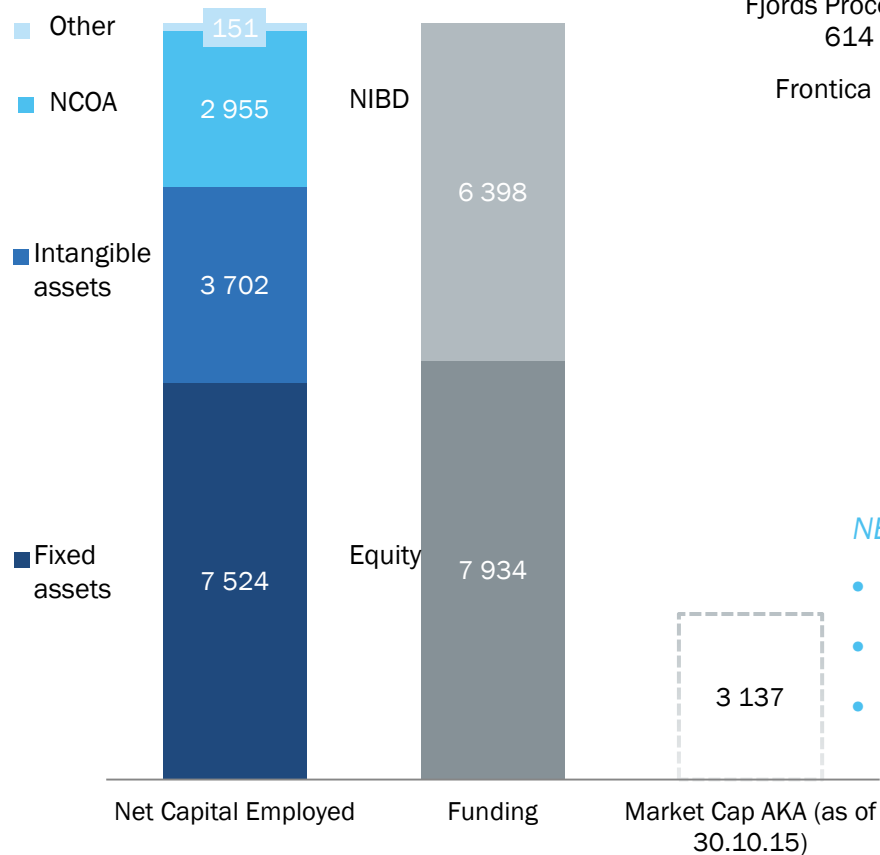
# Financials - Special Items

<i>NOK million</i>	3Q normal business	Hedging	Onerous leases	Restructuring costs	Impairments AKOFS	Impairments MHWirth	Impairment Ezra	Sum one-offs	3Q including all one-offs
<b>EBITDA</b>	<b>177</b>	<b>(20)</b>	<b>(173)</b>	<b>(153)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(346)</b>	<b>(169)</b>
Depreciation & amortization	(284)							-	(284)
Impairment	-	-	(23)	-	(1 037)	(63)	-	(1 123)	(1 123)
<b>EBIT</b>	<b>(107)</b>	<b>(20)</b>	<b>(196)</b>	<b>(153)</b>	<b>(1 037)</b>	<b>(63)</b>		<b>(1 469)</b>	<b>(1 576)</b>
Financial items	(118)						(80)	(80)	(198)
<b>EBT</b>	<b>(226)</b>	<b>(20)</b>	<b>(196)</b>	<b>(153)</b>	<b>(1 037)</b>	<b>(63)</b>	<b>(80)</b>	<b>(1 549)</b>	<b>(1 775)</b>
Tax expense	1	5	53	41	280	17	-	397	397
<b>Net profit</b>	<b>(225)</b>	<b>(15)</b>	<b>(143)</b>	<b>(112)</b>	<b>(757)</b>	<b>(46)</b>	<b>(80)</b>	<b>(1 153)</b>	<b>(1 377)</b>

# The Akastor portfolio

## NET CAPITAL EMPLOYED OF NOK 14.3 BILLION

NOK million



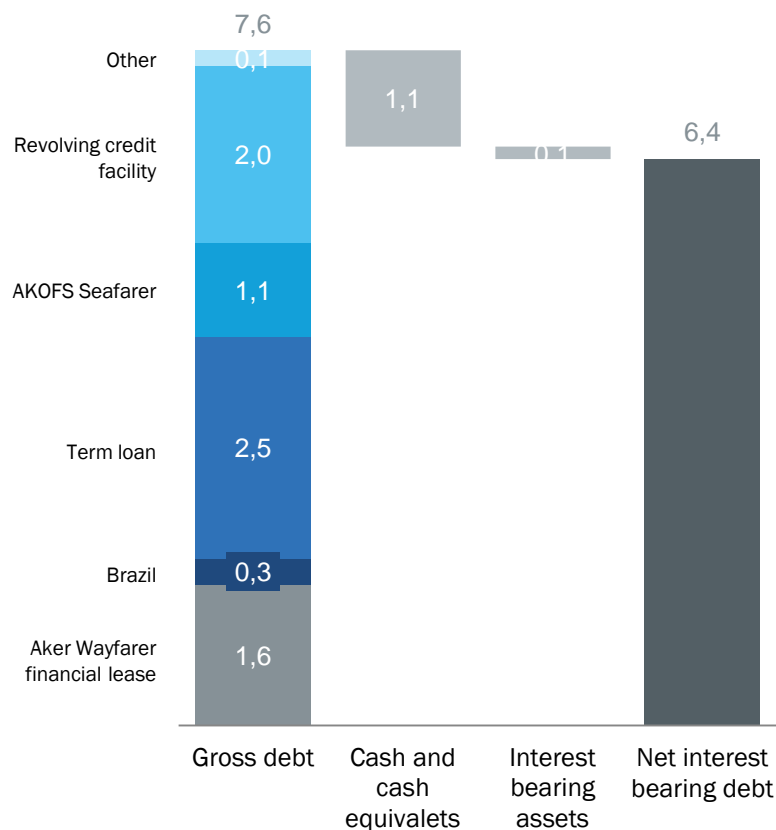
## NET CAPITAL EMPLOYED REDUCED WITH NOK 0.6 BN

- Impairment of fixed assets by NOK 1.1 bn
- Decrease in NCOA of NOK 0.2 bn
- Currency translation effects of NOK 0.5 bn

# Capital structure

NIBD OF NOK 6.4 BILLION PER 3Q 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	1.6%-2.0%
BRAZIL FACILITY	BRL 129 million	December 2021	6.1% average cost

## COVENANTS

- *Net borrowings/Equity < 1.0x*  
As of 3Q: 0.69x
- *Interest cover ratio > 4.0x*  
As of 3Q: 4.4x

## LIQUIDITY RESERVE AT 3Q OF NOK ~1.6 BILLION

- *Cash of NOK ~1.1 billion*
- *Undrawn facilities of NOK 0.5 billion*

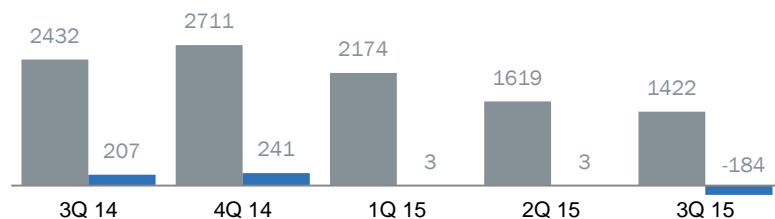
\*Loan to Akastor ASA with same terms and conditions as term loan

# MHWirth

- Revenues down 35 percent YTD 2015 compared with 2014, revenues from life cycle services stable
- Underlying EBITDA of NOK 60 million in the quarter
  - Restructuring cost of NOK 142 million from third phase downsizing
  - MPO loss of NOK 102 million
  - High margins in life cycle services in the quarter
- Order intake of NOK 692 million mainly from life-cycle services

## Revenue and EBITDA

NOK million



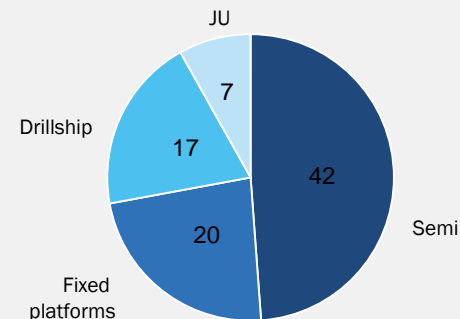
■ Revenue ■ EBITDA

## BUSINESS SPLIT YTD BASED ON REVENUE

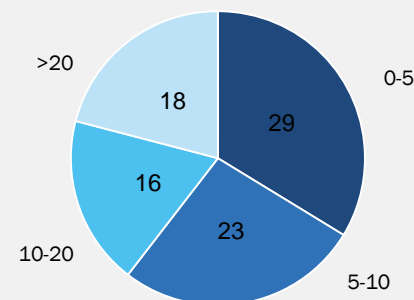


## INSTALLED BASE (86 UNITS)

by type



by age (years)

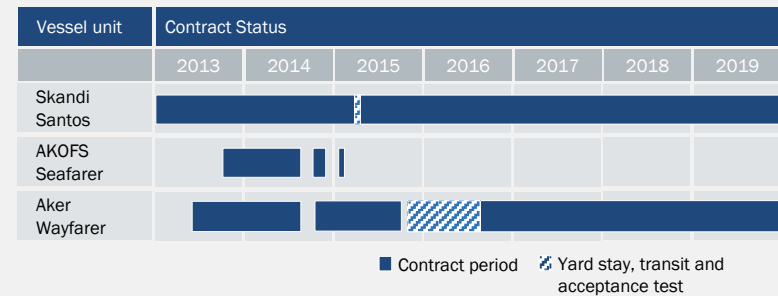




# AKOFS Offshore

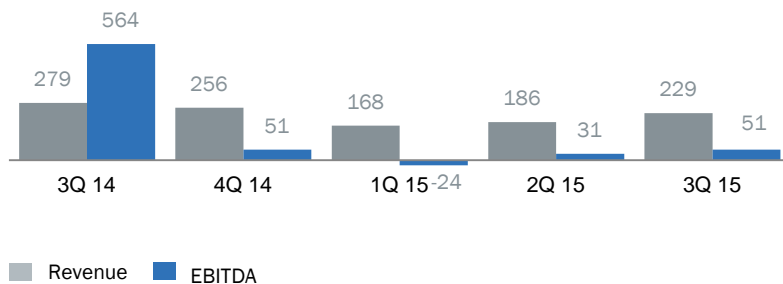
- Skandi Santos with close to full utilization
- AKOFS Wayfarer with full utilization
- AKOFS Seafarer idle in Q3, cold stacked in Q4, reducing opex to below USD 10 000 per day
- AKOFS Seafarer impairment of NOK 1 037 million due to weak market outlook

## VESSEL PROGRAM



## Revenue and EBITDA

NOK million

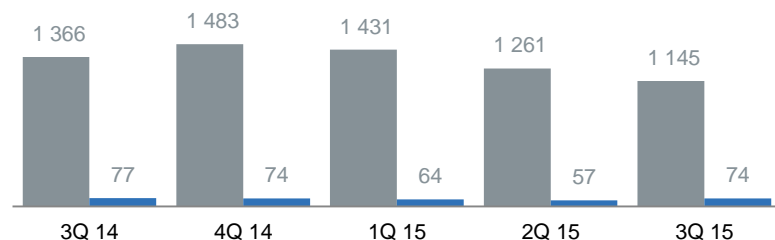


# Frontica Business Solutions

- Revenue of NOK 1 145 million in the quarter, down 16% compared with 2014 due to lower activity level of key clients
- EBITDA of NOK 74 million with a margin of 6.5 percent

## Revenue and EBITDA

NOK million



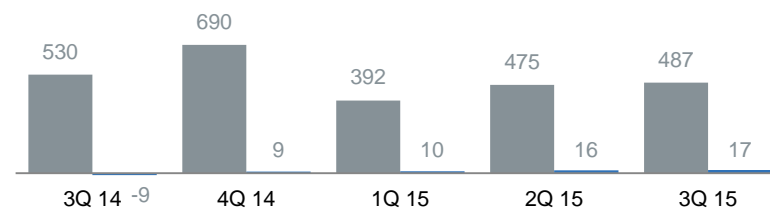
■ Revenue ■ EBITDA

# Fjords Processing

- Revenues of NOK 487 million in 3Q, down from NOK 530 million in 2014, impacted by phasing of projects
- EBITDA of NOK 17 million in 3Q compared with NOK -9 million in 2014
- Order intake of NOK 391 million in 3Q

## Revenue and EBITDA

NOK million



# KOP Surface Products

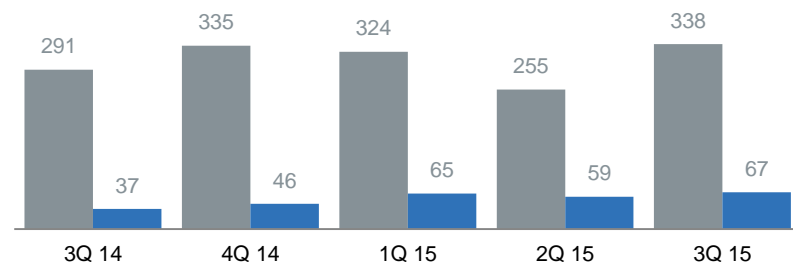
- Revenues in NOK increased by 16.1% compared with corresponding quarter last year (12.2% down in USD)
- EBITDA of NOK 67 million gave a margin of 20% in the quarter
- Order intake of NOK 108 million in 3Q

# Real Estate and other holdings

- Real Estate and Other Holdings EBITDA of NOK -194 million
- Step Oiltools and First Geo: EBITDA of NOK 11 million
- Real Estate with EBITDA of NOK -162 million, of which NOK -173 million onerous lease provision
- Effect from hedges not qualifying for hedging accounting of NOK -20 million

## Revenue and EBITDA

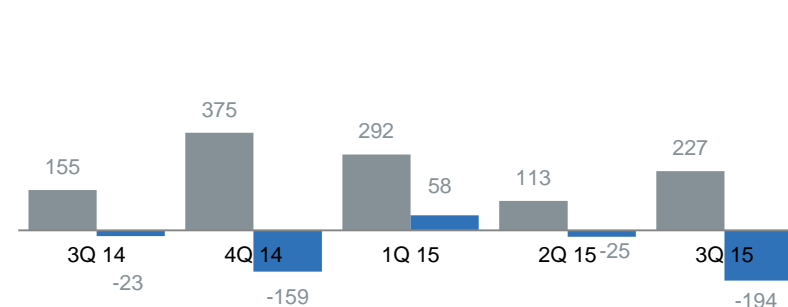
NOK million



■ Revenue ■ EBITDA

## 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

<i>NOK million</i>	September 30 2015	December 31 2014
Deferred tax assets	453	214
Intangible assets	3 249	3 122
Property, plant and equipment	6 887	6 469
Investment property	637	707
Other non-current operating assets	603	691
Investments	500	610
Non-current interest-bearing receivables	86	131
<b>Total non-current assets</b>	<b>12 416</b>	<b>11 946</b>
Current operating assets	11 156	11 204
Current interest-bearing receivables	54	205
Cash and cash equivalents	1 088	1 075
<b>Total current assets</b>	<b>12 297</b>	<b>12 485</b>
<b>Total assets</b>	<b>24 713</b>	<b>24 430</b>
Equity attributable to equity holders of Akastor ASA	7 933	9 378
<b>Total equity</b>	<b>7 933</b>	<b>9 378</b>
Deferred tax liabilities	64	483
Employee benefit obligations	481	473
Other non-current liabilities	408	285
Non-current borrowings	7 195	4 720
<b>Total non-current liabilities</b>	<b>8 148</b>	<b>5 961</b>
Current operating liabilities	8 201	8 782
Current borrowings	431	308
<b>Total current liabilities</b>	<b>8 632</b>	<b>9 090</b>
<b>Total liabilities and equity</b>	<b>24 713</b>	<b>24 430</b>

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# Key figures

## AKASTOR GROUP

<i>Amounts in NOK million</i>	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15
Operating revenue and other income	5 095	5 326	4 546	3 693	3 678
EBITDA	853	262	177	141	(169)
EBIT	579	(103)	(98)	(143)	(1 576)
CAPEX and R&D capitalization	257	359	1 127	280	107
NCOA	2 678	2 422	3 078	3 146	2 955
Net capital employed	12 897	12 995	14 899	14 931	14 332
Order intake	11 356	5 247	3 079	2 289	2 358
Order backlog	20 257	21 555	19 998	18 678	17 781
Employees	7 597	7 609	7 061	6 585	6 098

# Split per company

## MHWIRTH

<i>Amounts in NOK million</i>	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15
Operating revenue and other income	2 432	2 711	2 174	1 619	1 422
EBITDA	207	241	3	3	(184)
EBIT	80	102	(107)	(103)	(351)
CAPEX and R&D capitalization	206	253	107	152	69
NCOA	2 852	2 573	3 153	3 183	3 260
Net capital employed	5 541	5 603	6 177	6 317	6 427
Order intake	1 662	1 569	788	932	692
Order backlog	10 526	9 566	7 659	7 110	6 410
Employees	4 255	4 237	3 990	3 694	3 334

## FRONTICA BUSINESS SOLUTIONS

<i>Amounts in NOK million</i>	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15
Operating revenue and other income	1 366	1 483	1 431	1 261	1 145
EBITDA	77	74	64	57	74
EBIT	52	49	38	31	45
CAPEX and R&D capitalization	8	56	17	8	5
NCOA	(225)	(237)	(119)	(297)	(425)
Net capital employed	207	374	493	301	189
Order intake	3 634	1 658	1 495	804	1 088
Order backlog	2 356	2 620	2 698	2 260	2 235
Employees	1 391	1 356	1 135	1 065	1 029



# Split per company

## AKOFS OFFSHORE

<i>Amounts in NOK million</i>	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15
Operating revenue and other income	279	256	168	186	229
EBITDA	564	51	(24)	31	51
EBIT	500	(21)	(109)	(56)	(1 082)
CAPEX and R&D capitalization	(8)	3	967	61	13
NCOA	(86)	(73)	(145)	(54)	(160)
Net capital employed	4 092	4 312	5 387	5 415	4 966
Order intake	5 457	142	120	66	107
Order backlog	5 495	6 186	6 371	6 194	6 395
Employees	124	115	98	102	102

## FJORDS PROCESSING

<i>Amounts in NOK million</i>	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15
Operating revenue and other income	530	690	392	475	487
EBITDA	(9)	9	10	16	17
EBIT	(16)	1	2	7	7
CAPEX and R&D capitalization	18	35	8	13	9
NCOA	(312)	(157)	(125)	(79)	(8)
Net capital employed	208	436	487	524	614
Order intake	605	505	435	500	391
Order backlog	1 319	1 190	1 228	1 245	1 148
Employees	622	617	583	572	542

# Split per company

## KOP SURFACE PRODUCTS

<i>Amounts in NOK million</i>	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15
Operating revenue and other income	291	335	324	255	338
EBITDA	37	46	65	59	67
EBIT	28	24	51	45	53
CAPEX and R&D capitalization	12	5	4	3	8
NCOA	356	375	420	410	442
Net capital employed	649	674	718	700	744
Order intake	137	330	216	138	108
Order backlog	536	659	590	466	264
Employees	816	854	848	736	693

## REAL ESTATE AND OTHER HOLDINGS

<i>Amounts in NOK million</i>	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15
Operating revenue and other income	155	375	292	113	227
EBITDA	(23)	(159)	58	(25)	(194)
EBIT	(65)	(258)	27	(66)	(249)
CAPEX and R&D capitalization	20	7	23	42	4
NCOA	93	(58)	(107)	(18)	(154)
Net capital employed	2 200	1 595	1 636	1 675	1 393
Order intake	150	1 653	210	46	105
Order backlog	261	1 658	1 728	1 660	1 545
Employees	443	430	407	416	398

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