Q3

AKASTOR

THIRD QUARTER 2016
RESULTS

HIGHLIGHTS

- EBITDA for continuing operations of NOK 127 million
- Net debt reduced by NOK 658 million to NOK 4.8 billion, working capital reduced by NOK 483 million to NOK 1 520 million, liquidity reserve at NOK 2.2 billion
- Several transactions announced;
  - Sold Managed Pressure Operations to AFGlobal for USD 10 million and potential earn out
  - Creation of Mitsui/AKOFS joint venture; cash release of USD 66 million
  - Sale of Frontica Business Solutions to Cognizant for NOK 1 025 million
  - Sale of Fjords Processing to National Oilwell Varco (NOV) for NOK 1 200 million
- AKOFS Offshore reached a final agreement with Petrobras regarding contracts.

Following agreements to divest MPO, Frontica Business Solutions and Fjords Processing, these operations have been classified as discontinued operations, and excluded from the group's key figures. The figures referred to in this report are related to continuing operations and historical comparative figures have been restated accordingly.

Key Figures: Akastor Group

NOK million	Q3 16	Q3 15 *(restated)*	YTD 16	YTD 15 *(restated)*
Operating revenue and Other income	1 537	2 887	5 210	9 443
EBITDA	127	(126)	(28)	173
EBIT	(72)	(1 461)	(658)	(1 577)
CAPEX and R&D capitalization	37	87	145	1 436
NIBD	4 769	6 398	4 769	6 398
NCOA	1 520	3 129	1 520	3 129
Net capital employed	9 452	12 726	9 452	12 726
Order intake	1 141	1 720	4 275	5 814
Order backlog	7 703	14 538	7 703	14 538
Employees	2 947	4 490	2 947	4 490

Q3 Key Figures: Portfolio Companies

NOK million	MHWirth	Frontica Advantage	AKOFS Offshore	KOP Surface Products	Other Holdings
Revenue	831	365	190	65	137
EBITDA	91	36	49	(5)	(45)
EBIT	23	36	(45)	(18)	(68)

01. OVERVIEW

Since the second quarter, several transactions have been announced. MHWirth sold its shareholding in Managed Pressure Operations (MPO) to AFGlobal for a consideration of USD 10 million combined with an earn-out. This transaction was closed in August. In September, Akastor announced the agreement to create a joint venture with Mitsui to acquire Skandi Santos, with a cash gain of USD 66 million. In October, Akastor announced both the sales of Frontica´s IT business to Cognizant for NOK 1 025 million and Fjords Processing to NOV for NOK 1 200 million. All transactions are expected to be closed during the fourth quarter. Net cash impact from all of these transactions is expected to be approximately NOK 2.6 billion.

During the third quarter, net debt was reduced by NOK 658 million, to NOK 4 769 million. Further, working capital was reduced to NOK 1.5 billion at quarter-end, a reduction of NOK 483 million compared to the previous quarter. Akastor's liquidity reserve at the end of the quarter was approximately NOK 2.2 billion with cash and bank deposits of NOK 333 million and undrawn committed credit facilities of NOK 1.9 billion.

Similar to previous quarters, performance was mixed across Akastor's portfolio of companies in the third quarter. Revenues in the 2016 third quarter were NOK 1 537 million, compared with NOK 2 887 million in the 2015 third quarter, a decrease of 47 percent. The reduction in revenues in the third quarter, compared to the same period last year, was primarily due to reduced activity levels and weaker market conditions in the oil service industry and offshore drilling market.

EBITDA in the 2016 third quarter was NOK 127 million, compared to an EBITDA of NOK -126 million in the 2015 third quarter. Results in MHWirth and KOP Surface Products were most significantly impacted by the weak market conditions.

The order intake for Akastor in the quarter was NOK 1.1 billion, resulting in an aggregate backlog of NOK 7.7 billion.

02. PORTFOLIO COMPANIES

Akastor has five reporting segments: MHWirth, AKOFS Offshore, Frontica Advantage, KOP Surface Products and Other holdings.

MHWirth - continuing operations

The numbers referred to in this section have been restated as a result of the MPO transaction.

MHWirth reported revenues of NOK 831 million in the 2016 third quarter, a reduction of 41 percent compared to the 2015 third quarter. The decrease in revenues was primarily driven by reduced project related work as a result of low order intake since 2014. In addition, due to fewer rigs in operations and reduced upgrade and modification work, Drilling Lifecycle Services (DLS) experienced lower activity in the quarter.

EBITDA in the 2016 third quarter was NOK 91 million, compared to NOK -90 million in the 2015 third quarter. The result was positively impacted by the successful delivery of several projects, and cost reductions implemented. Further, MHWirth did not incur any restructuring costs in the quarter.

The working capital level (NCOA) of MHWirth was reduced by NOK 290 million in the quarter to NOK 1.4 billion. The reduction was mainly due to payments received on certain projects.

Order intake in the 2016 third quarter was NOK 604 million compared to NOK 671 million in the 2015 third quarter. Market conditions continue to be weak, with further decreases in both floater utilization levels and day rates observed during the quarter. In Q3, overall floater utilization was approximately 71 percent for the active fleet (source: Clarksons Platou Offshore Drilling Rig Monthly). Total backlog as of Q3 amounts to NOK 1 490 million, of which the four remaining drilling packages to Jurong Shipyard amounts to approximately NOK 917 million.

Per Q3 2016, the total number of employees in MHWirth was approximately 1 849 people.

In August, MHWirth sold its shareholding in MPO to AFGlobal for a consideration of USD 10 million combined with an earn-out. This transaction was closed in August.

MHWirth sees a continued challenging market for 2017 driven by reduced number of active rigs in operation affecting DLS revenue and no significant newbuild activity. MHWirth is continuously adjusting capacity and cost base.

Key Figures: MHWirth (continuing operations)

NOK million	Q3 16	Q3 15	YTD 16	YTD 15
Operating revenue and other income	831	1 407	2 748	4 994
EBITDA	91	(90)	12	(32)
EBIT	23	(214)	(259)	(284)
CAPEX and R&D capitalization	3	63	28	310
NCOA	1 393	2 836	1 393	2 836
Net capital employed	3 846	5 212	3 846	5 212
Order intake	604	671	2 146	2 336
Order backlog	1 490	6 313	1 490	6 313
Employees	1 849	3 171	1 849	3 171

AKOFS Offshore

On September 20, Akastor announced that it had signed a Heads of Agreement with Mitsui to create a joint venture with 50/50 ownership between AKOFS Offshore and Mitsui. The joint venture will acquire both the Skandi Santos hull from DOF Subsea Rederi AS and the Skandi Santos topside from AKOFS Offshore. The joint venture will subsequently enter into a lease agreement with AKOFS Offshore corresponding to the remaining contract duration between AKOFS Offshore and Petrobras. DOF Subsea will continue to provide the ROV and marine services onboard the vessel as part of the Subsea Equipment Support Vessel Contract with Petrobras. Upon closing of the transaction, AKOFS Offshore will realize a cash gain of USD 66 million, net of investments in the joint venture. The annual bareboat charter and related costs will increase by USD 8.5 million per year over the remaining contract period. The contract with Petrobras for the operations in Brazil will remain in a 100% owned subsidiary of AKOFS Offshore and will continue to generate positive results over the contract period, despite the increased bareboat charter rate. The transaction will result in an accounting gain of approximately USD 20 million for Akastor, corresponding to half of the total sales-gain of USD 40 million. The accounting gain is expected to be booked upon closing of the transaction in Q4 2016. The agreement is subject to Petrobras consent, bank approvals and certain other conditions, which are expected to occur during Q4 2016.

AKOFS Offshore reported revenues of NOK 190 million in the 2016 third quarter, compared with NOK 229 in the 2015 third quarter. EBITDA was NOK 49 million in the quarter, compared with NOK 51 million in the same period last year. The order backlog ended at NOK 5 719 million. The increased headcount relates to offshore personnel on Aker Wayfarer, and includes 3rd Party personnel.

As in the previous quarter, Skandi Santos operated at high utilization during the third quarter. Aker Wayfarer has completed its conversion project according to plan, including the five-year special periodical survey, equipment installation and mobilization of crews in preparation for the 5+5 year contract with Petrobras in Brazil. The vessel had some contract work in the quarter. AKOFS Seafarer remained idle during the third 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 (LWI).

As previously announced, AKOFS Offshore has been in dialogue with Petrobras regarding its contracts. With regards to the 5 year contract for the Aker Wayfarer vessel, AKOFS Offshore reached an agreement with Petrobras for an extended contract period (approximately 1 year). The contract is effective with a reduced dayrate until commencement of operations, which is expected to take place in Q4 2017. The net effect of this agreement is an approximate USD 17.5 million increase in backlog. The parties have further agreed to certain contract amendments for both the Aker Wayfarer contract and the Skandi Santos contract, including more robust downtime provisions. The contract rate and duration for Skandi Santos remains unchanged.

Key Figures: AKOFS Offshore

NOK million	Q3 16	Q3 15	YTD 16	YTD 15
Operating revenue and other income	190	229	491	583
EBITDA	49	51	119	58
EBIT	(45)	(1 082)	(131)	(1 248)
CAPEX and R&D capitalization	28	13	102	1 040
NCOA	150	45	150	45
Net capital employed	4 880	5 171	4 880	5 171
Order intake	48	107	78	293
Order backlog	5 719	6 395	5 719	6 395
Employees	167	102	167	102

Frontica Advantage

Following the agreement to divest Frontica Business Solutions, this business segment within Frontica Group is classified as a discontinued operation. Frontica Advantage, the staffing business segment, remains as one of the Akastor portfolio companies. The company provides workforce solutions such as recruitment consultancy, executive search, permanent recruitment, contract staffing, outplacement services and other related services.

Frontica Advantage is established as a separate portfolio company of Akastor. A new governance structure has been put in place to manage the company efficiently going forward and a new strategy is being pursued to ensure that the business can grow successfully also with clients outside the Aker group of companies.

Reported revenues were NOK 365 million in the 2016 third quarter, compared with NOK 642 million in the 2015 third quarter. EBITDA was NOK 36 million in the quarter, compared with NOK 31 million in the same period last year. EBITDA in the quarter included a reversal of a provision of NOK 22 million. The order backlog per end of Q3 amounted to NOK 119 million. Due to the fact that most of the business in Frontica Advantage is based on frame agreements, the order backlog is expected to remain relatively low. The market situation for Advantage remains challenging due to the downturn within oil and gas sector, and resultant workforce reductions across the industry. Frontica Advantage's activity will continue to reflect fluctuations in its client's activity.

Key Figures: Frontica Advantage

NOK million	Q3 16	Q3 15	YTD 16	YTD 15
Operating revenue and other income	365	642	1 356	2 284
EBITDA	36	31	69	101
EBIT	36	31	69	101
CAPEX and R&D capitalization	-	-	-	-
NCOA	(180)	(131)	(180)	(131)
Net capital employed	(117)	103	(117)	103
Order intake	352	645	1 478	2 267
Order backlog	119	11	119	11
Employees	88	99	88	99

KOP Surface Products

KOP Surface Products reported revenues in the period of NOK 65 million compared with NOK 338 million in the 2015 third quarter. Market conditions for surface products in KOP's key regions continue to be challenging.

EBITDA was NOK -5 million in the quarter compared with NOK 67 million in the third quarter 2015. Order intake in the quarter was NOK 48 million giving an order backlog of NOK 120 million at quarter-end.

Key Figures: KOP Surface Products

NOK million	Q3 16	Q3 15	YTD 16	YTD 15
Operating revenue and other income	65	338	254	917
EBITDA	(5)	67	5	190
EBIT	(18)	53	(38)	149
CAPEX and R&D capitalization	5	8	10	15
NCOA	148	442	148	442
Net capital employed	425	744	425	744
Order intake	48	108	234	462
Order backlog	120	264	120	264
Employees	494	693	494	693

Other Holdings

Other Holdings reported revenues of NOK 137 million in the quarter, with EBITDA of NOK -45 million. The two businesses Step Oiltools and First Geo delivered a total EBITDA of NOK -9 million in the quarter. Effect of hedges not qualifying for hedge accounting is included in EBITDA by NOK -8 million in third quarter.

Key Figures: Other Holdings *(Restated)*

NOK million	Q3 16	Q3 15	YTD 16	YTD 15
Operating revenue and other income	137	374	519	1 063
EBITDA	(45)	(185)	(233)	(145)
EBIT	(68)	(248)	(299)	(296)
CAPEX and R&D capitalization	-	4	5	70
NCOA	10	(64)	10	(64)
Net capital employed	419	1 496	419	1 496
Order intake	139	267	492	822
Order backlog	243	1 610	243	1 610
Employees	349	425	349	425

03. AKASTOR GROUP

As mentioned above, following the agreements to divest MPO, Frontica Business Solutions and Fjords Processing, these operations have been classified as discontinued operations. The figures referred to in this section are related to continuing operations and historical comparative figures have been restated accordingly.

The Akastor group's revenues decreased by 47 percent in the third quarter compared to the same quarter last year, to NOK 1 537 million, primarily due to reduced activity levels and weaker market conditions in the oil service industry and offshore drilling market.

EBITDA was NOK 127 million for the third quarter, as compared to an adjusted EBITDA in the same period in 2015 of NOK 188 million. Challenging market conditions for KOP Surface Products is one of the main factors impacting the results.

Depreciation, amortization and impairment amounted to NOK 199 million for Q3 2016. Net financial expenses were NOK 176 million for the quarter compared with NOK 197 million in Q3 2015.

Net tax income was NOK 69 million in the third quarter, giving an effective tax rate of 28 %. 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.

Profit from discontinued operations amounts to NOK 19 million in the quarter and relates to net profit in MPO until disposal in August as well as net profit in Fjords and Frontica Business Solutions in the quarter. Fjords reported revenues of NOK 462 million and EBITDA NOK 25 in the quarter whereas Frontica Business Solutions reported revenues of NOK 344 million and EBITDA of NOK 48 million.

The result for continuing operations for the third quarter was a loss of NOK 180 million and the total loss for the period was NOK 160 million.

Refer to note 5 for further information on discontinued operations.

Financial Position

Cash flow from operations was NOK 398 million in the third quarter.

Net current operating assets were NOK 1 520 million at the end of September, a reduction of NOK 483 million since previous quarter.

Net cash flow from investing activities was negative NOK 2 million in the quarter. Net interest-bearing debt decreased by NOK 658 million in the third quarter of 2016, to NOK 4 769 million at the end of the period.

The liquidity reserve at the end of the quarter was around NOK 2.2 billion, with cash and bank deposits of NOK 333 million and undrawn committed credit facilities of NOK 1.9 billion.

The equity ratio was 33.4 percent at the end of the third quarter. Gross interest-bearing debt was NOK 5 368 million at the end of the quarter.

Subsequent events

In October 2016, Akastor announced the sales of Frontica's IT business (Frontica Business Solutions) to Cognizant for NOK 1 025 million, and Fjords Processing to National Oilwell Varco for NOK 1 200 million. AKOFS Offshore reached an agreement in October with Petrobras for an extended contract period (approximately 1 year). See also note 11 for further information.

Related party transactions

Please see note 9 for a summary of significant related party transactions that occurred in the third quarter of 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 the board of directors of each portfolio company, and by defining a clear set of risk management and mitigation processes and procedures all portfolio companies must adhere to. Akastors' annual report for 2015 provides more information on risks and uncertainties.

The Akastor Share

The company had a market capitalization of NOK 3.1 billion on October 31, 2016. The company owned 2 776 376 own shares at the end of the quarter.

AKASTOR GROUP INTERIM FINANCIAL STATEMENTS THIRD QUARTER 2016

CONDENSED CONSOLIDATED INCOME STATEMENT

NOK million	*note*	Third quarter 2016	Third quarter 2015 (Restated)	First nine months 2016	First nine months 2015 (Restated)	Full year 2015 (Restated)
Operating revenues and other income		**1 537**	2 887	**5 210**	9 443	12 515
Operating expenses		**(1 410)**	(3 014)	**(5 239)**	(9 270)	(11 818)
Operating profit before depreciation, amortization and impairment (EBITDA)		**127**	(126)	**(28)**	173	697
Depreciation and amortization		**(199)**	(214)	**(564)**	(621)	(829)
Impairment		**-**	(1 120)	**(66)**	(1 130)	(1 256)
Operating profit (loss)		**(72)**	(1 461)	**(658)**	(1 577)	(1 388)
Net financial items	*7*	**(176)**	(197)	**(744)**	(511)	(677)
Profit (loss) before tax		**(248)**	(1 658)	**(1 402)**	(2 088)	(2 064)
Tax income (expense)		**69**	343	**287**	391	320
Profit (loss) from continuing operations		**(180)**	(1 315)	**(1 115)**	(1 697)	(1 743)
Net profit (loss) from discontinued operations	*5*	**19**	(63)	**(244)**	(229)	(844)
Profit (loss) for the period		**(160)**	(1 377)	**(1 359)**	(1 926)	(2 587)
Attributable to:						
Equity holders of Akastor ASA		**(160)**	(1 377)	**(1 359)**	(1 926)	(2 587)
Basic/diluted earnings (loss) per share (NOK)		**(0.59)**	(5.08)	**(5.01)**	(7.11)	(9.54)
Basic/diluted earnings (loss) per share continuing operations (NOK)		**(0.66)**	(4.85)	**(4.11)**	(6.26)	(6.43)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK million	Third quarter 2016	Third quarter 2015	First nine months 2016	First nine months 2015	Full year 2015
Net profit (loss) for the period	**(160)**	(1 377)	**(1 359)**	(1 926)	(2 587)
Other comprehensive income:					
Cash flow hedges, effective portion of changes in fair value	**(86)**	12	**70**	(296)	(172)
Cash flow hedges, reclassification to income statement	**178**	58	**(420)**	89	58
Currency translation differences	**(147)**	450	**(269)**	619	640
Deferred tax effect	**(31)**	(21)	**69**	67	49
Net items that may be reclassified to profit or loss	**(86)**	498	**(551)**	480	575
Remeasurement gain (loss) net defined benefit liability	**-**	-	**(2)**	-	25
Deferred tax of remeasurement gain (loss) net defined benefit liability	**-**	-	**1**	-	(8)
Net items that will not be reclassified to profit or loss	**-**	-	**(1)**	-	18
Total comprehensive income (loss) for the period, net of tax	**(246)**	(879)	**(1 910)**	(1 447)	(1 994)
Attributable to:					
Equity holders of Akastor ASA	**(246)**	(879)	**(1 910)**	(1 447)	(1 994)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK million	*note*	September 30 2016	September 30 2015	December 31 2015
Deferred tax assets		**700**	453	468
Intangible assets		**1 800**	3 249	2 785
Property, plant and equipment		**5 768**	6 887	6 480
Investment property		**-**	637	-
Other non-current operating assets		**288**	603	478
Other investments		**204**	500	437
Non-current interest-bearing receivables		**198**	86	84
Total non-current assets		**8 957**	12 416	10 732
Current operating assets	*10*	**4 853**	11 156	9 171
Current interest-bearing receivables		**67**	54	72
Cash and cash equivalents		**333**	1 088	563
Assets classified as held for sale	*5*	**2 182**	-	-
Total current assets		**7 435**	12 297	9 805
Total assets		**16 392**	24 713	20 537
Equity attributable to equity holders of Akastor ASA		**5 476**	7 933	7 386
Total equity		**5 476**	7 933	7 386
Deferred tax liabilities		**58**	64	51
Employee benefit obligations		**354**	481	434
Other non-current liabilities		**398**	408	414
Non-current borrowings	*4*	**4 910**	7 195	1 583
Total non-current liabilities		**5 720**	8 148	2 483
Current operating liabilities	*10*	**3 391**	8 201	6 613
Current borrowings		**458**	431	4 054
Liabilities classified as held for sale	*5*	**1 346**	-	-
Total current liabilities		**5 195**	8 632	10 667
Total liabilities and equity		**16 392**	24 713	20 537

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	First nine months		Full year
NOK million	2016	2015	2015
Profit (loss) for the period	**(1 359)**	(1 926)	(2 587)
(Profit) loss for the period - discontinued operations	**244**	229	844
Depreciations, amortization and impairment continuing operations	**630**	1 750	2 085
Other adjustments for non-cash items and changes in operating assets and liabilities	**503**	(1 129)	(945)
Net cash from operating activities	**18**	(1 075)	(603)
Acquisition of property, plant and equipment	**(148)**	(1 353)	(1 460)
Payments for capitalized development	**(30)**	(140)	(176)
Proceeds from sale of subsidiaries, net of cash	**43**	27	1 150
Acquisition of subsidiaries, net of cash acquired	**(9)**	(12)	(11)
Cash flow from other investing activities	**7**	160	281
Net cash from investing activities	**(137)**	(1 318)	(216)
Changes in external borrowings	**(109)**	2 296	185
Net cash from financing activities	**(109)**	2 296	185
Effect of exchange rate changes on cash and cash equivalents	**(2)**	110	121
Net increase (decrease) in cash and cash equivalents	**(230)**	13	(512)
Cash and cash equivalents at the beginning of the period	**563**	1 075	1 075
Cash and cash equivalents at the end of the period	**333**	1 088	563

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

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, 2016	6 051	1 335	7 386	**7 386**
Total comprehensive income	(1 359)	(551)	(1 910)	**(1 910)**
Equity as of September 30, 2016	**4 692**	**784**	**5 476**	**5 476**
Equity as of January 1, 2015	8 636	742	9 378	9 378
Total comprehensive income	(1 926)	479	(1 447)	(1 447)
Treasury shares	-	2	2	2
Equity as of September 30, 2015	6 710	1 223	7 933	7 933

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 35 *Group companies* in Akastor's Annual Report 2015 for more information on the group's structure.

Akastor's Annual Report for 2015 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 nine months ended September 30, 2016 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 2015. 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, 2015.

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, 2015.

NOTE 4 - SIGNIFICANT EVENTS

Restructuring

In the first half year of 2016, a total restructuring cost of NOK 205 million was recognized as operating expenses, mainly related to workforce reductions in MHWirth.

Provision for onerous lease contracts

Due to the weak office markets in oil and gas locations, it has been very challenging to sublet excess office capacity in Stavanger, Houston and Aberdeen. A provision of NOK 110 million was recognized in the second quarter related to onerous leases as a result of weak leasing market.

Borrowings

On March 11, 2016, Akastor reached an agreement with its bank syndicate to amend and extend its financing structure. Borrowings under the new agreement comprise three Revolving Credit Facilities with maturity in June 2017 and July 2019 and are recognized as non-current borrowings. Please refer to note 26 Borrowings in Akastor's Annual Report 2015 for more information.

NOTE 5 - DISCONTINUED OPERATIONS

In August 2016, MHWirth sold Managed Pressure Operations (MPO), following the decision of evaluating strategic alternatives for this operation. As of September 30, 2016, Akastor committed to plans to sell Frontica's IT business line (Frontica Business Solutions) and Fjords Processing segment. MPO, Frontica Business Solutions and Fjords Processing are classified as discontinued operations and the comparative condensed consolidated income statement has been restated to show the discontinued operations separately from continuing operations. Frontica Business Solutions and Fjords Processing are classified as held-for-sale as of September 30, 2016. See also note 11 for more information about the expected transactions.

Results of discontinued operations

	Third quarter		First nine months		Full year
NOK million	2016	2015	2016	2015	2015
External revenue	737	777	2 371	2 432	3 300
Expenses	(702)	(892)	(2 598)	(2 672)	(4 071)
Net financial items	(3)	(1)	(4)	(9)	(15)
Profit (loss) before tax	**31**	**(117)**	**(231)**	**(249)**	**(786)**
Income tax	(12)	54	(13)	20	(34)
Net profit (loss) from operating activities	**19**	**(63)**	**(244)**	**(229)**	**(821)**
Gain (loss) on sale of discontinued operations	-	-	-	-	(23)
Net profit (loss) from discontinued operations	**19**	(63)	**(244)**	(229)	(844)
Basic/diluted earnings (loss) per share from discontinued operations (NOK)	**0.07**	(0.23)	**(0.90)**	(0.85)	(3.11)

In the second quarter of 2016, an impairment loss of NOK 185 million was recognized in MPO, writing down the carrying amount of this disposal group to its fair value less costs to sell.

Cash flows from (used in) discontinued operations

	First nine months		Full year
NOK million	2016	2015	2015
Net cash from operating activities	17	(59)	(322)
Net cash from investing activities	5	(77)	(3)
Net cash flow from discontinued operation	**22**	**(137)**	**(325)**

Assets and liabilities held-for-sale

	September 30
NOK million	2016
Deferred tax assets	167
Intangible assets	534
Property, plant and equipment	222
Current operating assets	1 239
Other current assets	20
Non-current liabilities	(90)
Current operating liabilities	(1 252)
Other current liabilities	(4)
Net assets held-for-sale	**835**

Effects of disposal of subsidiaries

In the third quarter of 2016, the divestment of MPO was completed. The table below shows the effects on the consolidated statement of financial position from disposal.

NOK million	September 30 2016
Intangible assets	(84)
Property, plant and equipment	(13)
Inventories	(109)
Cash and cash equivalents	(13)
Other current assets	(50)
Non-current liabilities	22
Current liabilities	44
Currency translation reserve	20
Equity	**(183)**
Total consideration at fair value*)	183
Portion of consideration received in cash (after transaction costs)	55
Cash and cash equivalents disposed of	(13)
Net cash flow	**43**

*) In additional to net consideration received in cash, Akastor is entitled to an earn-out payment element over the next six years.

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 2015 for descriptions of Akastor's management model and operating segments as well as accounting principles used for segment reporting.

As a result of Frontica Business Solutions and Fjords Processing being classified as discontinued operations, the segment reporting has been reassessed in Q3 2016 and Akastor identified four reportable segments in additional to "Other holdings". The historical comparative figures have been restated accordingly. See also note 5 for more information about the discontinued operations.

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 Q3 2016 an accounting loss to EBITDA of NOK 8 million (loss of NOK 20 million in Q3 2015) and a loss under financial items of NOK 12 million (gain of NOK 41 million in Q3 2015). Corresponding year-to-date figures are an accounting an accounting loss to EBITDA of NOK 11 million (loss of NOK 1 million in 2015) and a loss under financial items of NOK 247 million (gain of NOK 78 million in 2015).

Q3 2016

NOK million	MHWirth	Frontica Advantage	AKOFS Offshore	KOP Surface Products	Other holdings	Eliminations	Total continuing operations
External revenue and other income	822	341	190	65	118	-	**1 537**
Internal revenue	9	24	-	-	18	(51)	**-**
Total revenue	**831**	**365**	**190**	**65**	**137**	**(51)**	**1 537**
Operating profit before depreciation, amortization and impairment (EBITDA)	91	36	49	(5)	(45)	-	**127**
Operating profit (loss) (EBIT)	23	36	(45)	(18)	(68)	-	**(72)**
Capital expenditure and R&D capitalization	3	-	28	5	-	-	**36**
Cash flow from operating activities	113	104	64	(11)	(8)	-	**261**

Q3 2015 (Restated)

NOK million	MHWirth	Frontica Advantage	AKOFS Offshore	KOP Surface Products	Real estate & other holdings	Eliminations	Total continuing operations
External revenue and other income	1 390	576	229	338	354	-	**2 887**
Internal revenue	17	66	-	-	20	(103)	**-**
Total revenue	**1 407**	**642**	**229**	**338**	**374**	**(103)**	**2 887**
Operating profit before depreciation, amortization and impairment (EBITDA)	(90)	31	51	67	(185)	-	**(126)**
Operating profit (loss) (EBIT)	(214)	31	(1 082)	53	(248)	-	**(1 461)**
Capital expenditure and R&D capitalization [1)]	63	-	13	8	4	-	**87**
Cash flow from operating activities	(117)	73	(14)	52	59	-	**53**

First nine months 2016

NOK million	MHWirth	Frontica Advantage	AKOFS Offshore	KOP Surface Products	Other holdings	Eliminations	Total continuing operations
External revenue and other income	2 719	1 270	491	254	476	-	**5 210**
Internal revenue	29	86	-	-	43	(157)	**-**
Total revenue	**2 748**	**1 356**	**491**	**254**	**519**	**(157)**	**5 210**
Operating profit before depreciation, amortization and impairment (EBITDA)	12	69	119	5	(233)	-	**(28)**
Operating profit (loss) (EBIT)	(259)	69	(131)	(38)	(299)	-	**(658)**
Capital expenditure and R&D capitalization	28	-	102	10	5	-	**145**
Cash flow from operating activities	201	156	(186)	3	(173)	-	**1**
Net current operating assets (NCOA)	1 393	(180)	150	148	10	-	**1 520**
Net capital employed	3 846	(117)	4 880	425	419	-	**9 452**

First nine months 2015 (Restated)

NOK million	MHWirth	Frontica Advantage	AKOFS Offshore	KOP Surface Products	Real estate & other holdings	Eliminations	Total continuing operations
External revenue and other income	4 929	2 005	582	917	1 010	-	**9 443**
Internal revenue	66	279	-	-	53	(398)	**-**
Total revenue	**4 994**	**2 284**	**583**	**917**	**1 063**	**(398)**	**9 443**
Operating profit before depreciation, amortization and impairment (EBITDA)	(32)	101	58	190	(145)	-	**173**
Operating profit (loss) (EBIT)	(284)	101	(1 248)	149	(296)	-	**(1 577)**
Capital expenditure and R&D capitalization [1)]	310	-	1 040	15	70	-	**1 436**
Cash flow from operating activities	(678)	29	(231)	158	(293)	-	**(1 016)**
Net current operating assets (NCOA)	2 836	(131)	45	442	(64)	-	**3 129**
Net capital employed	5 212	103	5 171	744	1 496	-	**12 726**

1) Includes capitalized borrowing costs.

NOTE 7 - NET FINANCIAL ITEMS

NOK million	Third quarter 2016	Third quarter 2015 (Restated)	First nine months 2016	First nine months 2015 (Restated)	Full year 2015 (Restated)
Net interest expenses on financial liabilities measured at amortized costs	**(45)**	(59)	**(185)**	(140)	(191)
Financial charges under finance leases	**(73)**	(73)	**(219)**	(214)	(279)
Impairment on available for sale assets	**-**	(80)	**-**	(181)	(202)
Gain (loss) from disposal of external investments	**-**	-	**(27)**	-	-
Net foreign exchange gain (loss)	**(5)**	1	**39**	(13)	49
Profit (loss) on foreign currency forward contracts	**(12)**	41	**(247)**	78	50
Profit (loss) from equity accounted investees	**(27)**	(16)	**(74)**	(27)	(73)
Other financial income (expenses)	**(14)**	(11)	**(30)**	(16)	(30)
Net financial items	**(176)**	(197)	**(744)**	(511)	(677)

Net interest expenses on financial liabilities measured at amortized costs include transaction costs of NOK 53 million as a result of refinancing of external borrowings in Q1 2016. These transaction costs include the unamortized borrowing costs related to the original facilities as well as transaction costs related to the new facilities that do not quality for capitalization as a result of modifications of terms. See also note 4.

Loss from disposal of external investments relates to disposal of shareholdings in Ezra Holding Limited.

Loss on foreign currency forward contracts reflects fair value on hedge contracts that don't qualify for hedge accounting under IFRS. The increased loss in 2016 is mainly related to hedge contracts in MHWirth.

Loss from equity accounted investees relates 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 34 *Financial instruments* in Akastor's Annual Report 2015 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 September 30, 2016	Fair value as of December 31, 2015
Current operating assets			
- Forward foreign exchange contract	Level 2	**203**	1 746
Current operating liabilities			
- Forward foreign exchange contract	Level 2	**(270)**	(1 528)
Non-current liabilities			
- Non-current borrowings	Level 2	**(4 918)**	(1 583)
Current liabilities			
- Current borrowings	Level 2	**(458)**	(4 076)

NOTE 9 - RELATED PARTIES

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 36 Related parties in Akastor's Annual Report 2015.

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

Income statement

	Third quarter		First nine months	
NOK million	2016	2015	2016	2015
Operating revenue	**328**	571	**1 286**	2 009
Operating costs	**(11)**	(54)	**(36)**	(185)
Net financial items	**(73)**	(73)	**(219)**	(214)
Net profit (loss) from discontinued operations	**289**	387	**909**	1 263

Financial position - Assets (Liabilities)

NOK million	September 30 2016	December 31 2015
Trade receivables	**42**	154
Property, plant and equipment under finance lease (Aker Wayfarer)	**1 554**	1 313
Other non-current assets under finance lease (Aker Wayfarer)	**-**	410
Assets held-for-sale	**86**	-
Trade payables	**(20)**	(51)
Finance lease liability (Aker Wayfarer)	**(1 557)**	(1 645)
Liabilities held-for-sale	**(4)**	-

Related party transactions with joint venture

During the first half year of 2016, the shareholder's loan to DOF Deepwater AS, a joint venture with DOF ASA, was increased by NOK 110 million. As of September 30, 2016, the carrying amount of the interest-bearing receivables from DOF Deepwater AS is NOK 197 million (NIBOR 6 months+ 3.6 percent).

NOTE 10 - CURRENT OPERATING ASSETS AND LIABILITIES

NOK million	September 30 2016	December 31 2015
Inventories	**1 162**	1 464
Trade receivables	**1 707**	3 015
Amounts due from customers for construction work	**937**	1 402
Advances to suppliers	**111**	203
Accrued operating revenue	**24**	377
Current tax assets	**21**	2
Hedge adjustments, assets	**203**	1 746
Other receivables	**687**	962
Total current operating assets	**4 853**	**9 171**
Trade payables	**325**	898
Amounts due to customers for construction work, including advances	**1 416**	510
Provisions	**276**	553
Current tax liabilities	**19**	89
Hedge adjustments, liabilities	**270**	1 528
Accrued operating expenses and other liabilities	**1 084**	3 034
Total current operating liabilities	**3 391**	**6 613**

NOTE 11 - EVENTS AFTER REPORTING DATE

On October 3, 2016, Akastor announced that it entered into a definitive agreement to sell Frontica Business Solutions to Cognizant for a consideration of NOK 1,025 million on a debt- and cash-free basis. Frontica Business Solutions is comprised of Information Technology Outsourcing (ITO) and Business Process Outsourcing (BPO) business segments of Frontica Group, and excludes Frontica's staffing business, Frontica Advantage. The completion of the transaction is subject to customary closing conditions, including regulatory competition filing in Norway. Closing of the transaction is expected to take place in Q4 2016 and the estimated accounting gain is approximately NOK 500 million.

On October 27, 2016, Akastor announced that it entered into a definitive agreement to sell Fjords Processing to National Oilwell Varco for a consideration of NOK 1,200 million on a debt- and cash-free basis. The transaction is expected to be completed in Q4 2016, pending clearance from Norwegian and Korean competition authorities.The estimated accounting gain is approximately NOK 650 million.

In October 2016, AKOFS Offshore reached an agreement with Petrobras for an extended period (approximately 1 year) for the 5 years contract for Aker Wayfarer vessel. The contract is effective with a reduced dayrate until commencement of operations, which is expected to take place in Q4 2017. The parties have further agreed to certain contract amendments for both the Aker Wayfarer contract and the Skandi Santos contract, including more robust downtime provisions. The contract rate and duration for Skandi Santos remains unchanged.

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 interest-bearing debt - Sum of current and non-current borrowings

Net interest-bearing debt (Net debt, NIBD) - Gross interest-bearing debt minus (i) current and non-current interest-bearing receivables, (ii) 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 sales revenue from the contracts or orders that are entered into or committed in the reporting period

Order backlog - Represents the remaining unearned sales revenue from the contracts that are already entered into at the reporting date

Book-to-bill ratio - Order intake divided by revenue in the reporting period

Financial Calendar
Fourth quarter and preliminary annual 2016 results, February 16, 2017.

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