

# Q4 & PRELIMINARY ANNUAL RESULTS 2015

Kristian Røkke and Leif Borge  
Oslo | February 17, 2016



AKASTOR

# Agenda



## FOURTH QUARTER HIGHLIGHTS

Kristian Røkke  
CEO



## FINANCIALS

Leif Borge  
CFO



## Q & A

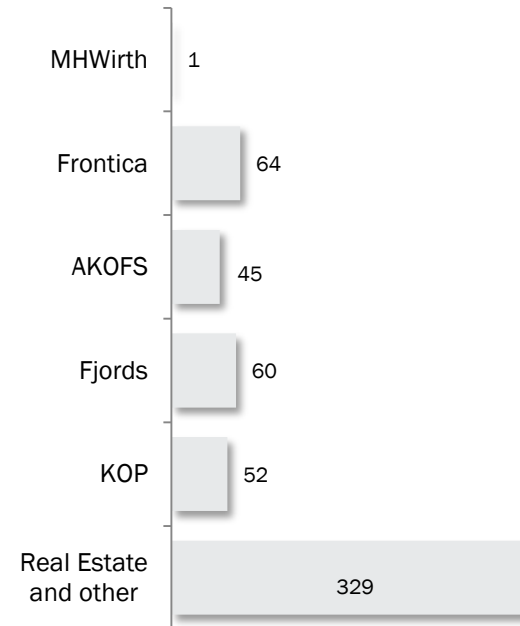
Kristian Røkke and Leif Borge

# Highlights

- ✓ EBITDA of NOK 552 million
  - Normalized EBITDA of NOK 231 million
  - Real estate gain of NOK 310 million
- ✓ Financial position strengthened
  - Real estate cash release of NOK 1.2 billion
  - Working capital reduced by NOK 0.6 billion
  - Liquidity reserve of NOK 2.6 billion
- ✓ Significant measures taken in face of challenging market conditions

## EBITDA

NOK 552 million



**EBITDA**

NOK 552 million

**NIBD**

NOK 4.9 billion

**Order Backlog**

NOK 15.6 billion

# Portfolio highlights



- ✓ Lower activity level among clients affecting revenues, especially within staffing
- ✓ Stable EBITDA margin, lower activity level offset by capacity adjustments
- ✓ Five year contract with Aker Solutions announced in February 2016



- ✓ Skandi Santos close to full utilization
- ✓ Aker Wayfarer undergoing conversion at a yard in Norway
- ✓ AKOFS Seafarer idle during the fourth quarter



- ✓ Record strong earnings during fourth quarter
- ✓ Growth in service revenue on installed base
- ✓ Challenging market situation in Americas



- ✓ High margins due to improved operational performance and cost efficiency
- ✓ Low order intake as a result of weak market conditions
- ✓ Headcount reductions implemented at Batam facility

Other holdings

- ✓ Real estate portfolio sold for NOK 1 243 million in the quarter

# MHWirth highlights

- ✓ **Weak earnings, strong NCOA reduction**
  - Normalized EBITDA of NOK 34 million
  - Strong lifecycle services performance
  - Working capital reduction of NOK 682 million
  
- ✓ **Brazil situation remains uncertain**
  - Work on the last four Sete units on hold
  - Plant in Macaé, Brazil completed
  
- ✓ **Cost base reduced substantially**
  - Headcount reduction of 54% since YE 2014
  - Cost base reduced by NOK 1.7 billion
  - New and simplified organizational structure
  - Finn Amund Norbye appointed CEO



# Business environment

## ✓ E&P spending pressure continues

- E&P spending expected down 20-30% in 2016
- Visibility remains low
- Cost deflation gaining momentum

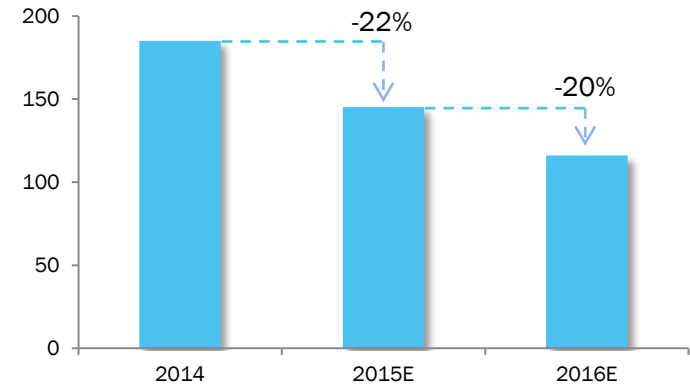
## ✓ Drilling market remains challenging

- Utilization rates at lowest levels in 20+ years
- Continued fleet attrition in 2016 and 2017
- Offshore well costs significantly down

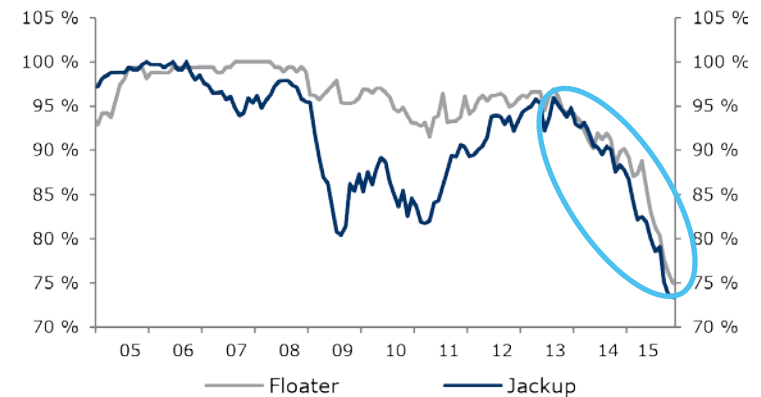
## ✓ Areas of opportunity

- Increased portfolio footprint in the Middle East
- Increased interest for innovative product offerings to reduce cost
- M&A opportunities expected to increase

Offshore E&P spending (USDbn)<sup>1</sup>



Rig Utilization<sup>2</sup>



(1) DNB Equity Research, January 2016; (2) Clarksons Platou Rig Monthly, December 2015

# Akastor as an investment company

## ✓ Satisfactory financial position

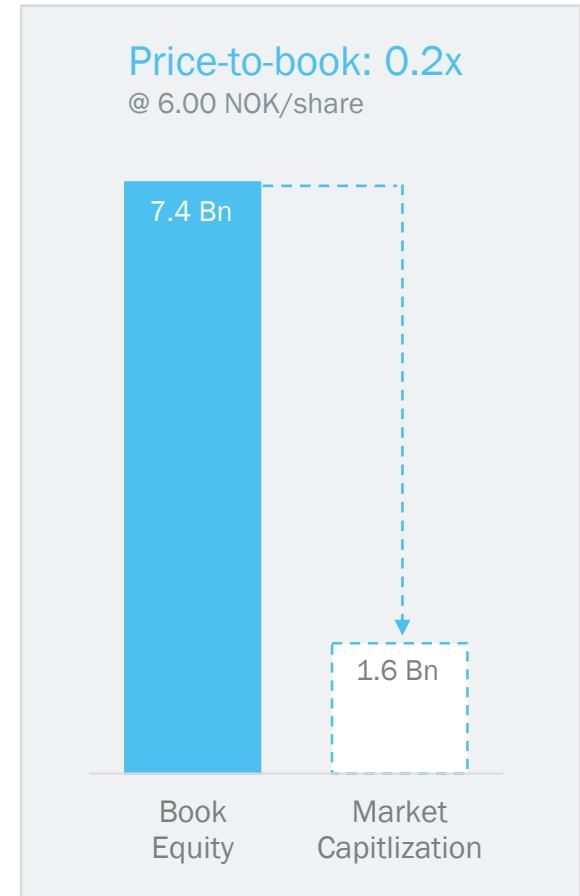
- Secured refinancing commitment
- Comfortable liquidity position
- Certain restrictions on dividends, new debt and acquisitions

## ✓ Attractive value potential in Akastor portfolio

- Strong market positions across portfolio
- Untapped business extension opportunities
- Earnings headwinds in 2016

## ✓ Flexible mandate offers unique advantages

- Flexible ownership time horizon
- Transaction structure flexibility



# Agenda



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## Q & A

Kristian Røkke and Leif Borge



# Condensed consolidated income statement

| <i>NOK million</i>  | Fourth Quarter |              | Full Year      |                |
|---|----------------|--------------|----------------|----------------|
|   | 2015           | 2014         | 2015           | 2014           |
| Operating revenues and other income   | 3 952          | 5 326        | 15 869         | 21 432         |
| Operating expenses  | (3 400)        | (5 063)      | (15 168)       | (20 052)       |
| <b>Operating profit before depreciation, amortization and impairment (EBITDA)</b> | <b>552</b>     | <b>262</b>   | <b>702</b>     | <b>1 380</b>   |
| Depreciation and amortization   | (279)          | (258)        | (1 103)        | (922)          |
| Impairment  | (615)          | (107)        | (1 758)        | (1 164)        |
| <b>Operating profit (loss)</b>  | <b>(342)</b>   | <b>(102)</b> | <b>(2 159)</b> | <b>(706)</b>   |
| Net financial items   | (171)          | (396)        | (691)          | (947)          |
| <b>Profit (loss) before tax</b>   | <b>(513)</b>   | <b>(498)</b> | <b>(2 851)</b> | <b>(1 653)</b> |
| Tax income (expense)  | (124)          | 23           | 286            | 266            |
| <b>Profit (loss) from continuing operations</b>                                   | <b>(638)</b>   | <b>(475)</b> | <b>(2 564)</b> | <b>(1 387)</b> |
| Net profit from discontinued operations   | (23)           | (27)         | (23)           | 3 880          |
| <b>Profit (loss) for the period</b>   | <b>(661)</b>   | <b>(502)</b> | <b>(2 587)</b> | <b>2 493</b>   |

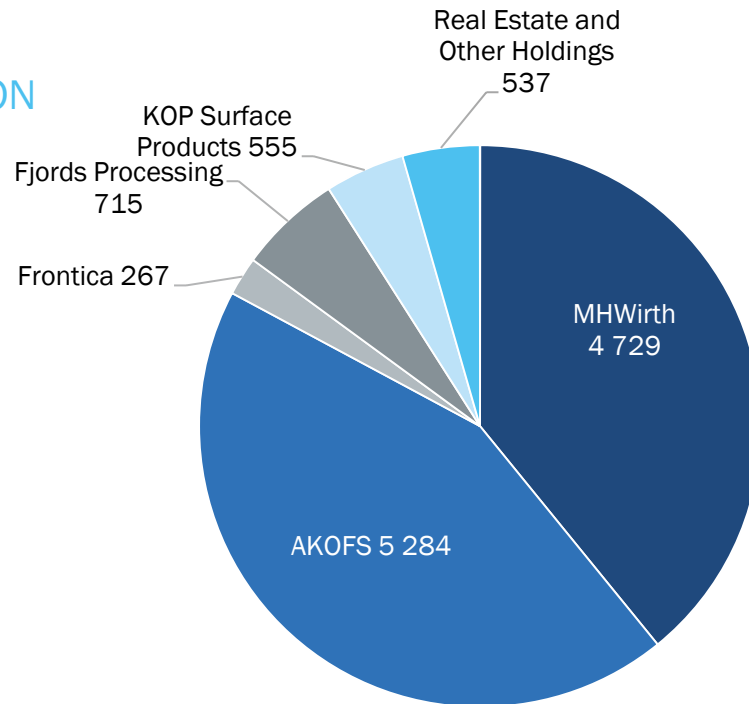
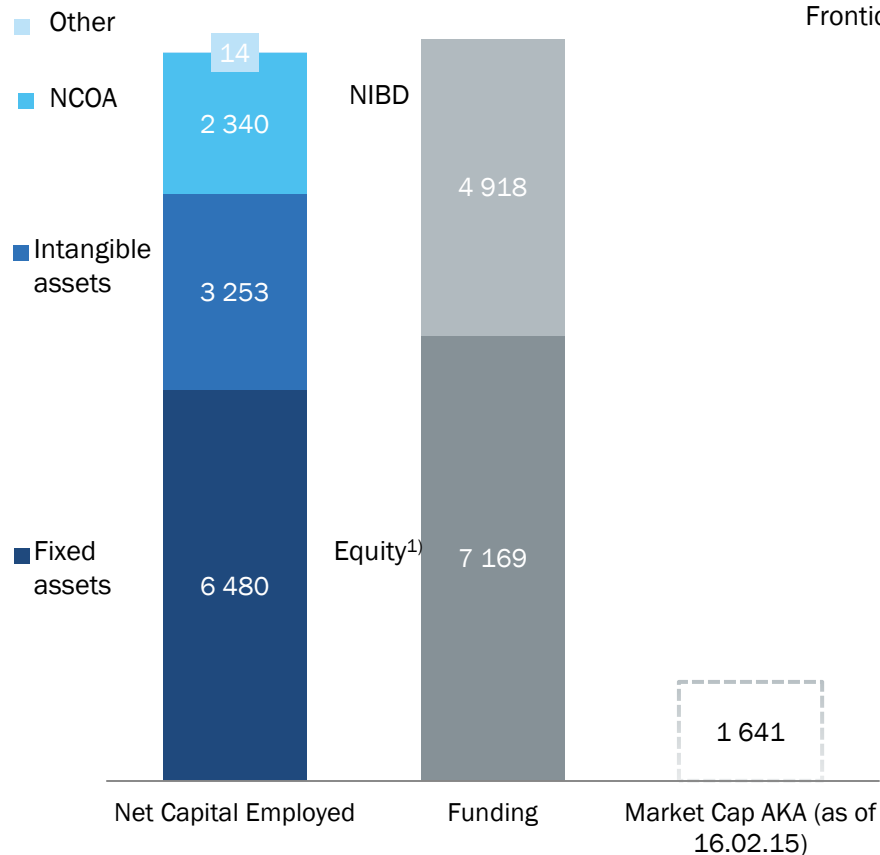
# Financials - Special Items

| <i>NOK million</i>          | Q4 normal business | Hedging   | Real estate gain | Restructuring costs | Impairments  | Sum one-offs | Q4 including all one-offs |
|-----------------------------|--------------------|-----------|------------------|---------------------|--------------|--------------|---------------------------|
| <b>EBITDA</b>               | <b>231</b>         | <b>53</b> | <b>310</b>       | <b>(42)</b>         | <b>-</b>     | <b>321</b>   | <b>552</b>                |
| Depreciation & amortization | (279)              |           |                  |                     |              | -            | (279)                     |
| Impairment                  | -                  | -         |                  | -                   | (615)        | (615)        | (615)                     |
| <b>EBIT</b>                 | <b>(48)</b>        | <b>53</b> | <b>310</b>       | <b>(42)</b>         | <b>(615)</b> | <b>(294)</b> | <b>(342)</b>              |

# The Akastor portfolio

## NET CAPITAL EMPLOYED OF NOK 12.1 BILLION

NOK million



### NET CAPITAL EMPLOYED REDUCED WITH NOK 2.2 BN in Q4

- Real Estate portfolio sold for NOK 1.2 bn
- Impairment of fixed assets by NOK 0.6 bn
- Decrease in NCOA of NOK 0.6 bn

1) Equity excludes cash flow hedge reserve

# Capital structure

- ✓ Extended existing facilities to 2019
- ✓ New revolving facility of NOK 362.5 million due in 2017
- ✓ Terms:
  - NOK 600 million reduction in two years (2019 facilities)
  - Certain restrictions on dividends, new debt and acquisitions
- ✓ Financial Covenants:
  - Gearing: Net Debt/ Equity < 1.0
  - Minimum liquidity: NOK 750 million
  - Interest coverage ratio: EBITDA/ net interest (see table)
- ✓ Net Debt of NOK 4.9 bn as of Q4:
  - Gross Debt of NOK 5.6 bn
  - Cash of NOK 0.6 bn
  - Interest bearing assets of NOK 0.1 bn
- ✓ Liquidity reserve of NOK 2.6 bn

## FUNDING

|                 | SIZE              | MATURITY      | MARGIN            |
|-----------------|-------------------|---------------|-------------------|
| TERM LOAN       | USD 422.5 million | July 2019     | 1.65%-4.5%        |
| REVOLVING       | NOK 2.0 billion   | July 2019     | 1.65%-4.5%        |
| REVOLVING       | NOK 362.5 million | June 2017     | 1.65%-4.5%        |
| BRAZIL FACILITY | BRL 129 million   | December 2021 | 6.6% average cost |

## INTEREST COVERAGE RATIO

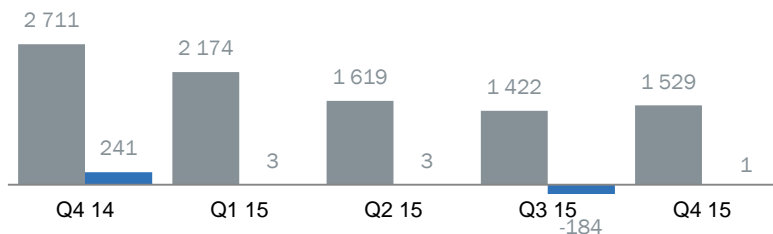
| 2016 |     | 2017 |     |
|------|-----|------|-----|
| Q1   | 0.7 | Q1   | 3.0 |
| Q2   | 0.7 | Q2   | 4.0 |
| Q3   | 0.7 | Q3   | 4.0 |
| Q4   | 1.5 | Q4   | 4.0 |

# MHWirth

- Revenues down 37 percent in 2015 compared with 2014, revenues from life-cycle services down 5%
- EBITDA of NOK 1 million in the quarter including:
  - Restructuring cost of NOK 33 million
  - MPO loss of NOK 42 million
- Impairment of MPO assets NOK 488 million
- Order intake of NOK 1 108 million mainly from life-cycle services
- NCOA down NOK 682 million due to payments from customers

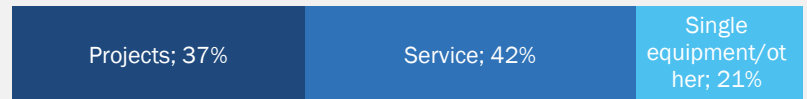
## Revenue and EBITDA

NOK million



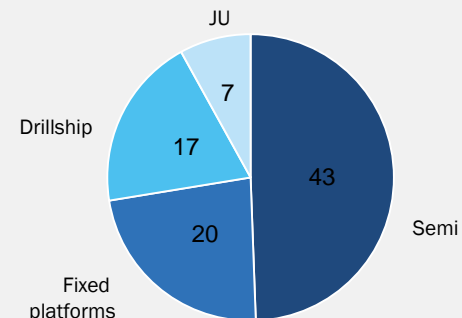
■ Revenue ■ EBITDA

## BUSINESS SPLIT YTD BASED ON REVENUE

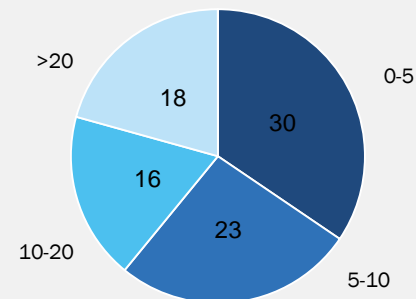


## INSTALLED BASE (87 UNITS)

by type



by age (years)

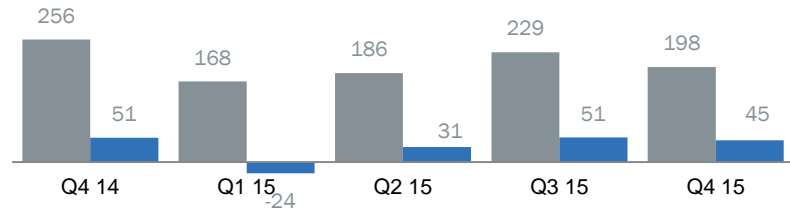


# AKOFS Offshore

- Skandi Santos with close to full utilization
- Aker Wayfarer worked for one month, then started conversion
- AKOFS Seafarer cold stacked in Q4, reducing opex to below USD 10 000 per day

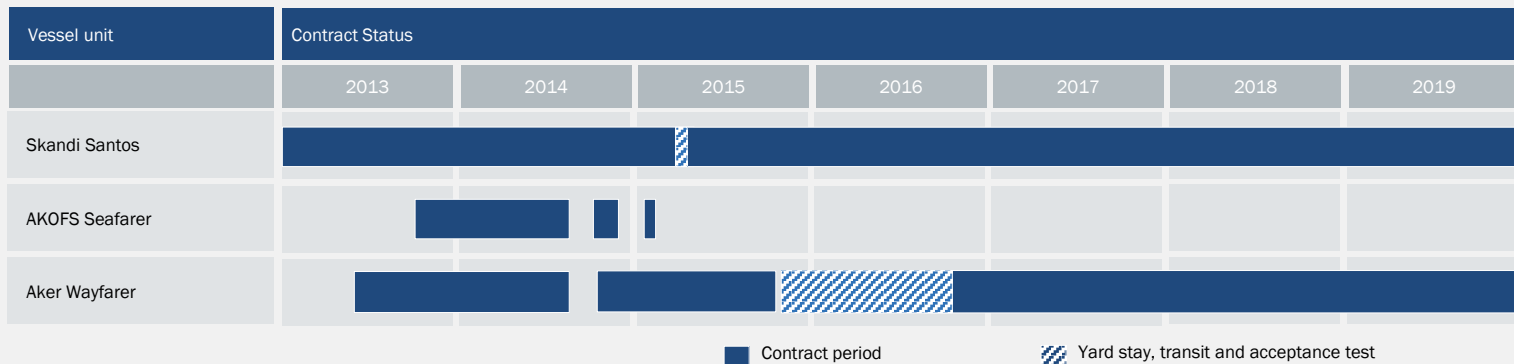
## Revenue and EBITDA

NOK million



■ Revenue ■ EBITDA

## VESSEL PROGRAM

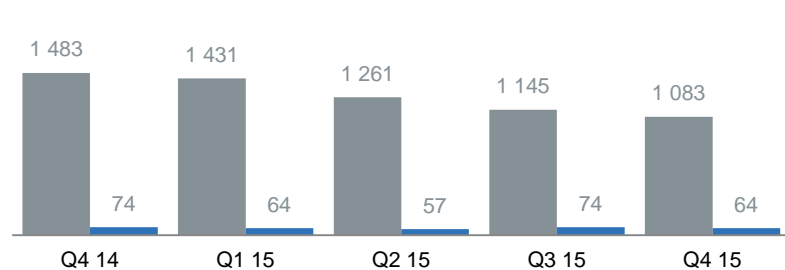


## Frontica Business Solutions

- Revenue of NOK 1 083 million in the quarter, down 27% compared with 2014 due to lower activity level of key clients
- EBITDA of NOK 64 million with a margin of 5.9 percent

### Revenue and EBITDA

NOK million



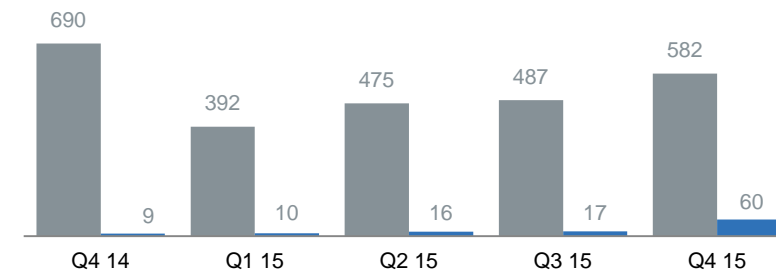
■ Revenue ■ EBITDA

## Fjords Processing

- Revenues of NOK 582 million in Q4, down from NOK 690 million in 2014, mainly due to lower activity in North America
- EBITDA of NOK 60 million in Q4 compared with NOK 9 million in 2014
- Order intake of NOK 789 million in Q4

### Revenue and EBITDA

NOK million



## KOP Surface Products

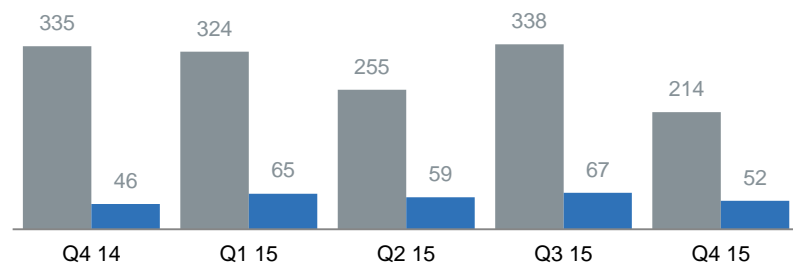
- Revenues in NOK decreased by 36 % compared with corresponding quarter last year (50 % down in USD)
- EBITDA of NOK 52 million gave a margin of 24.3 % in the quarter
- Order intake of NOK 91 million in Q4

## Real Estate and other holdings

- Real Estate portfolio sold for NOK 1 243 million
- Step Oiltools and First Geo: EBITDA of NOK -12 million
- Real Estate with EBITDA of NOK 312 million
- Effect from hedges not qualifying for hedge accounting of NOK 53 million

### Revenue and EBITDA

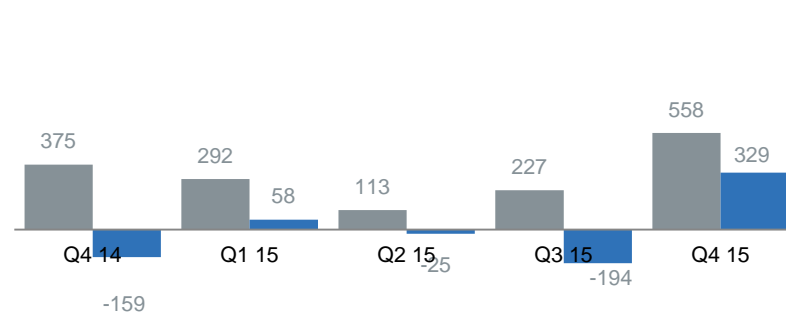
NOK million



■ Revenue ■ EBITDA

### Revenue and EBITDA

NOK million





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# Additional information

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| <b>Profit (loss) for the period</b>   | <b>(661)</b>   | <b>(502)</b> | <b>(2 587)</b> | <b>2 493</b>   |

# Consolidated balanced sheet

| <i>NOK million</i>                                   | December 31<br>2015 | December 31<br>2014 |
|--|---------------------|---------------------|
| Deferred tax assets                                  | 468                 | 214                 |
| Intangible assets                                    | 2 785               | 3 122               |
| Property, plant and equipment                        | 6 480               | 6 469               |
| Investment property                                  | 0                   | 707                 |
| Other non-current operating assets                   | 478                 | 691                 |
| Other Investments                                    | 437                 | 610                 |
| Non-current interest-bearing receivables             | 84                  | 131                 |
| <b>Total non-current assets</b>                      | <b>10 732</b>       | <b>11 946</b>       |
| Current operating assets                             | 9 171               | 11 204              |
| Current interest-bearing receivables                 | 72                  | 205                 |
| Cash and cash equivalents                            | 563                 | 1 075               |
| <b>Total current assets</b>                          | <b>9 805</b>        | <b>12 485</b>       |
| <b>Total assets</b>                                  | <b>20 537</b>       | <b>24 430</b>       |
| Equity attributable to equity holders of Akastor ASA | 7 386               | 9 378               |
| <b>Total equity</b>                                  | <b>7 386</b>        | <b>9 378</b>        |
| Deferred tax liabilities                             | 51                  | 483                 |
| Employee benefit obligations                         | 434                 | 473                 |
| Other non-current liabilities                        | 414                 | 285                 |
| Non-current borrowings                               | 1 583               | 4 720               |
| <b>Total non-current liabilities</b>                 | <b>2 483</b>        | <b>5 961</b>        |
| Current operating liabilities                        | 6 613               | 8 782               |
| Current borrowings                                   | 4 054               | 308                 |
| <b>Total current liabilities</b>                     | <b>10 667</b>       | <b>9 090</b>        |
| <b>Total liabilities and equity</b>                  | <b>20 537</b>       | <b>24 430</b>       |

# Key figures

## AKASTOR GROUP

| <i>Amounts in NOK million</i>      | Q4 14  | Q1 15  | Q2 15  | Q3 15   | Q4 15  | 2014   | 2015    |
|------------------------------------|--------|--------|--------|---------|--------|--------|---------|
| Operating revenue and other income | 5 326  | 4 546  | 3 693  | 3 678   | 3 952  | 21 432 | 15 869  |
| EBITDA                             | 262    | 177    | 141    | (169)   | 552    | 1 380  | 702     |
| EBIT                               | (103)  | (98)   | (143)  | (1 576) | (342)  | (706)  | (2 159) |
| CAPEX and R&D capitalization       | 360    | 1 127  | 280    | 107     | 146    | 1 098  | 1 659   |
| NCOA                               | 2 084  | 2 956  | 2 925  | 2 920   | 2 340  | 2 084  | 2 340   |
| Net capital employed               | 12 656 | 14 777 | 14 710 | 14 297  | 12 087 | 12 656 | 12 087  |
| Order intake                       | 5 247  | 3 079  | 2 289  | 2 358   | 2 779  | 25 254 | 10 506  |
| Order backlog                      | 21 555 | 19 998 | 18 678 | 17 781  | 15 616 | 21 555 | 15 616  |
| Employees                          | 7 609  | 7 061  | 6 585  | 6 098   | 5 677  | 7 609  | 5 677   |

# Split per company

## MHWIRTH

| <i>Amounts in NOK million</i>      | Q4 14 | Q1 15 | Q2 15 | Q3 15 | Q4 15 | 2014   | 2015    |
|------------------------------------|-------|-------|-------|-------|-------|--------|---------|
| Operating revenue and other income | 2 711 | 2 174 | 1 619 | 1 422 | 1 529 | 10 681 | 6 743   |
| EBITDA                             | 241   | 3     | 3     | (184) | 1     | 941    | (176)   |
| EBIT                               | 102   | (107) | (103) | (351) | (642) | 526    | (1 204) |
| CAPEX and R&D capitalization       | 253   | 107   | 152   | 69    | 56    | 762    | 385     |
| NCOA                               | 2 298 | 2 839 | 2 887 | 2 934 | 2 252 | 2 298  | 2 252   |
| Net capital employed               | 5 328 | 5 863 | 6 021 | 6 100 | 4 729 | 5 328  | 4 729   |
| Order intake                       | 1 569 | 788   | 932   | 692   | 1 108 | 6 941  | 3 521   |
| Order backlog                      | 9 566 | 7 659 | 7 110 | 6 410 | 5 750 | 9 566  | 5 750   |
| Employees                          | 4 237 | 3 990 | 3 694 | 3 334 | 3 005 | 4 237  | 3 005   |

## FRONTICA

| <i>Amounts in NOK million</i>      | Q4 14 | Q1 15 | Q2 15 | Q3 15 | Q4 15 | 2014  | 2015  |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating revenue and other income | 1 483 | 1 431 | 1 261 | 1 145 | 1 083 | 5 753 | 4 919 |
| EBITDA                             | 74    | 64    | 57    | 74    | 64    | 315   | 260   |
| EBIT                               | 49    | 38    | 31    | 45    | 33    | 218   | 147   |
| CAPEX and R&D capitalization       | 56    | 17    | 8     | 5     | 13    | 110   | 43    |
| NCOA                               | (237) | (119) | (298) | (426) | (303) | (237) | (303) |
| Net capital employed               | 374   | 493   | 300   | 187   | 267   | 374   | 267   |
| Order intake                       | 1 658 | 1 495 | 804   | 1 088 | 997   | 8 196 | 4 384 |
| Order backlog                      | 2 620 | 2 698 | 2 260 | 2 235 | 1 754 | 2 620 | 1 754 |
| Employees                          | 1 356 | 1 135 | 1 065 | 1 029 | 983   | 1 356 | 983   |

# Split per company

## AKOFS OFFSHORE

| Amounts in NOK million             | Q4 14 | Q1 15 | Q2 15 | Q3 15   | Q4 15 | 2014    | 2015    |
|------------------------------------|-------|-------|-------|---------|-------|---------|---------|
| Operating revenue and other income | 256   | 168   | 186   | 229     | 198   | 1 542   | 781     |
| EBITDA                             | 51    | (24)  | 31    | 51      | 45    | 175     | 104     |
| EBIT                               | (21)  | (109) | (56)  | (1 082) | (41)  | (1 117) | (1 288) |
| CAPEX and R&D capitalization       | 3     | 967   | 61    | 13      | 17    | 5       | 1 057   |
| NCOA                               | 63    | 31    | 99    | 45      | 69    | 63      | 69      |
| Net capital employed               | 4 374 | 5 563 | 5 567 | 5 171   | 5 284 | 4 374   | 5 284   |
| Order intake                       | 142   | 120   | 66    | 107     | 12    | 6 140   | 305     |
| Order backlog                      | 6 186 | 6 371 | 6 194 | 6 395   | 6 430 | 6 186   | 6 430   |
| Employees                          | 115   | 98    | 102   | 102     | 91    | 115     | 91      |

## FJORDS PROCESSING

| Amounts in NOK million             | Q4 14 | Q1 15 | Q2 15 | Q3 15 | Q4 15 | 2014  | 2015  |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating revenue and other income | 690   | 392   | 475   | 487   | 582   | 2 322 | 1 936 |
| EBITDA                             | 9     | 10    | 16    | 17    | 60    | 52    | 104   |
| EBIT                               | 1     | 2     | 7     | 7     | 51    | 25    | 67    |
| CAPEX and R&D capitalization       | 36    | 8     | 13    | 9     | 15    | 62    | 44    |
| NCOA                               | (131) | (97)  | (70)  | (4)   | 117   | (131) | 117   |
| Net capital employed               | 463   | 515   | 532   | 618   | 715   | 463   | 715   |
| Order intake                       | 505   | 435   | 500   | 391   | 789   | 2 197 | 2 116 |
| Order backlog                      | 1 190 | 1 228 | 1 245 | 1 148 | 1 398 | 1 190 | 1 398 |
| Employees                          | 617   | 583   | 572   | 542   | 545   | 617   | 545   |

# Split per company

## KOP SURFACE PRODUCTS

| <i>Amounts in NOK million</i>      | Q4 14 | Q1 15 | Q2 15 | Q3 15 | Q4 15 | 2014  | 2015  |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating revenue and other income | 335   | 324   | 255   | 338   | 214   | 1 119 | 1 131 |
| EBITDA                             | 46    | 65    | 59    | 67    | 52    | 156   | 242   |
| EBIT                               | 24    | 51    | 45    | 53    | 28    | 109   | 177   |
| CAPEX and R&D capitalization       | 5     | 4     | 3     | 8     | 16    | 32    | 31    |
| NCOA                               | 375   | 420   | 410   | 442   | 240   | 375   | 240   |
| Net capital employed               | 674   | 718   | 700   | 744   | 555   | 674   | 555   |
| Order intake                       | 330   | 216   | 138   | 108   | 91    | 1 052 | 553   |
| Order backlog                      | 659   | 590   | 466   | 264   | 149   | 659   | 149   |
| Employees                          | 854   | 848   | 736   | 693   | 682   | 854   | 682   |

## REAL ESTATE AND OTHER HOLDINGS

| <i>Amounts in NOK million</i>      | Q4 14 | Q1 15 | Q2 15 | Q3 15 | Q4 15 | 2014  | 2015  |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating revenue and other income | 375   | 292   | 113   | 227   | 558   | 975   | 1 190 |
| EBITDA                             | (159) | 58    | (25)  | (194) | 329   | (260) | 168   |
| EBIT                               | (258) | 27    | (66)  | (249) | 229   | (469) | (59)  |
| CAPEX and R&D capitalization       | 7     | 23    | 42    | 4     | 30    | 128   | 99    |
| NCOA                               | (284) | (117) | (103) | (70)  | (34)  | (284) | (34)  |
| Net capital employed               | 1 443 | 1 625 | 1 590 | 1 478 | 537   | 1 443 | 537   |
| Order intake                       | 1 653 | 210   | 46    | 105   | 319   | 2 097 | 679   |
| Order backlog                      | 1 658 | 1 728 | 1 660 | 1 545 | 412   | 1 658 | 412   |
| Employees                          | 430   | 407   | 416   | 398   | 372   | 430   | 372   |



# AKASTOR



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