

AKASTOR 

2016
ANNUAL
REPORT

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KEY FIGURES (CONTINUING)

2016 2015

Results and orders (NOK million)

Total revenue and other income	5 310	9 983
EBITDA	69	567
EBITDA margin (percent)	1.3	5.7
Net profit (loss)	(2 017)	(1 844)
Net profit (loss) incl discontinued operations	(1 282)	(2 587)
Cash flow from operating activities	(56)	(289)
Borrowings	3 054	5 637
Equity ratio (percent)	43	36
Order intake	3 907	5 368
Order backlog December 31	7 753	12 702

Share (NOK)

Share price December 31	16.2	12.0
Basic/Diluted earnings per share	(4.73)	(9.54)

Employees (Full time equivalents)

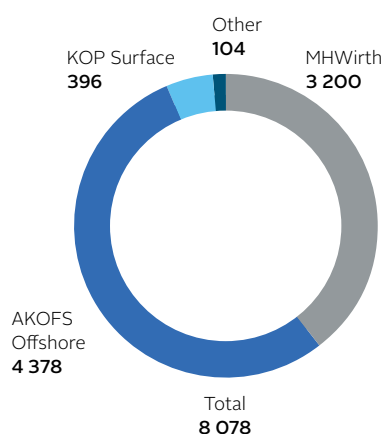
Employees including hired-ins per December 31	2 702	4 069
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Health and Safety

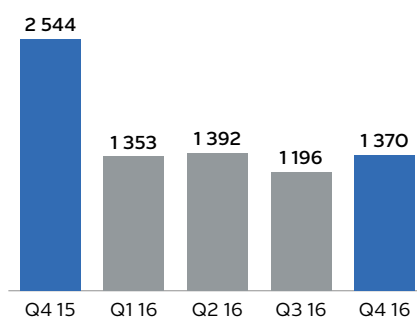
Lost time incident frequency (per million worked hours)	1.2	0.7
Total recordable incident frequency (per million worked hours)	1.9	1.6
Sick leave rate (percent of worked hours)	2.8	2.4

Net capital employed

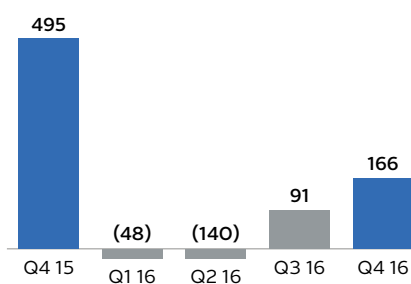
NOK million

**Revenue**

NOK million

**EBITDA**

NOK million





01. THIS IS AKASTOR

Akastor ASA, hereinafter referred to as Akastor, was the surviving entity in the demerger of Aker Solutions in September 2014. Akastor is a Norway-based oil-services investment company with a portfolio of industrial holdings, real estate and other investments. The company has a flexible mandate for active ownership and long-term value creation.

Business Model

Per 31 December 2016, the portfolio comprises: drilling systems and lifecycle services supplier MHWirth; vessel-based subsea well construction and intervention services provider AKOFS Offshore; surface oil and gas equipment supplier KOP Surface Products; and other smaller sized holdings. The portfolio businesses are developed as stand-alone entities under the Akastor umbrella and represent the Company's four reporting segments. Akastor operates globally and has a number of subsidiaries located worldwide.

Akastor has a range of strategic, operational and financial value-creating measures at its disposal, including operational improvements and organic growth, acquisitions and divestments, and financial measures. The aim is to maximize value potential of each entity by clarifying the portfolio companies' business models, capitalize on their market positions, and strengthen underdeveloped areas of value creation.

Highlights During the Year

In 2016, Akastor carried out several transactions. In July, Managed Pressure Operations was sold to AF Global. In November, Akastor and Mitsui/MOL created a joint venture, Avium Subsea, with 50/50 ownership between AKOFS Offshore AS ("AKOFS") and Mitsui/MOL. Later in November, Akastor sold Frontica Business Solutions to Cognizant. Further, Akastor sold Fjords Processing to National Oilwell Varco in December 2016. Akastor also announced the merger of Frontica Advantage and NES Global Talent in 2016. Initially, Akastor received a 15.2% ownership position in the combined entity with potential to increase its ownership depending on the growth of Advantage over the next three years. The transaction was closed in January 2017.

Holding and Earnings

Aker Kværner Holding AS, which is owned 70 percent by Aker ASA and 30 percent by the Norwegian government, is the largest shareholder of Akastor owning 40.27 percent of the shares. Aker ASA also has a direct shareholding in Akastor of 8.5 percent. Akastor shares are traded on the Oslo Stock Exchange under the ticker AKA.

Akastor's portfolio companies generated 2016 revenues of NOK 5.3 billion, EBITDA of NOK 69 million and employ 2 702 people worldwide. Akastor operates a corporate centre with 22 employees situated at Fornebu, Norway.



Current Portfolio

MHWirth

MHWirth is a leading global provider of first-class drilling solutions and services. The company's knowledge and technologies span from reservoir to production and through the life of the field.

With a legacy founded more than a century ago, MHWirth's reputation is preserved through a combination of values, people and innovative technologies. The company vision drives a strong commitment to quality and yielding economic advantages for its customers and stakeholders.

Today, MHWirth has a strong regional presence covering five continents with offices in more than 16 countries. Proven by a respected track record and a vast collection of customer success stories, MHWirth's 1 700 dedicated professionals consistently strive to enhance customer satisfaction and form meaningful collaborations. MHWirth had revenues of NOK 3.5 billion and an EBITDA of NOK 71 million in 2016.

AKOFS Offshore

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

The company currently operates three state-of-the-art vessels, the AKOFS Seafarer, the Skandi Santos and the Aker Wayfarer, which are designed to perform operations in up to 3 000 meters (9 800 feet) of water. The Skandi Santos began operating in 2010, the Aker Wayfarer in 2011 and the AKOFS Seafarer in 2013, making AKOFS Offshore's fleet one of the most modern of its kind.

AKOFS Offshore has the competence and equipment needed to provide offshore oilfield services to leading oil and gas producers and subsea service providers around the globe. AKOFS offshore had revenues of NOK 835 million, EBITDA of NOK 316 million in 2016 and employs 113 people.

In November 2016 AKOFS Offshore entered into a 50/50 joint venture with Mitsui O.S.K. Lines, Ltd (MOL) and Mitsui & Co., Ltd. (Mitsui) to create Avium Subsea AS.

Avium Subsea AS has acquired the high-end subsea vessel Skandi Santos, which is on hire and operated by AKOFS Offshore on contract to Brazil's national oil company, Petrobras.

KOP Surface Products

KOP Surface Products is an international supplier of surface wellheads, trees, valves and actuators to the oil and gas industry. KOP has been providing engineering, manufacturing, installation and life-of field support services customized to its customers' needs since 1934. As a one-stop solutions provider, KOP develops reliable and cost-effective products and solutions in cooperation with its customers, with focus not only on products and tools, but also on optimization of jacket design, drilling and operational cost. KOP has grown rapidly in recent years by expanding its footprint and market share on a global scale. The company is headquartered in Singapore and with its main manufacturing operations in Batam, Indonesia. Highly qualified employees provides worldwide installation and operational assistance for all products through a global network of service centres. KOP had revenues of NOK 335 million and EBITDA of negative NOK 22 million in 2016, employs 488 people.

Other Holdings

In addition to the portfolio companies, Akastor has invested in other smaller sized holdings which include 100 percent ownership of First Geo and Cool Sorption, a 76 percent stake in STEP Oiltools and a 50 percent stake in DOF Deepwater.

Other holdings reported revenues of NOK 674 million and EBITDA of NOK negative NOK 296 million in 2016.

02. BOARD OF DIRECTORS' REPORT

Akastor ASA (hereinafter referred to as Akastor) is an investment company based in Norway with a portfolio of companies in the oilfield services sector with a flexible mandate for active ownership and long-term value creation. Aker Kværner Holding AS, which is 70 percent owned by Aker ASA and 30 percent by the Norwegian government, is the largest shareholder of Akastor with a shareholding of 40.27 percent. Aker ASA also has a direct shareholding in Akastor of 8.5 percent. The shares of Akastor are traded on the Oslo Stock Exchange under the ticker AKA. The Akastor portfolio of companies had a total net capital employed of NOK 8.1 billion at the end of 2016.

Highlights 2016

In 2016, Akastor announced and concluded several transactions, releasing approximately NOK 2.6 billion in cash. At the end of the year, the company had reduced its net debt by NOK 2.5 billion to NOK 2.6 billion, and had a liquidity reserve including bank facilities of approximately NOK 3.1 billion. During 2016, Akastor sold the portfolio companies Frontica Business Solutions, Fjords Processing and Managed Pressure Operations (MPO). In January 2017, the transaction involving Frontica Advantage was completed. Following the above mentioned transactions, these operations have been classified as discontinued operations and excluded from the group's key figures. The figures and operations referred to in this report are related to continuing operations and historical comparative figures have been restated accordingly. Net profit from these discontinued operations ended at NOK 734 million.

Akastor's total revenue from continuing operations was NOK 5.3 billion in 2016, a decrease of 47 percent from 2015. EBITDA ended at NOK 69 million, down 88 percent from 2015. The decline is mainly due to tougher market conditions for all portfolio companies during 2016. The order backlog amounted to NOK 7.8 billion at the end of 2016 compared to NOK 12.7 billion a year earlier. The order intake for 2016 was NOK 3.9 billion.

Company Overview

Akastor is primarily focused on the oilfield services sector. The portfolio in 2016 covers a range of industrial holdings in this sector, all in varying stages of maturity, including:

- MHWirth, which provides drilling systems and lifecycle services.
- AKOFS Offshore, a vessel-based subsea well installation and intervention services provider.
- KOP Surface Products, which delivers surface oil and gas equipment.

- Step Oiltools, a drilling waste management company, in which Akastor owns 76 percent.
- First Geo, which delivers subsurface advice and products to E&P companies.
- Cool Sorption, a supplier of vapour recovery units and systems.

In addition, Akastor owns a number of financial investments such as a 50 percent stake in DOF Deepwater AS, which are reported in the reporting segment Other Holdings. Following the divestment of Frontica Advantage in January 2017, Akastor also has a minority holding of 15.2 percent of NES Global Talent (see note 37 Subsequent events in the consolidated accounts). Each Akastor portfolio company is organized as an independent business with its own dedicated management team, which together with the company's board, is fully responsible for all aspects of its operations. All portfolio companies have separate boards of directors, which consist of dedicated Akastor investment managers, and in some of the boards, external board representatives and employee representatives. This lays the foundation for close cooperation between Akastor, the portfolio companies and their employees.

Akastor is based in Norway, at Fornebu, with a team of 22 employees, working closely with the boards and management of its portfolio companies.

Akastor's portfolio companies have a total of 2 702 employees with presence in 27 countries at year end 2016.

Strategy

Akastor is an investment company, advocating an independent approach for each portfolio company to optimize its development potential. Akastor aims to create long-term value for its shareholders through active development of its portfolio companies as stand-alone businesses, while maintaining the flexibility to be opportunistic. Akastor works closely with each portfolio company's management to make decisions on business development, acquisitions and divestments to maximize the value of the company. Each portfolio company develops and executes independent value creation plans in close cooperation with the Akastor investment team. As an owner, Akastor emphasizes understanding the portfolio companies' markets and challenges in depth, in order to evaluate current valuation versus future potential.

Akastor seeks to maximize value by combining strategic, operational and financial measures.

The business models of the portfolio companies are decentralized, but as part of the Akastor portfolio, all

companies share a common foundation based on Akastor's values and compliance structure.

Capital discipline is a key focus. Akastor will only pursue new investments generating returns above the cost of equity.

Market Outlook

All of Akastor's portfolio companies operate in the oilfield services industry. The market outlook for 2017 is affected by reduced levels of E&P spending seen in recent years. While Akastor is positive toward the longer-term outlook for the oil and gas sector, Akastor still expects market conditions to be demanding for all its portfolio companies in 2017, and will as an active owner work closely with the portfolio companies to position them for growth in current and new markets.

Akastor's order backlog was down 39 percent, or NOK 5 billion, at year end 2016 compared to 2015. Akastor has a sufficient liquidity reserve, giving the opportunity to provide support to the portfolio companies in case it is needed in periods with challenging markets. As an active owner, Akastor will in the near-term continue to focus on adjusting its businesses to the current market conditions.

Group Financial Performance

Akastor presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. All amounts below refer to the consolidated financial statements for the group, unless otherwise stated.

Income Statement

Operating revenue and other income for 2016 decreased by 47 percent to NOK 5.3 billion due to lower activity and weaker market conditions in the oil service industry in general, and in the offshore drilling market in particular. Earnings before interest, tax, depreciation and amortization (EBITDA) decreased by 498 million to NOK 69 million. Earnings in 2016 were impacted by reduced revenues for MHWirth and KOP Surface Products. EBITDA was also impacted by onerous offices leases in "Other holdings", a gain from realization of Skandi Santos vessel in AKOFS Offshore and restructuring costs in MHWirth.

Depreciation and amortization was NOK 746 million in 2016, compared to NOK 829 million in the previous year. In addition, impairment losses of NOK 473 million were recognized in 2016. The vessel AKOFS Seafarer was impaired by NOK 118 million, mainly triggered by an increase in the applied discount rate used in impairment testing. Further, an impairment of NOK 299 million was recognized related to the plant of MHWirth in Brazil and planned closing of a manufacturing plant in Malaysia. The impairment was triggered by current weak market conditions for project related work which are expected to continue in the short to medium term.

The group had an operating loss of NOK 1.2 billion. Net financial items ended at NOK -1 174 million in 2016 compared to NOK -678 million in the previous year and includes an impairment of the shareholding in DOF Deepwater AS of NOK 214 million, impairment of receivable from EZRA Holding Ltd. of NOK 56 million as well as hedge loss from projects in MHWirth that no longer meet requirements for hedge accounting due to cancellation risk. The pre-tax loss for the year was NOK 2.3 billion, compared to a loss of NOK 2.2 billion the previous year.

The income tax benefit for 2016 was NOK 307 million, compared to a tax benefit of NOK 351 in 2015. The effective tax rate of 13 percent is influenced by several items, such as impairment of deferred tax assets, mix of revenue generated in various jurisdictions, as well as tax effects from currency fluctuations in entities that are taxable in a currency other than the functional currency.

Earnings per share for continuing operations were negative NOK 7.44 in 2016, compared with negative NOK 6.80 a year earlier. Profit from discontinued operations ended at NOK 734 million, giving earnings per share for discontinued operations of NOK 2.71 compared with negative NOK 2.74 in 2015.

The board of directors has resolved to propose to the annual general meeting that no dividend is distributed for 2016.

Financial Position

Total assets of Akastor amounted to NOK 12.9 billion as of December 31, 2016, compared with NOK 20.5 billion at year-end 2015. The decrease reflects reduction in current operating assets of NOK 2.0 billion, impairments of NOK 0.5 billion as well as sale of assets of NOK 2.7 billion as result of divestments.

Total operating liabilities in portfolio companies decreased by NOK 0.6 billion, mainly explained by decreased activity levels. Gross debt decreased by NOK 2.6 billion as a result of divestments carried out during the year as well as reduction in net working capital (NCOA).

Total equity amounted to NOK 5.6 billion at yearend 2016, compared to NOK 7.4 billion the year before. The equity ratio was 43 percent as of December 31, 2016, increased from 36 percent in 2015.

Cash Flow

As of December 31, 2016, Akastor had cash of NOK 487 million, a reduction from NOK 563 million in 2015. The net cash flow from operating activities for all operations was NOK -129 million, and reflects changes in working capital of NOK 508 million offset by negative effects from interest costs, financial leases and paid tax.

Net cash flow from investing activities was NOK 2.7 billion compared to negative NOK 216 million in 2015. Net cash



proceeds from divestments of businesses in 2016 were NOK 2.4 billion, compared to NOK 1.2 billion in 2015. In addition, sale of fixed assets increased cash by NOK 667 million, mainly related to the sale of Skandi Santos topside equipment to Avium Subsea, in which AKOFS Offshore owns 50%. Investing activities also include capex investments of NOK 153 million compared to NOK 1.5 billion in 2015. No new business acquisitions were carried out in 2016.

Net cash flow from financing activities amounted to negative NOK 2.6 billion and reflected reduced borrowings in 2016.

Going Concern

As of December 31, 2016, the interest coverage ratio (ICR) was below the minimum level of 1.5 as defined in the bank facility agreement dated March 11, 2016. NOK 1.2 billion of the debt will mature in July 2019, and was therefore reclassified from non-current to current borrowings in the consolidated accounts. On March 1, 2017, Akastor signed an agreement with its bank syndicate to i) replace its ICR covenant with a nominal EBITDA amount until Q2 2018; and ii) to be allowed to use the existing Revolving Credit Facilities to make acquisitions under certain conditions. The board of directors confirms that the company is a going concern and that the 2016 financial statements have been prepared on a going concern basis.

The Akastor Portfolio

MHWirth

MHWirth is a global provider of drilling solutions, engineering, projects, equipment and services. MHWirth has activity on five continents with presence in 15 countries. At year-end 2016, the company employed 1 738 people; 47% of the workforce was employed in Norway. The company's business is divided in four core areas: Large Projects, Engineering Services, Drilling Equipment and Drilling Lifecycle Services. MHWirth is the largest Akastor portfolio company by both sales and employees.

Key Figures		
<i>Amounts in NOK million</i>	2016	2015
Operating revenue and Other income	3 548	6 527
EBITDA	71	18
EBIT	(552)	(349)
CAPEX and R&D capitalization	36	360
NCOA	1 091	2 133
Net capital employed	3 200	4 285
Order intake	2 936	3 475
Order backlog	1 481	5 654
Employees ex discontinued (FTE)	1 738	2 894

The revenue for 2016 of NOK 3 548 million was down 46 percent from 2015 which is mainly driven by reduction in Large Projects activity level which was impacted by the current down cycle in the offshore drilling market with no new orders in 2016. Also the Drilling Lifecycle Services business experienced reduced activity level throughout 2016 and saw a

total revenue reduction of NOK 1 013 million from 2015 activity levels. Activity level was driven by reduced level of spare parts sales and overhaul related work to operating rigs which started with 62 active rigs in the first quarter and ended with 49 active full package rigs in the fourth quarter of 2016. The EBITDA increased from NOK 18 million in 2015 to NOK 71 million in 2016. The improved profitability was driven by reduced indirect cost and improvement in contribution margins in all segments. Total restructuring cost of NOK 220 million was included in the result.

Working capital (NCOA) was reduced by NOK 1 043 million compared to the level at year-end 2015 and ended at NOK 1 091 million. The main driver of the reduction was collection of receivables from customers. A significant part of the working capital is tied up in inventory.

The offshore drilling market has continued to decline in 2016, which has impacted both number of rigs in operation as well as new build orders. MHWirth has not signed any new build orders for high-end floaters or jack-ups during 2016. Overall order intake was down 16 percent from 2015 and the order backlog was reduced by 74 percent during the year. In the second quarter of 2016, MHWirth decided to remove the remaining backlog (NOK 3 554 million) for three of the seven drilling packages to Jurong Shipyard in Singapore due to the financial uncertainty of Jurong's client, Sete Brazil. At the end of 2016, MHWirth has NOK 886 million (unaudited) in backlog related to the remaining four drilling packages to Jurong.

In response to the market slowdown, MHWirth has throughout 2016 reduced organizational capacity by approximately 1 150 employees, corresponding to a reduction of around 40 percent compared to year-end 2015. In 2016, it was decided to close down the sites in Port Klang, Malaysia (manufacturing and Drilling Lifecycle Services for the Riser product line) and Okpo, South Korea (Large Projects administration). Both sites will be closed mid-2017. As a result of the workforce reduction and close-downs, MHWirth has recognized restructuring costs of NOK 220 million in 2016. The indirect cost base is reduced by around NOK 630 million. MHWirth will continue to make necessary adjustments to its cost base in accordance with market conditions to ensure profitability of the company at lower activity levels.

In addition to making adjustments to the organization and cost base to face lower activity levels, MHWirth has in 2016 also been through a strategy update in response to the market conditions and customer priorities. The updated strategy has set a clear direction for MHWirth in relation to markets and customers, product offering and technology, Drilling Lifecycle Services offerings and operational improvements.

AKOFS Offshore

AKOFS Offshore is a provider of vessel-based subsea well installation and intervention services to the oil and gas industry. The company covers all phases of the value chain from conceptual development to project execution and offshore



operations. AKOFS Offshore operates three specialized offshore vessels, Skandi Santos, Aker Wayfarer and AKOFS Seafarer, employing 113 people (FTE, incl. hired-ins).

The company's revenue increased by 7 percent in 2016 to NOK 835 million, and EBITDA increased by NOK 212 million to NOK 316 million, mainly due to the sale of the Skandi Santos topside equipment to a new joint venture as described below.

During 2016, the company created a 50/50 joint venture with Mitsui & Co. Ltd. and Mitsui O.S.K. Lines Ltd., which acquired both the Skandi Santos hull from DOF Subsea Rederi AS and the Skandi Santos topside equipment from AKOFS Offshore. The joint venture has a lease agreement with AKOFS Offshore corresponding to the remaining Skandi Santos contract duration between AKOFS Offshore and Petrobras. As a result of the transaction, AKOFS Offshore realized a cash gain of NOK 542 million (USD 66 million), net of investments in the joint venture, and an accounting gain of approximately NOK 172 million (USD 20 million).

Skandi Santos continued in its second year of the five-year extension of the contract with Petrobras in Brazil for subsea equipment installation work. The vessel has operated at close to full utilisation and continues to build on its strong track record in Brazil.

Key Figures

<i>Amounts in NOK million</i>	2016	2015
Operating revenue and Other income	835	781
EBITDA	316	104
EBIT	(134)	(1 288)
CAPEX and R&D capitalization	108	1 057
NCOA	121	69
Net capital employed	4 378	5 183
Order intake	106	305
Order backlog	5 900	6 430
Employees ex discontinued (FTE)	113	91

Aker Wayfarer completed its conversion project according to plan, including the five-year special periodical survey in the third quarter 2016 in preparation for the 5+5 year contract with Petrobras in Brazil. The vessel is currently on stand-by in Norway as per agreement with Petrobras. With regards to the 5+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 day-rate until commencement of operations, which is expected to take place in the fourth quarterly of 2017. Operating expenses for the vessel while on stand-by are at a lower level than while in operation. AKOFS Offshore and Petrobras 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.

The company's results reflect that AKOFS Seafarer was idle

parts of 2016, and operating expenses for the vessel have been kept at a minimal level as planned. In the fourth quarter, an impairment loss of NOK 118 million related to AKOFS Seafarer was recognized mainly as a result of increased discount rate used in the impairment testing. The vessel is currently being marketed for work in the subsea construction and service market as well as for Light Well Intervention.

AKOFS Offshore had an order intake of NOK 106 million for the full year of 2016, compared to NOK 305 million in 2015.

Looking ahead, due to the current weak market conditions in the E&P sector, both the subsea construction fleet and offshore drilling segment are in structural oversupply. Decline in Petrobras' activity level in Brazil seems to have levelled out, with an indication of stable to a gradual increase over the coming years. Installation of x-mas trees as well as related subsea production equipment will continue to be essential to Brazilian oil and gas production.

KOP Surface Products

KOP Surface Products is a supplier of surface wellheads and trees, providing engineering, manufacturing, and installation and life-of-field support services to the oil and gas industry.

KOP Surface Products offers a complete range of surface wellheads, X-mas trees, gate valves, actuators, casing heads, hangers and spools, tubing hangers, spools and adaptors, bushing and annulus seal, tees and crosses, tree caps and other miscellaneous equipment and tools required for surface well completions.

KOP Surface Products has its headquarters in Singapore and its main manufacturing facility in Batam, Indonesia which is comprised of a manufacturing plant, warehouse and office complex.

Globally, KOP Surface Products employed 488 people at year-end 2016.

Key Figures

<i>Amounts in NOK million</i>	2016	2015
Operating revenue and Other income	335	1 131
EBITDA	(22)	242
EBIT	(80)	177
CAPEX and R&D capitalization	13	31
NCOA	119	240
Net capital employed	396	555
Order intake	321	553
Order backlog	133	149
Employees ex discontinued (FTE)	488	682

Worldwide installation and operational assistance for all KOP's products are supported through its network of global service centres, located in Singapore, Malaysia, India, Indonesia, Thailand, United Arab Emirates, Qatar, Saudi Arabia, Vietnam and Nigeria.

As KOP Surface Products has their functional currency in USD, the foreign currency exchange development affects the financial results in NOK. In USD terms revenue declined by 72 percent in 2016, whereas cost discipline limited the EBITDA loss to USD 2.6 million (NOK 22 million). Order intake was NOK 321 million in 2016, giving a backlog of NOK 133 million at year end. KOP Surface Products is exposed to the cyclicity in the oil and energy sector, seeing softening in demand and increased competition, and will need to have a continued strong focus on cost reduction in 2017, in order to maintain its competitive position.

Other Holdings

Other holdings mainly include a 100 percent ownership of First Geo and Cool Sorption, a 76 percent stake in the drilling waste products and services company Step Oiltools, 50 percent of DOF Deepwater AS which is a joint venture with DOF ASA, and an investment in Aker Pensjonskasse.

Key Figures

<i>Amounts in NOK million</i>	2016	2015
Operating revenue and Other income	674	1 769
EBITDA	(296)	203
EBIT	(385)	(57)
CAPEX and R&D capitalization	5	99
NCOA	(258)	(20)
Net capital employed	104	694
Order intake	621	1 270
Order backlog	224	448
Employees ex discontinued (FTE)	363	402

Total EBITDA for Other holdings for the year was a loss of NOK 296 million. The three businesses Step Oiltools, First Geo and Cool Sorption delivered an EBITDA of negative NOK 38 million in 2016. The negative result can also be explained by relatively high corporate costs due to high M&A activities in 2016, and an onerous office lease provision of NOK 110 million.

Parent Company Results and Allocation of Net Profit

The parent company Akastor ASA is the ultimate parent company in the Akastor group and its business is the ownership of all companies and the management of the subsidiaries. Akastor ASA has outsourced all management functions to other companies within the group, mainly Akastor AS. However, assets and liabilities related to the Akastor Treasury function are held by Akastor ASA. Akastor ASA had total assets of NOK 10.2 billion at December 31, 2016, primarily consisting of investment in group companies of NOK 5.4 billion and interest-bearing receivables on group companies of NOK 3.3 billion. Total liabilities amounts to NOK 6.2 billion including external borrowings of NOK 1.2 billion and borrowings from group companies of NOK 4.5 billion. Akastor ASA has a net profit of NOK 790 million in 2016, including net interest income of NOK 71 million, income of NOK 1.0 billion from investments in subsidiaries and impairment of receivables on NOK 356 million.

The parent company's dividend policy states that Akastor's shareholders shall receive a competitive return on their investment either through cash dividends or increases in the share price, or both. The company does not intend to distribute regular or annual dividends, but will consider dividends on an ongoing basis taking into consideration the company's M&A activities, expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility. The board thereby proposes the following allocation of net profit (amounts in NOK million):

Dividends:	0
To other equity:	790
Total allocated:	790

Subsequent Events

On January 6, 2017, Akastor completed the transaction to join Frontica's staffing business (Frontica Advantage) into NES Global Talent to create a combined company as a global provider in staffing services to the oil and gas industry. Initially Akastor is holding a 15.2 percent economic ownership position in the combined entity with potential to increase its ownership depending on the growth in business with Aker controlled entities over the next three years. The estimated accounting gain is approximately NOK 385 million to be recognized in the first quarter of 2017.

On March 1, 2017, Akastor signed an agreement with its bank syndicate to i) replace its ICR covenant with a nominal EBITDA amount until Q2 2018; and ii) to be allowed to use the existing RCF to make acquisitions for up to NOK 1.0 billion under certain conditions.

Risk Management

Akastor and each of its portfolio companies are exposed to various forms of market, operational and financial risks that may affect the companies' performance, their ability to meet strategic goals and the companies' reputations. The market situation for the oil services industry is very challenging with low activity and weak market conditions, and market developments may lead to further cost adjustments and changes in the valuation of the Akastor portfolio's assets and liabilities (which could include further restructuring costs, onerous leases, impairments etc. and increased credit risk impacting the valuation of trade and interest-bearing receivables). On the operational side, sound project execution by the portfolio companies without cost overruns as well as securing new orders are key factors affecting the companies' financial performance. Results also depend on costs, both the portfolio companies' own costs and those charged by suppliers. Akastor and its portfolio companies are also exposed to financial risk under performance guarantees and financial guarantees issued, and financial market risks as further detailed below.



In addition, the portfolio 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 an 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 that all portfolio companies must adhere to. The current and revised governing documents defined by Akastor were rolled out during the first half of 2016.

Financial Risks

Akastor is exposed to a variety of financial market risks: currency risk, interest rate risk, tax risk, price risk, credit and counterparty risk, liquidity risk and capital risk as well as risks associated with access to and terms of financing. The financial risks affect the group's income and the value of any financial instruments held. The objective of financial risk management is to manage and control financial risk exposures and thereby increase the predictability of earnings and minimize potential adverse effects on Akastor's financial performance. Akastor and its portfolio companies use financial derivative instruments to hedge certain risk exposures and aim to apply hedge accounting whenever possible in order to reduce the volatility resulting from the periodic market-to-market revaluation of financial instruments in the income statement. Risk management is performed in every project. It is the responsibility of the project managers, in cooperation with Akastor Treasury, to identify, evaluate and hedge financial risks under policies approved by the Board of Directors. Akastor has well-established principles for overall risk management, as well as policies for the use of derivatives and financial instruments.

Integrity Risks

All Akastor portfolio companies use education and awareness training to manage and mitigate integrity risks. All new employees must complete a Code of Conduct e-learning program. All Akastor managers and office-based staff are required to participate in classroom based integrity training. Hired-ins in high risk roles are also required to undertake integrity training, just as third party representatives receive integrity training specially prepared for them. The requirement for all portfolio companies is to complete and report on the training within six months from employment or publication of a new training session.

Akastor has established a whistleblowing system in line with the company's Governance Policy. The whistleblowing channel is open for all external and internal stakeholders who wish to report a breach of the Code of Conduct, other internal guidelines or governing policies. Akastor employees are required to report breaches of the Code of Conduct, and Akastor encourages reporting of any concerns pertaining to compliance with law or ethical standards.

Corporate Responsibility

Akastor's operating model reflects the fact that each of the portfolio companies are independent companies which operate different business models and therefore face different corporate responsibility risks and expectations from stakeholders. As a holding company, Akastor is responsible for setting the overall corporate responsibility priorities and providing the appropriate risk management framework and policies applicable for all holdings in the portfolio. In turn, each portfolio company is responsible for defining their own corporate responsibility strategy with relevant activities and, where necessary, supporting policies.

Akastor is also responsible for the maintenance and development of industrial relations and collaboration with unions. Historically, good industrial relations have played an important role, and maintaining these strong relations have proven to be one of the success criteria in developing the company over the years. This work will thus continue in Akastor going forward.

Within the corporate responsibility efforts, Akastor is focused on the environmental, social and governance areas that build financial and non-financial value in the portfolio companies. Akastor's corporate responsibility strategy is based on four main priorities: working against corruption, respecting human rights, caring for health and safety and minimizing adverse impact on the environment. All the portfolio companies are responsible for working systematically with these priorities and defining their own corporate responsibility strategies encompassing these priorities. The task for Akastor going forward is therefore to ensure the systematic implementation and integration of the priorities of the corporate responsibility strategy, Code of Conduct and Integrity policy across all the portfolio companies. For in-depth reporting on Akastor and its portfolio company's corporate responsibility work, including their HSE work, refer to the Akastor Corporate Responsibility Report for 2016. The full report is available on our website www.akastor.com.

Research, Innovation and Technology Development

NOK 49 million was capitalized in 2016, compared to NOK 176 million in 2015, related to development activities. In addition, research and development costs of NOK 62 million were expensed during the year because the criteria for capitalization were not met (NOK 60 million in 2015).



All research, innovation and development initiatives are performed by the Akastor portfolio companies. Akastor ASA and Akastor AS performed no such activity in 2016.

People and Teams

Akastor AS had a total of 22 employees as of December 31, 2016, of which 57 percent of the employees are women. Akastor is committed to equal opportunity and non-discrimination. This commitment is described in Akastors Code of Conduct, as well as Akastor's policies and agreements, and builds on a frame agreement signed with national and international trade unions in 2008. This agreement was renewed in 2014 and sets out fundamental labour rights and standards for general employment terms and employee relations, with specific focus on non-discrimination. Equal opportunities are fundamental for Akastor and its portfolio companies.

Akastor and the portfolio companies had a total of 2 702 employees as of December 31, 2016. The male/female ratio in the portfolio companies were as follows:

	MHWirth	AKOFS	KOP
Female	18%	15%	16%
Male	82%	85%	84%

Whilst the male/female ratio is more balanced in Akastor AS, the portfolio companies have a predominantly male workforce. All portfolio companies regularly assess whether they live up to the principle of equal pay for equal work and no significant differences have been identified. Each portfolio company promotes equal opportunities by setting specific requirements for diversity in recruitment and people development, and by

supporting programs dedicated to equal opportunity. Akastor ASA fulfils the requirements of the Norwegian Companies Act with regards to gender representation on the board of directors, as four out of eight directors are women.

Sick leave in Akastor AS amounted to 0.9 percent of total working hours in 2016. Aggregated sick leave in the Akastor portfolio companies was 2.8 percent. There were no fatal injuries in any of the portfolio companies, and the total recordable incident frequency was low. See figure below for details.

	MHWirth	AKOFS	KOP
Lost time incident Frequency (LTIF) *	1.3	0.0	0.0
Total Recordable Incident Frequency *	2.1	2.6	0.0
Fatalities incl subcontractors	0.0	0.0	0.0
Sick leave (percent)	3.7	1.2	1.1

* Per million hours worked. Includes subcontractors

Corporate Governance

Corporate governance is a framework of values, responsibilities and governing documents to control the business and ensure sustainable value creation for shareholders over time. It is the responsibility of the board of directors of Akastor to ensure that the company implements sound corporate governance. The audit committee supports the board of directors in safeguarding that the company has internal procedures and systems in place to ensure that corporate governance processes are effective. Akastor's corporate governance principles are based on the Norwegian Code of Practice for Corporate Governance and are included in this annual report and available on the company's website www.akastor.com.

Fornebu, March 7, 2017 | Board of Directors of Akastor ASA

Frank O. Reite | Chairman

Lone Fønss Schrøder | Deputy Chairman

Øyvind Eriksen | Director

Kathryn M. Baker | Director

Sarah Ryan | Director

Jannicke Sommer-Ekelund | Director

Stian Sjølund | Director

Asbjørn Michailoff Pettersen | Director

Kristian Monsen Røkke | CEO



03. DECLARATION BY THE BOARD OF DIRECTORS AND CEO

The board and CEO have today considered and approved the annual report and financial statements for the Akastor group and its parent company Akastor ASA for the year ended on December 31, 2016. The board has based this declaration on reports and statements from the group's CEO and/or on the results of the group's activities, as well as other information that is essential to assess the group's position which has been provided to the board of directors.

To the best of our knowledge:

- The financial statements for 2016 for Akastor group and its parent company have been prepared in accordance with all applicable accounting standards.
- The information provided in the financial statements gives a true and fair portrayal of the group and parent company's assets, liabilities, profit and overall financial position as of December 31, 2016.
- The annual report provides a true and fair overview of the development, profit and financial position of Akastor group and its parent company, as well as the most significant risks and uncertainties facing the group and the parent company.

Fornebu, March 7, 2017 | Board of Directors of Akastor ASA

Frank O. Reite | Chairman

Kathryn M. Baker | Director

Stian Sjølund | Director

Lone Fønss Schrøder | Deputy Chairman

Sarah Ryan | Director

Asbjørn Michailoff Pettersen | Director

Øyvind Eriksen | Director

Jannicke Sommer-Ekelund | Director

Kristian Monsen Røkke | CEO



04. CORPORATE GOVERNANCE STATEMENT – AKASTOR ASA

Corporate governance is a framework of values, responsibilities and governing documents to control the business and ensure sustainable value creation for shareholders over time. Sound corporate governance shall ensure that appropriate goals and strategies are adopted, that the strategies are implemented in a good manner and that the results achieved are subject to measurement and follow-up.

1. The Corporate Governance Report

Basis for this Report

The corporate governance principles of the group are laid down by the board of directors of Akastor ASA. The principles are based on the Norwegian Code of Practice for Corporate Governance dated October 30, 2014 (the «Code of Practice»), the regulations set out in the Continuing Obligations of stock exchange listed companies from Oslo Børs (the stock exchange in Oslo) and the relevant Norwegian background law such as the Norwegian Accounting Act and the Norwegian Public Limited Liability Companies Act. The Code of Practice may be found at www.nues.no and the Continuing Obligations of stock exchange listed companies may be found at www.oslobors.no. Norwegian laws and regulations are available at www.lovdata.no.

This report outlines how Akastor has implemented the Code of Practice. Deviations from the Code of Practice are addressed under the relevant sections. In general, the Akastor board only approves deviations that the board believes contributes to value creation for its stakeholders.

In addition to the Code of Practice, the Norwegian Accounting Act section 3-3b stipulates that companies must provide a

report on their policies and practices for corporate governance either in the annual report or in a document referred to in the annual report. Such report is integrated in the below corporate governance statement.

Governance Structure

Akastor is an oil-services investment company with a portfolio of companies in the oilfield services industry. The company has a flexible mandate for active ownership and long-term value creation. During 2016 several transactions were concluded, including the divestments of Managed Pressure Operations, Frontica Business Solutions and Fjords Processing in addition to the creation of a joint venture between AKOFS Offshore and Mitsui. In January 2017, the combination of Frontica Advantage and NES Global Talent was completed. The current portfolio consists of MHWirth, AKOFS Offshore, KOP Surface Products and Other Holdings (as detailed below) with a total capital employed value of approximately NOK 8.1 billion. MHWirth is a leading supplier of drilling systems and drilling lifecycle services globally. AKOFS Offshore is a global provider of vessel based subsea well construction and intervention services to the oil and gas industry. KOP Surface Products offers a complete range of products for offshore and land-based surface production, including surface wellheads, Christmas trees, valves and actuators. Other holdings include the Norwegian operation and wellsite geology services company First Geo AS, the Danish Cool Sorption A/S which is a leading provider of vapour recovery technology for the downstream oil & gas segment, 76 percent of the shares in STEP Oiltools, 50 percent of DOF Deepwater and 15.2 percent of the staffing service provider NES Global Talent.

¹⁾ Below, the items in respect of which information must be disclosed according to section 3-3b of the Norwegian Accounting Act are specified, together with references to where such required information may be found:

1. "A statement of the recommendations and regulations concerning corporate governance that the enterprise is subject to or otherwise chooses to comply with" can be found in the introduction section of this corporate governance statement.
2. "Information on where the recommendations and regulations mentioned in no. 1 are available to the public" can be found in the introduction section of this corporate governance statement.
3. "The reason for any non-conformance with recommendations and regulations mentioned in no. 1". The non-conformances are described in the relevant section where there are non-conformances, which are sections 6 and 14 respectively.
4. "A description of the main elements in the enterprise's, and for entities that prepare consolidated financial statements, if relevant also the Group's internal control and risk management systems linked to the financial reporting process" can be found in Section 10 of this corporate governance statement.
5. "Articles of Association which entirely or partly expand or depart from provisions of Chapter 5 of the Public Limited Liability Companies Act" can be found in Section 6 of this corporate governance statement.
6. "The composition of the board of directors, the corporate assembly, the committee of shareholders' representatives and the control committee and any working committees related to these bodies, as well as a description of the main instructions and guidelines that apply to the work of the bodies and any committees" can be found in Section 8 and 9 of this corporate governance statement.
7. "Articles of Association governing the appointment and replacement of directors" can be found in Section 8 of this corporate governance statement.
8. "Articles of Association and authorizations empowering the board of directors to decide that the enterprise is to buy back or issue its own shares or equity certificates" can be found in Section 3 of this corporate governance statement.



It is the responsibility of the board of directors of Akastor ASA to ensure that Akastor and its portfolio of companies implements sound corporate governance. The board of directors evaluates this corporate governance statement on an annual basis. The board's audit committee also evaluates the corporate governance statement as well as other key policies and procedures pertaining to compliance and governance. Compliance with, and implementation of these corporate governance guidelines are continuously evaluated by the board and said committee; inter alia by way of the board being the decisive body for the company's defined management and reporting structure, which include regular reporting.

Policies and Procedures

Akastor has a total of ten corporate policies providing business practice guidance within a number of key areas, all of which were revised and re-issued during the first half of 2015 and updated on an annual basis. These policy documents express the overall position of the group with regard to for instance compliance, integrity and governance. The policies provide instructions and guidelines that apply to the portfolio companies and to individual employees in order to ensure that the group's operations are in compliance with internal and external regulatory framework. In addition, the portfolio companies are requested to implement their own policies specific to their business within areas like project execution, HSE and tendering.

Values and Code of Conduct

Akastor aims to develop and refine its portfolio of companies as stand-alone enterprises, with the goal of maximizing the value potential of each entity. The company works to develop the business models of the portfolio companies, capitalize on their market positions and promote aftersales services for the equipment and systems delivered. The current investments are within the oilfield services sector, but the company has a flexible mandate for active ownership and long-term value creation.

Akastor has an opportunistic approach and will continue to own the portfolio companies as long as Akastor creates more value than alternative owners.

Akastor wishes to contribute to sustainable social development through responsible business practices. The company's Code of Conduct is a handbook that applies to all employees and provides guiding on what Akastor considers to be responsible ethical conduct. The Code of Conduct gives a framework for what is acceptable behaviour that shall be reflected in every aspect of how business is conducted. The ethical guidelines and other policy documents of the group have been drafted on the basis of these basic corporate values.

Corporate Responsibility

Akastor takes an active approach to corporate responsibility. Corporate responsibility in Akastor is about making robust business decisions, with minimum risk to reputation, brand and the future sustainability of our business. The main focus of

corporate responsibility activities in Akastor, defined in our group-wide integrity policy, is to work against corruption, to respect human rights and to care for health, safety and the environment. All our portfolio companies are expected to ensure strong corporate responsibility in their operations.

Akastor is a member of Trace International, which supports our work against corruption. Akastor is also committed to follow the Global Framework Agreement (GFA) entered into by Aker with the trade unions Fellesforbundet, IndustriALL Global Union, NITO and Tekna on December 17, 2012. The GFA builds on and continues the commitment from the previous framework agreements signed in 2008 and 2010, and outlines key responsibilities in relation to human and trade union rights. The parties commit themselves to achieving continuous improvements within the areas of working conditions, industrial relations with the employees of the Aker group of companies, health and safety standards at the workplace and environmental performance. Akastor also aligns with the principles of the UN Global Compact, the United Nations Convention against Corruption, the Universal Declaration of Human Rights, the UN Guiding Principles for Business and Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. These international principles guide our Code of Conduct and Integrity Policy and provide the overall framework for the corporate responsibility efforts in the Akastor group.

Further information in respect of the corporate social responsibility work of Akastor and its portfolio of companies can be found in the separate Corporate Responsibility report published simultaneously as the company's annual report for 2016.

2. Business

The objectives of the company, as defined in its articles of association, are «to own or carry out industrial and other associated businesses, management of capital, and other functions for the group, and to participate in or acquire other businesses». The articles of association are available at www.akastor.com.

The principal strategies of the group are presented in the annual report. Each year, the board of directors evaluates the existing strategy and approves any significant changes to such, as well as goals and guidelines of the company, through a designated strategy process. Information concerning the financial position and principal strategies of the company, and any changes thereto is disclosed to the market in the context of the company's quarterly reporting and in designated market presentations as well as at www.akastor.com.

3. Equity and Dividends

Equity

The management and the board regularly monitor that the group's equity and liquidity are appropriate for its objectives,



strategy and risk profile. The book equity of the group as per December 31, 2016 is NOK 5 580 million, which represents an equity ratio of 43 percent. The management of financial risk is further described in the annual report.

Dividend Policy

The board proposes the level of dividend payment to the general meeting who in turn is the decisive corporate body for dividend decisions.

Over time, the aim is that Akastor's shareholders shall receive a competitive return on their investment either through cash dividends or increases in the share price, or both. The company does not intend to distribute regular or annual dividends, but will consider dividends on an ongoing basis taking into consideration the company's M&A activities, expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility.

Authorizations for the Board of Directors

Proposals from the board of directors for future authorisations for share capital increases, share buy-backs or similar shall be for defined purposes, such as share purchase programmes and acquisitions of companies, and shall remain in effect until the next annual general meeting.

The company's annual general meeting on April 12, 2016 resolved to authorize the board to purchase treasury shares for three purposes for utilization, all of which were subject to separate voting under the general meeting: (i) purchase of treasury shares to be used as transaction currency in connection with acquisitions, mergers, demergers and other transactions, (ii) purchase of treasury shares to be sold and/or transferred to employees and directors under share purchase programs and (iii) purchase of treasury shares for the purpose of investment or for subsequent sale or deletion of such shares. The authorizations were all limited to ten percent of the share capital. The board's authorizations to purchase treasury shares are valid for the period until the date of the annual general meeting of 2017, however in no circumstances beyond June 30, 2017. No shares were bought by the company in 2016 pursuant to the authorizations to the board of directors. As of December 31, 2016, the company holds 2 776 376 own shares.

In addition, the annual general meeting in 2016 granted the board of directors the mandate to approve the distribution of dividends based on the company's annual accounts for 2015 as set out in the Public Limited Liability Companies Act § 8-2, second paragraph. The mandate is valid for the period until the date of the annual general meeting of 2017.

There are no current provisions in the Articles of Association of the company or power of attorney from the general meeting which grant the board of directors the mandate to issue or buy back of shares in the company for the purposes of capital increases.

Share Purchase Programs

Share purchase programs in Akastor include Akastor ASA and Akastor AS (and not the portfolio companies). The company has not carried out any standard share purchase programs for employees of Akastor ASA or Akastor AS in 2016.

As announced in a stock exchange release on July 16, 2015, the board of directors of Akastor ASA resolved that Kristian Røkke, Chief Executive Officer of Akastor ASA (either personally or through his wholly-owned subsidiaries) could purchase up to 200 000 treasury shares yearly from the company under the regular share purchase program of Akastor. However, as there were no share purchase program in Akastor ASA or Akastor AS in 2016, no such share purchase was completed.

4. Equal Treatment of Shareholders and Transactions with Related Parties

The company has only one class of shares, and all shares carry equal rights. Existing shareholders shall have pre-emptive rights to subscribe for shares in the event of share capital increases, unless otherwise indicated by special circumstances. If the pre-emptive rights of existing shareholders are waived in respect of a share capital increase, the reasons for such waiver shall be explained by the board of directors. Transactions in own shares are effected via Oslo Børs.

As of December 31, 2016, Aker ASA holds 70 percent of the shares of Aker Kværner Holding AS which holds 40.27 percent of the shares of Akastor. As per the same date, Aker ASA directly held 23 331 762 shares of Akastor, equivalent to ~8.5 percent of the shares. Proposition No. 88 (2006–2007) to Stortinget (the Norwegian Parliament) contains more detailed information concerning the establishment of Aker Kværner Holding AS and the agreement between Aker ASA and the other shareholder of Aker Kværner Holding AS.

The board of directors is of the view that it is positive for Akastor that Aker ASA assumes the role of an active owner and is actively involved in matters of importance to Akastor and to all shareholders. The cooperation with Aker ASA offers Akastor access to special know-how and resources within strategy, transactions and funding. Moreover, Aker ASA offers network and negotiation resources from which Akastor benefits in various contexts. This complements and strengthens Akastor without curtailing the autonomy of the group. It may be necessary to offer Aker ASA special access to commercial information in connection with such cooperation. Any information disclosed to Aker ASA's representatives in such a context will be disclosed in compliance with applicable laws.

Applicable accounting standards and regulations require Aker ASA to prepare its consolidated financial statements to include accounting information of Akastor. As of January 1, 2014, Aker ASA is deemed to have control of Akastor pursuant to the revised accounting standard IFRS 10. Akastor is thus consolidated as a subsidiary in Aker ASA's accounts from this date. Subsequently, Aker Solutions ASA and Kværner ASA are



deemed as related parties to Akastor for accounting purposes. In order to comply with these accounting standards, Aker ASA has in the past received, and will going forward receive, unpublished accounting information of Akastor. Such distribution of unpublished accounting information from Akastor to Aker ASA is executed under strict confidentiality and in accordance with applicable regulations on handling of inside information.

Aker ASA, Kværner ASA and Aker Solutions ASA (or their subsidiaries) are however not deemed, within the meaning of the Public Limited Liability Companies Act, to be a related party of Akastor. The board of directors and the executive management team of Akastor are nevertheless conscious that all relations with these companies shall be premised on commercial terms and structured in line with arm's length principles.

In the event of any material transactions between the company and shareholders, directors, senior executives, or related parties thereof, which do not form part of the ordinary course of the company's business, the board of directors shall arrange for an independent assessment. The same shall, generally speaking, apply to the relationship between Akastor and Aker ASA related companies.

Akastor has prepared guidelines as part of its rules of procedure for the Chief Executive Officer and board of directors ensuring that directors and the Chief Executive Officer notify the board of directors if they have any material direct or indirect personal interest in any agreement concluded by the group. The guidelines stipulate that the directors and the Chief Executive Officer shall not participate in the preparation, deliberation, or resolution of any matters that are of such special importance to themselves, or any of their related parties, so that the person in question must be deemed to have a prominent personal or financial interest in such matters. The relevant board member or the Chief Executive Officer shall raise the issue of his or her competence whenever there may be cause to question it, and are the primary responsible for adopting the correct decision as to whether he or she should step down from participating in the discussion of the matter at hand.

In general, as further stipulated in Akastor's principles for related party transactions, directors of Akastor should be cautious in participating in the consideration of issues where a potential conflict of interest or conflict of role may arise, undermining the confidence in the decision process. Such person may not participate in board discussions of more than one company that is part of the same agreement, unless the companies have common interests. These assessments will be carried out on a case-by-case basis; in most events, and as a starting point, by the relevant directors themselves, but often also in cooperation with internal and/or external legal counsel.

The above principles will normally also be applied if Akastor contracts with other companies in which said board members

hold direct or indirect ownership interests that exceed, in relative terms, their ownership interests in Akastor.

If grounds for legal incapacity is concluded, the relevant board member will, as a ground rule, prior to the relevant director, not be granted access to any documentation prepared to the board of directors for the deliberation of the agenda item in question.

In general, Akastor applies a strict norm as far as competence assessments are concerned. In cases where the chairman of the board of directors does not participate in the deliberations, the deputy chairman of the board of directors chairs the meeting.

As far as the other officers and employees of Akastor are concerned, transactions with related parties and conflicts of interest are comprehensively addressed and regulated in the group's Code of Conduct.

The «Related parties» note to the consolidated financial statements contains information on the most significant transactions between Akastor and companies within the Aker ASA group.

5. Freely Negotiable Shares

The shares are listed on the Oslo Børs and are freely transferable. No transferability restrictions are laid down in the articles of association.

6. General Meetings

Attendance, Agenda and Voting

The company encourages shareholders to attend the general meetings. It is also the intention to have representatives of the board of directors as well as the chairman of the nomination committee and the company's auditor to attend the general meetings. Notices convening general meetings, including comprehensive documentation relating to the items on the agenda, including the recommendation of the nomination committee, are made available on the company's website no later than 21 days prior to the general meeting. The articles of association of the company stipulate that documents pertaining to matters to be deliberated by the general meeting shall only be made available on the company's website, and not normally be sent physically by post to the shareholders unless required by statute.

The following matters are typically decided at the annual general meeting, in accordance with the articles of association of Akastor ASA and Norwegian background law:

- election of the nomination committee and stipulation of the nomination committee's fees;
- election of shareholder representatives to the board of directors as well as stipulation of fees to the board of directors;



- election of the external auditor and stipulation of the auditor's fee;
- approval of the annual accounts and the board of directors' report, including distribution of dividend; and
- other matters which, by law or under the articles of association, are the business of the annual general meeting.

The deadline for registering intended attendance is as close to the general meeting as possible, but not shorter than two days before the meeting. Shareholders who are unable to attend may vote by proxy. Moreover, information concerning both the registration procedure and the filing of proxies is included in the notice convening the general meeting and on the registration form. The company also aims to structure, to the extent practicable, the proxy form such as to enable the shareholders to vote on each individual item on the agenda.

Chairman

The articles of association stipulate that the general meetings shall be chaired by the chairman of the board of directors or a person appointed by said chairman.

According to the Code of Practice the board should however «make arrangements to ensure an independent chairman for the general meeting». Thus, the articles of Akastor ASA deviate from the Code of Practice in this respect. This has its background in a long-lasting tradition in Akastor. Having the chairman of the board chairing the general meeting also simplifies the preparations for the general meetings significantly.

Election of Directors

It is a priority for the nomination committee that the board of directors shall work in the best possible manner as a team, and that the background and competence of the directors shall complement each other. As a consequence, the nomination committee will propose that the shareholders are invited to vote on the full board composition proposed by the nomination committee as a group, and not on each director separately. Hence, Akastor deviates from the Code of Practice stipulating that one should make «appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies».

Physical Attendance and Electronic Voting

It is a priority for the general meeting to be conducted in a sound manner, with all shareholder votes to be cast, to the extent possible, on the basis of the same information. The company has thus far not deemed it advisable to recommend the introduction of an electronic attendance, i.e. arranging for general meetings to be held as physical meetings with online coverage allowing for shareholders to participate via web. The company will contemplate the introduction of such arrangements on an on-going basis in view of, inter alia, the security and ease of use offered by available systems.

Shareholders will have the opportunity to cast votes electronically in advance of general meetings (however, not during the meeting).

Minutes

Minutes of general meetings will be published as soon as practicable on the announcement system of Oslo Børs, www.newsweb.no (ticker: AKA), and at www.akastor.com.

7. Nomination Committee

The articles of association stipulate that the company shall have a nomination committee. The nomination committee shall have no less than three members, who shall normally serve for a term of two years. The current members of the nomination committee are Leif-Arne Langøy (chairman), Gerhard Heiberg, Arild S. Frick and Georg Fr. Rabl. The members Leif-Arne Langøy, Arild S. Frick and Georg Fr. Rabl are elected up until the annual general meeting 2017, while Gerhard Heiberg is elected up until the annual general meeting 2018. Langøy is deputy chairman of the board in TRG Holding AS and The Resource Group TRG AS, as well as chairman of the board of Kværner ASA. Arild S. Frick is General Counsel of Aker ASA and managing director of Aker Kværner Holding AS. No members of the nomination committee are employed by, or directors of, Akastor. The majority of the members of the nomination committee are independent of both Akastor's board of directors and the executive management of the company.

The committee's recommendations (relating to particularly the board of directors and their remuneration) shall address how the new board candidates will attend to the interests of the shareholders in general and fill the requirements of the company, including with respect to competence, capacity and independence.

The composition of the nomination committee shall reflect the interests of all shareholders and ensure independence from the board of directors and the executive management. The members and the chairman of the nomination committee are appointed by the general meeting, which also determines the remuneration of the committee.

The annual general meeting 2010 adopted guidelines governing the duties of the nomination committee. According to these guidelines, the committee shall emphasize that candidates for the board have the necessary experience, competence, and capacity to perform their duties in a satisfactory manner. A reasonable representation with regard to gender and background should also be emphasized.

The chairman of the nomination committee has the overall responsibility for the work of the committee. In the exercise of its duties, the nomination committee may contact, among others, shareholders, the board, management, and external advisors. The nomination committee shall also ensure that its recommendations are endorsed by the largest shareholders.



Information concerning the nomination committee and deadlines for making suggestions or proposing candidates for directorships will be made available on the company's website, www.akastor.com when there are candidates up for election.

8. Composition and Independence of the Board of Directors

Composition

It has been agreed with the employees that the company shall have no corporate assembly. Hence, the board appoints its own chairman, cf. the Public Limited Liability Companies Act section 6-1(2), unless the chairman is appointed by the general meeting. The proposal of the nomination committee will normally include a proposed candidate for appointment as chairman of the board of directors. The board of directors appoints its own deputy chairman. According to the Public Limited Liability Companies Act, the directors are appointed for a term of two years at a time unless otherwise stated in the company's articles of association. The articles of association of Akastor ASA stipulate that directors may be elected for a period of one to three years.

The right of the employees to be represented and participate in decision making is safeguarded through expanded employee representation on the board of directors of both Akastor ASA and in a number of the group's portfolio companies.

The articles of association stipulate that the board of directors shall comprise six to twelve persons, one third of whom shall be elected by and amongst the employees of the group. In addition, up to three shareholder-appointed alternates may be appointed. As per December 31, 2016, the board of directors comprised eight directors, five of whom were elected by the shareholders and three of whom were elected by and amongst the employees. The company encourages the directors to hold shares in the company. The shareholdings of the directors as of December, 31 2016 will be set out in the «Salaries, wages, and social security costs» note to the consolidated annual statements in the annual report for 2016. In addition to Øyvind Eriksen's indirect ownership of shares in the company through Aker ASA, also the chairman Frank O. Reite and the directors Lone Fønss Schrøder, Kathryn M. Baker, Sarah Ryan, Jannicke Sommer-Ekelund and Asbjørn Michailoff Pettersen are currently shareholders in Akastor ASA. The board composition, including information about the directors' background and expertise will be detailed in the annual report for 2016.

The appointment of employee representatives to the board of directors is conducted as prescribed by the Public Limited Companies Act and the Representation Regulations. The board of directors has appointed a designated election committee charged with implementing the appointment of such employee representatives.

Independence

A majority of the directors elected by the shareholders are independent of the executive personnel and important business

associates of Akastor ASA. None of the executive personnel of the company are members of the board of directors.

The composition of the board of directors aims to ensure that the interests of all shareholders are attended to, and that the company has the know-how, resources, and diversity it needs at its disposal. Among the five shareholder-elected directors, the majority are deemed independent from the company's largest indirect shareholder, Aker ASA.

9. The Work of the Board of Directors

Procedures

The board adopts an annual plan for its work. Furthermore, there are rules of procedure for the board of directors and Chief Executive Officer, which govern areas of responsibility, duties and the distribution of roles between the board of directors, the chairman of the board of directors and the Chief Executive Officer. The rules of procedure for the board of directors also include provisions on convening and chairing board meetings, decision making, the duty and right of the Chief Executive Officer to disclose information to the board of directors, the duty of confidentiality, etc. According to the company's articles of association, each of the directors elected by the shareholders will serve for a period of one to three years pursuant to further decision by the general meeting. This to provide the nomination committee with the flexibility to propose varying terms of service for the candidates.

Meetings

The board of directors will hold board meetings whenever needed, but normally six to twelve times a year. The need for extraordinary board meetings may typically arise because the internal authorization structure of the company requires the board of directors to deliberate and approve material tenders to be submitted by the company or in relation to M&A transactions. Whilst the deadlines for such submission often change, it is difficult to fit this into the calendar of ordinary board meetings.

The board of directors held eight ordinary board meetings and one extraordinary board meeting in 2016. The aggregate attendance rate at the board meetings was 86.1 percent.

The Matters Discussed by the Board of Directors

The Chief Executive Officer prepares cases for deliberation by the board of directors in cooperation with the chairman of the board. Weight is attached to having matters prepared and presented in such a way that the board of directors is provided with an adequate basis for its deliberations. The board of directors has overall responsibility for the management of Akastor and shall, through the Chief Executive Officer, ensure that its activities are organized in a sound manner. The board of directors shall adopt plans and budgets for the business, and keep itself informed of the financial position of, and development within, the company. This encompasses the annual planning process of Akastor, with the adoption of overall goals and strategic choices for the group, as well as



financial plans, budgets, and forecasts for the group and the portfolio companies. The board of directors performs annual evaluations of its work and its know-how.

Audit Committee

Akastor will have an audit committee comprising two to four of the directors. The audit committee currently comprises the directors Lone Fønss Schrøder (chairman), Kathryn M. Baker and Asbjørn Michailoff Pettersen. The audit committee is independent from the management.

At least one of the members of the audit committee shall have either formal qualifications within accounting or auditing, or relevant experience and skills within the same. Both members Fønss Schrøder and Baker have such relevant experience and skills. The audit committee has a mandate and a working method that complies with statutory requirements. The audit committee mandate forms an integrated part of the rules of procedures for the board of directors. The committee will participate, on behalf of the board of directors, in the quality assurance of guidelines, policies, and other governing instruments in Akastor. The audit committee performs a qualitative review of the quarterly and annual reports of Akastor. Significant judgment calls (uncertain estimates) made in the financial statements in the quarter are reviewed by the audit committee. The audit committee further supports the board of directors in safeguarding that the company has sound risk management and internal controls. The audit committee reviews the status on internal controls on an annual basis. In order to safeguard appropriate processes and assessments, the board's audit committee shall also review major M&A transactions as well as related party transactions which are not part of the company's ordinary course of business, unless such related party transactions are immaterial.

Akastor currently has no remuneration committee as the experiences from having such showed more merit in discussing matters comprised by this committee's mandate with all directors present. As of December 31, 2016, there are no other board committees than the audit committee. The board does not envisage appointing any further board committees in 2017.

10. Risk Management and Internal Control

Governing Principles

The board of directors shall ensure that Akastor has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. The audit committee supports the board of directors in safeguarding that the company has internal procedures and systems that ensure good corporate governance, effective internal controls and proper risk management, particularly in relation to financial reporting. The Chief Financial Officer reports directly to the audit committee on matters relating to financial reporting, financial risks and internal controls.

Akastor has implemented an internal system for reporting serious matters such as breaches of ethical guidelines and violations of the law, which is also available to external parties at www.akastor.com.

Risk Management

The board of directors carries out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

Akastor employs a decentralised model for allocating managerial responsibility under which the portfolio companies are required to establish their own risk management and internal control systems. Akastor's representatives on boards of directors in the portfolio companies seek to ensure that the portfolio companies follow the principles of sound corporate governance.

Akastor manages risk through an internal framework both on a corporate and portfolio company level comprising guidelines, policies and procedures intended to ensure good business operations and provide unified and reliable financial reporting. The board of directors has adopted an authorisation matrix that forms part of its governing documents where authority is delegated to the Akastor Chief Executive Officer. Furthermore, authorization matrices are adopted for each of the portfolio companies, pursuant to which the Akastor Chief Executive Officer delegates authority to the boards and Chief Executive Officers of the respective portfolio companies, which again adopts authorization matrices for the portfolio organizations. Special expenditure approval procedures have also been developed.

The board receives and reviews risk reports prepared by the management. The management's risk reporting is based on the total level of insight obtained through regular reporting and the close cooperation that Akastor has with the portfolio companies, including from Akastor's investment directors and board representatives. The management of operational risk primarily occurs in the underlying portfolio companies, although Akastor acts as an active driver through its involvement in the boards.

Akastor's management holds review meetings with the management of the different portfolio companies. The purpose of the meetings is to conduct an in-depth review of the development of each portfolio company, focusing on operations, risk management, market conditions, the competitive situation and strategic issues. These meetings provide a solid foundation for Akastor's assessment of its overall financial and operational risk.

Prior to the board's review of risk reporting, the audit committee reviews the reported risks and associated risk-reducing measures. The audit committee also reviews the company's in-house reporting systems and internal control and risk management, and prepares the board's review of financial reporting.



Financial Reporting

The Akastor financial reporting division reports to the Chief Financial Officer and is responsible for the external reporting process and the internal management financial reporting process. This also includes assessing financial reporting risks and internal controls over financial reporting in the group.

The consolidated external financial statements are prepared in accordance with IFRS and IAS standards as approved by the EU. The existing policies and standards governing the annual and quarterly financial reporting in the group, including the Akastor accounting principles, are available on the Akastor intranet for Akastor employees.

Clearing meetings are held with the management teams of the portfolio companies in connection with the annual closing of accounts and may also be held in connection with quarterly financial reporting. For the 2016 financial year, clearing meetings with the portfolio companies were held in October 2016 and January 2017. The main purpose is to ensure high-quality financial reporting. Such meetings focus on important items involving estimation and judgment, non-balance-sheet items, accounting for significant transactions, new or modified accounting principles and other topics relevant to the respective portfolio companies. The external auditor is present in the clearing meetings.

Other Reporting

In addition to the abovementioned financial reporting, there are regular business review and board meetings in the portfolio companies which ensure timely and high-quality reporting from the portfolio companies to the corporate management.

Regular reports for Akastor ASA and the portfolio companies are submitted to the board of directors. The quarterly business update contains key financial numbers, M&A updates, financing, status of value creation plans, compliance, risk management and share price information for the Akastor group. Further, it contains key financial numbers, key operational topics, status on value drivers as well as key market information for the main portfolio companies. The monthly business update contain high level financial and operational information for the Akastor group, as well as key highlights for the main portfolio companies.

11. Remuneration of the Board of Directors

The remuneration of the board of directors will reflect its responsibilities, know-how and time commitment, as well as the complexity of the business. The remuneration will be proposed by the nomination committee, and is not performance-related or linked to options in Akastor. More detailed information about the remuneration of individual directors will be provided in note 36 Management remunerations to the consolidated financial statements for the group in the annual report for 2016. Neither the directors, nor companies with whom they are affiliated, should accept specific paid duties for Akastor beyond their directorships. If

they nevertheless do so, the board of directors shall be informed and the remuneration shall be approved by the board of directors. No remuneration shall be accepted from anyone other than the company or the relevant group company in connection with such duties.

12. Remuneration of Executive Personnel

The board of directors has adopted designated guidelines for the remuneration of executive management pursuant to the provisions of Section 6-16a of the Public Limited Liability Companies Act. The guidelines were adopted by the general meeting April 12, 2016. The board of director's statement on the remuneration of executive personnel for 2016/2017 will be a separate item on the agenda for the annual general meeting on April 6, 2017.

Akastor has no option schemes or option programs for the allotment of shares to employees. The Chief Executive Officer determines the remuneration of executive management on the basis of the guidelines laid down by the board of directors. All performance-related remuneration within the group will be made subject to a cap.

13. Information and Communication

The company has adopted a designated communications and investor relations policy which covers, among other things, guidelines for the company's contact with shareholders other than through general meetings.

The company's reporting of financial and other information is based on openness and the equal treatment of all securities market players. The long-term purpose of the investor relations function is to ensure access for the company to capital on competitive terms, whilst at the same time ensuring that the shareholders are provided with the most correct pricing of the shares that can be achieved. This shall take place through the correct and timely distribution of price-sensitive information, whilst ensuring, at the same time, that the company is in compliance with applicable rules and market practices. Reference is also made to the above discussion concerning the flow of information between Akastor and Aker ASA in connection with their cooperation within, inter alia, strategy, transactions, and funding.

All stock exchange announcements and press releases are made available on the company's website, and stock exchange announcements are also available on www.newsweb.no. All information sent to the shareholders is posted on the company's website at the same point of time. The company holds open presentations in connection with the reporting of financial performance, either by a physical meeting or by a conference call and webcast, and these presentations are broadcasted on the internet. The financial calendar of the company is available at www.akastor.com.



14. Take-overs

The overriding principle for Akastor is equal treatment of shareholders. In a bid situation, the board of directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the company's business activities are not disrupted unnecessarily. In a take-over situation, the board will have a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.

Aker ASA has undertaken to retain control of Aker Kværner Holding AS for a minimum of ten years from June 2007. The board of directors has not deemed it appropriate to adopt specific guidelines for takeover situations for as long as the ownership cooperation context within Aker Kværner Holding AS remains intact. This is a deviation from the Code of Practice.

15. Auditors

The external auditor annually presents a plan for the performance of the audit work to the audit committee. In addition, the auditor provides the board of directors with a written confirmation to the effect that the independence

requirement is met annually. The auditor attends all audit committee meetings, and the auditor has reviewed any material changes to the accounting principles of the company, or to the internal controls of the company, with the audit committee. The external auditor also attends the board meeting where the annual financial statements are reviewed and approved, normally in March. The board of directors holds a minimum of one annual meeting with the auditor without any executive personnel being in attendance.

The board's audit committee stipulates guidelines on the scope for using the auditor for services other than auditing, and makes recommendations to the board of directors concerning the appointment of the external auditor and the approval of the auditor's fees. Fees payable to the auditor, separated into those relating to auditing and those relating to other services, are specified in the «Other operating expenses» note to the consolidated financial statements for the group. The auditor's fees relating to auditing are subject to approval by the the general meeting.

The external auditor has issued a statement to the chair of the audit committee confirming their independence.



05.a. FINANCIALS AND NOTES

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Akastor Group | Consolidated income statement

For the year ended December 31

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015 Restated ¹⁾
Operating revenue	6, 7	5 140	9 580
Other income	6, 7	170	403
Total revenue and other income		5 310	9 983
Materials, goods and services		(2 115)	(4 908)
Salaries, wages and social security costs	8, 36	(2 304)	(3 205)
Other operating expenses	10	(823)	(1 303)
Operating expenses before depreciation, amortization and impairment		(5 241)	(9 416)
Operating profit before depreciation, amortization and impairment		69	567
Depreciation and amortization	14, 15	(746)	(829)
Impairment	14, 15	(473)	(1 256)
Operating profit (loss)		(1 151)	(1 518)
Finance income	11	40	87
Finance expenses	11	(710)	(742)
Profit (loss) on foreign currency forward contracts	11	(289)	50
Profit (loss) from equity-accounted investees	11, 18	(214)	(73)
Profit (loss) before tax		(2 324)	(2 195)
Income tax benefit (expense)	12	307	351
Profit (loss) from continuing operations		(2 017)	(1 844)
Profit (loss) from discontinued operations (net of income tax)	5	734	(743)
Profit (loss) for the period		(1 282)	(2 587)
<i>Profit (loss) for the period attributable to:</i>			
Equity holders of the parent company		(1 282)	(2 587)
Basic/diluted earnings (loss) per share (NOK)	13	(4.73)	(9.54)
Basic/diluted earnings (loss) per share continuing operations (NOK)	13	(7.44)	(6.80)

¹⁾ See note 5.



Akastor Group | Consolidated statement of comprehensive income

For the year ended December 31

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015
Profit (loss) for the period		(1 282)	(2 587)
Other comprehensive income			
Cash flow hedges, effective portion of changes in fair value		180	(172)
Deferred tax of cash flow hedges, effective portion of changes in fair value		(44)	59
Cash flow hedges, reclassification to income statement		(537)	58
Deferred tax of cash flow hedges, reclassification to income statement		134	(20)
Total change in hedging reserve, net of tax		(267)	(75)
Currency translation differences – foreign operations		(81)	640
Currency translation differences, reclassification to income statement upon disposal		(105)	-
Deferred tax of currency translation differences – foreign operations		(35)	10
Total items that may be reclassified subsequently to profit or loss, net of tax		(488)	575
Remeasurement gain (loss) net defined benefit liability	27	(40)	25
Deferred tax of remeasurement gain (loss) net defined benefit liability		4	(8)
Total items that will not be reclassified to profit or loss, net of tax		(36)	18
Total other comprehensive income, net of tax		(524)	593
Total comprehensive income (loss) for the period, net of tax		(1 806)	(1 994)
<i>Attributable to:</i>			
Equity holders of the parent company		(1 806)	(1 994)

Akastor Group | Consolidated statement of financial position
 For the year ended December 31

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015
Assets			
Property, plant and equipment	14	5 198	6 480
Deferred tax assets	12	600	468
Intangible assets	15	1 731	2 785
Non-current interest-bearing receivables	17	51	84
Other non-current operating assets		104	478
Equity-accounted investees	18	93	177
Other investments	19	121	261
Total non-current assets		7 897	10 732
Current tax assets		65	2
Inventories	21	1 086	1 464
Trade and other receivables	22	2 829	5 959
Derivative financial instruments	32	269	1 746
Current interest-bearing receivables	17	15	72
Cash and cash equivalents	23	487	563
Assets classified as held for sale	5	212	-
Total current assets		4 964	9 805
Total assets		12 861	20 537
Equity and liabilities			
Issued capital	24	162	162
Treasury shares	24	(2)	(2)
Other capital paid in		1 534	1 534
Reserves		811	1 335
Retained earnings		3 075	4 357
Total equity attributable to the equity holders of the parent company		5 580	7 386
Total equity		5 580	7 386
Non-current borrowings	25	1 494	1 583
Employee benefit obligations	27	380	434
Deferred tax liabilities	12	15	51
Other non-current liabilities	26	112	74
Non-current provisions	28	333	341
Total non-current liabilities		2 334	2 483
Current borrowings	25	1 560	4 054
Current tax liabilities		63	89
Provisions	28	354	553
Trade and other payables	29	2 492	4 443
Derivative financial instruments	32	301	1 528
Liabilities classified as held for sale	5	177	-
Total current liabilities		4 947	10 667
Total liabilities		7 281	13 150
Total equity and liabilities		12 861	20 537

Fornebu, March 7, 2017 | Board of Directors of Akastor ASA



Frank O. Reite | Chairman



Lone Fønss Schrøder | Deputy Chairman



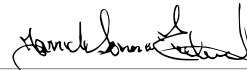
Øyvind Eriksen | Director



Kathryn M. Baker | Director



Sarah Ryan | Director



Jannicke Sommer-Ekelund | Director



Stian Sjølund | Director



Asbjørn Michailoff Pettersen | Director



Kristian Monsen Røkke | CEO



Akastor Group | Consolidated statement of changes in equity

<i>Amounts in NOK million</i>	<i>Note</i>	Share capital	Treasury shares	Other capital paid in	Retained earnings	Hedging reserve ¹⁾	Currency translation reserve ¹⁾	Remeasurement gain (loss) net defined benefit obligations	Total parent company equity holders	Total equity
2015										
Equity as of January 1, 2015		162	(2)	1 534	6 942	357	646	(261)	9 378	9 378
Profit for the period		-	-	-	(2 587)	-	-	-	(2 587)	(2 587)
Other comprehensive income		-	-	-	-	(75)	650	18	593	593
Total comprehensive income		-	-	-	(2 587)	(75)	650	18	(1 994)	(1 994)
Treasury shares	24	-	-	-	2	-	-	-	2	2
Total transactions with equity holders		-	-	-	2	-	-	-	2	2
Equity as of December 31, 2015		162	(2)	1 534	4 357	282	1 296	(243)	7 386	7 386
2016										
Profit (loss) for the period		-	-	-	(1 282)	-	-	-	(1 282)	(1 282)
Other comprehensive income		-	-	-	-	(267)	(220)	(36)	(524)	(524)
Total comprehensive income		-	-	-	(1 282)	(267)	(220)	(36)	(1 806)	(1 806)
Equity as of December 31, 2016		162	(2)	1 534	3 075	15	1 075	(278)	5 580	5 580

¹⁾ See note 24 Capital and reserves for more information.

Akastor Group | Consolidated statement of cash flow
For the year ended December 31

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015
<i>Cash flow from operating activities</i>			
Profit (loss) for the period – continuing operations		(2 017)	(1 844)
Profit (loss) for the period – discontinued operations		734	(743)
Profit (loss) for the period		(1 282)	(2 587)
<i>Adjustments for:</i>			
Income tax expense (benefit)		(176)	(286)
Net interest cost and unrealized currency (income) loss		504	582
(Profit) loss on foreign currency forward contracts		289	(44)
Depreciation, amortization and impairment	14, 15	1 558	2 861
(Profit) loss on disposal of subsidiaries		(968)	(303)
(Profit) loss on disposal of assets		(170)	(19)
(Profit) loss from equity-accounted investees	18	210	31
Other non-cash effects		85	176
Profit (loss) for the period after adjustments		49	411
Changes in operating assets		508	(411)
Cash generated from operating activities		559	-
Interest paid		(599)	(477)
Interest received		32	36
Income taxes paid		(121)	(163)
Net cash from operating activities		(129)	(603)
<i>Cash flow from investing activities</i>			
Acquisition of subsidiaries, net of cash acquired		(7)	(11)
Acquisition of property, plant and equipment	14	(153)	(1 460)
Payments for capitalized development	15	(49)	(176)
Proceeds from sale of subsidiaries, net of cash	5	2 382	1 150
Proceeds from sale of property, plant and equipment	14, 15	667	152
Proceeds from sale of equity-accounted investments		-	50
Acquisition of/capital contribution to equity-accounted investments		(231)	-
Proceeds from (acquisition of) other investments		112	(110)
Proceeds from repayment of interest-bearing receivables		-	189
Net cash from investing activities		2 720	(216)
<i>Cash flow from financing activities</i>			
Proceeds from borrowings		421	1 378
Repayment of borrowings		(3 045)	(1 193)
Net cash from financing activities		(2 624)	185
Effect of exchange rate changes on cash and bank deposits		11	121
Net increase (decrease) in cash and bank deposits		(22)	(512)
Cash and cash equivalents at the beginning of the period		563	1 075
Cash and cash equivalents at the end of the period	23	540	563
Of which is classified as held-for-sale	5	53	-
Of which is restricted cash		9	58

The statement included cash flows from discontinued operations prior to the disposal.



Note 1 | Corporate information

Akastor ASA is a limited liability company incorporated and domiciled in Norway and whose shares are publicly traded. The registered office is located at Oksenøyveien 10, Bærum, Norway. The largest shareholder is Aker Kværner Holding AS and the ultimate parent company is The Resource Group TRG AS.

The consolidated financial statements of Akastor ASA and its subsidiaries (collectively referred as Akastor or the group, and separately as group companies) for the year ended December 31, 2016 were approved by the

board of directors and CEO on March 7, 2017. The consolidated financial statements will be authorized by the Annual General Meeting on April 6, 2017.

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. Information on the group's structure is provided in note 34 Group companies. Information on other related party relationships of the group is provided in note 35 Related parties.

Note 2 | Basis for preparation

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union, their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Norwegian Accounting Act as of December 31, 2016.

Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the group will be able to meet the mandatory terms and conditions of the banking facilities as disclosed in note 25 Borrowings.

Akastor's existing bank financing agreement has a covenant that interest coverage ratio (ICR) should not be less than 1.5 in the fourth quarter of 2016, calculated from the consolidated EBITDA to consolidated Net Interest Cost. As of December 31, 2016, the ICR was below the minimum level. Borrowings of NOK 1.2 billion, with maturity in 2019, were therefore reclassified from non-current to current borrowings. On March 1, 2017, Akastor signed an agreement with its bank syndicate to amend covenants and some terms and conditions to provide greater flexibility in the financing. Management believes that the group will be able to meet its new funding requirements and to refinance or to repay its banking facilities as they fall due. As of December 31, 2016, the group has a liquidity reserve of NOK 3.1 billion, comprised by cash and cash equivalents of NOK 0.5 billion and undrawn committed bank revolving credit facilities of NOK 2.6 billion.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

- Derivative financial instruments are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Contingent consideration assumed in business combinations are measured at fair value.
- Net defined benefit (asset) liability is recognized at fair value of plan assets less the present value of the defined benefit obligation.

Functional and presentation currency

The consolidated financial statements are presented in NOK, which is Akastor ASA's functional currency. All financial information presented in NOK has been rounded to the nearest million (NOK million), except when otherwise stated. The subtotals and totals in some of the tables in these consolidated financial statements may not equal the sum of the amounts shown due to rounding.

When the functional currency in a reporting unit is changed, the effect of the change is accounted for prospectively.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although management believes these assumptions to be reasonable, given historical experience, actual amounts and results could differ from these estimates. The items involving a higher degree of judgement or complexity, and items where assumptions and estimates are material to the consolidated financial statements, are disclosed in note 4 Significant accounting estimates and judgements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Adoption of new and revised standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. The following standards and interpretations were adopted with effect from January 1, 2016, with no implementation impact on the group's consolidated financial statements:

- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative



- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

At the date of authorization of the group's consolidated financial statements, the following standards and interpretations were issued but not yet effective and could affect the group:

IFRS 15 Revenue from Contracts with Customers (effective from January 1, 2018), including Clarifications to IFRS 15 Revenue from Contracts with Customers (not approved by EU)

The standard will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts and the related interpretations when it becomes effective. IFRS 15 introduces a new five-step model that applies to revenue arising from contracts with customers.

The group has initiated an implementation process to systematically analyze and evaluate the application impact. The analysis of the application of IFRS 15 is still ongoing and more detailed review of existing customer contracts will be carried out in 2017. Based on preliminary assessments, the group does not anticipate significant impacts on its consolidated financial statements of initial application of the new standard. However, the group has identified the following main impact of implementing IFRS 15:

- The construction contracts currently in the scope of IAS 11 will be reassessed according to IFRS 15 to evaluate whether the revenue from such contracts shall be recognized over time or at a point in time. The group does not anticipate significant changes in revenue recognition due to implementation of IFRS 15.
- For revenue that is to be recognized over time, the group will assess an appropriate method of measuring progress according to IFRS 15. The group does not anticipate significant changes in the measurement of progress due to implementation of the new standard.
- Constraint of variable considerations: To include variable considerations in the estimated contract revenue, the entity has to conclude that it is highly probable that a significant revenue reversal will not occur when the uncertainties related to the variability are resolved. The threshold of including variable considerations in revenue recognition is higher than the requirements under current standards. The group does not anticipate significant changes in the measurement of revenue due to implementation of the new standard.
- Disclosures: IFRS 15 requires more comprehensive disclosure than the current disclosure required by IAS 18 and IAS 11.

On transition to IFRS 15, the group plans to apply the new standard retrospectively with the cumulative effect of initial application recognized as an adjustment to the opening balance of retained earnings as of January 1, 2018. Under this transition method, the new standard will be applied retrospectively only to contracts that are not completed by January 1, 2018, and the comparable information presented will not be restated.

IFRS 9 Financial Instruments (effective from January 1, 2018)

The standard will replace IAS 39 Financial Instruments Recognition and Measurement. The standard includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

The actual impact of adopting IFRS 9 on the group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the group holds and economic conditions at that time as well as judgments that it will make in the future. The group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 and a more detailed review of hedge accounting implications in particular will be carried out in 2017. Based on preliminary assessments, the group does not anticipate significant impacts on its consolidated financial statements of initial application of the new standard.

The following changes are expected to impact the reported figures upon transition to IFRS 9:

- Around 80 percent of the group's foreign currency hedges qualify for hedge accounting under the current standard. The percentage of qualifying hedges is expected to increase under IFRS 9 as the hedge accounting model is more aligned with risk management, including prospective testing and less restrictive requirements on qualifying hedging instruments. This is expected to result in less foreign currency effects reported under financial items. There is also a possible change in timing of recognition of currency effects related to the settlement of embedded derivatives. The change is not expected to have material impact on net profit, however assessment is on-going.
- The effect of classification of financial instruments and the expected credit loss principle are not expected to have material impact on the financial reporting, following the group's customer portfolio.
- Disclosures: IFRS 9 requires more comprehensive disclosure than the current disclosure requirements.

IFRS 16 Leases (effective from January 1, 2019, but not approved by the EU)

The standard was issued in January 2016 and replaces IAS 17 Leases and the related interpretations.

- The new standard introduces a single, on-balance sheet lease accounting model for lessees, with optional exemptions for short-term leases and leases of low value items. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.
- Lessor accounting remains similar to current standard.

The group has started an initial assessment of the potential impact on its consolidated financial statements and has identified the following main impact:



- The group anticipates that new assets and liabilities will be recognized for its operating lease agreements where the group is a lessee. In addition, the nature and timing of expenses related to these leases will change when the straight-line operating lease expenses will be replaced by depreciation charge for lease assets and interest expenses for lease liabilities under IFRS 16.

- The group does not anticipate significant impact for the group's finance leases.

The group has not yet determined on the transition approach to apply IFRS 16, or quantified the impact on its consolidated financial statements. The assessment of potential impact of implementation will be continued in 2017.

Note 3 | Significant accounting policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date of which control ceases.

Business combinations

Business combinations are accounted for using the acquisition method as of the acquisition date, which is the date when control is transferred to the group.

The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognized amount of any non-controlling interests in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less
- the net recognized amount (generally at fair value) of the identifiable assets acquired and liabilities assumed.

Transaction costs, other than those associated with the issue of debt or equity securities incurred in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. Changes in the fair value of the contingent consideration from acquisition of a subsidiary or non-controlling interest for transactions will be recognized in Other income as gain or loss, except for the obligation that is classified as equity.

When the group has entered into put options with non-controlling shareholders on their shares in that subsidiary, the anticipated acquisition method is used. The agreement is accounted for as if the put option had already been exercised. If the put option expires unexercised, then the liability is derecognized and the non-controlling interest is recognized.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Loss of control

On the loss of control, the group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity. Any resulting gain or loss is recognized in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Any contingent consideration receivable is measured at fair value at the disposal date. Changes in the fair value of the contingent consideration from divestment of a subsidiary for transactions will be recognized in Other income as gain or loss.

Investments in joint ventures

The group's interests in equity-accounted investees comprise interests in joint ventures.

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather to its assets and obligations for its liabilities. Joint control is established by contractual agreement requiring unanimous consent of the ventures for strategic, financial and operating decisions.

Interests in joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit and loss and other comprehensive income of the equity-accounted investees. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. When the group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and further losses are not recognized except to the extent that the group incurs legal or constructive obligations or has made payments on behalf of the investee.

The purpose of the investment determines the presentation of the group's share of profits and losses of the equity-accounted investee in the income statement. When the entity is established to share risk in executing a project or is closely related to Akastor's operating activities, the share of



profit or loss is reported as part of Other income in Operating Profit. Share of the profit or loss of a financial investment is reported as part of Finance income and expenses.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and joint ventures are eliminated to the extent of the group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale or distribution in its present condition. Management must be committed to the sale or distribution, which should be expected to qualify for recognition as a completed sale or distribution within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale or distribution are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale or distribution are not depreciated or amortized, but are considered in the overall impairment testing of the disposal group.

No reclassifications are made for years prior to the year when non-current assets or disposal groups are classified as a held for sale or distribution.

Discontinued operations

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

In the consolidated income statement, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative year.

The statement of cash flow includes the cash flow from discontinued operations prior to the disposal. Cash flows attributable to the operating, investing and financing activities of discontinued operations are presented in the notes to the extent these represent cash flows with third parties.

Foreign currency

Foreign currency transactions and balances

Transactions in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated

in foreign currencies at the reporting date are translated to the functional currency at the exchange rate on that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rates on the date the fair value is determined.

Investments in foreign operations

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates. The results and financial positions of all the group entities that have a functional currency different from the group's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments, are translated at the closing exchange rate at the reporting date.
- Income statements are translated at average exchange rate for the year, calculated on the basis of 12 monthly rates.

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are included in other comprehensive income as currency translation reserve. These translation differences are reclassified to the income statement upon disposal of the related operations or when settlement is likely to occur in the near future.

Monetary items that are receivable from or payable to a foreign operation are considered as part of the net investment in that foreign operation, when the settlement is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from these monetary items are recognized in other comprehensive income.

Current/non-current classification

An asset is classified as current when it is expected to be realized or is intended for sale or consumption in the group's normal operating cycle, it is held primarily for the purpose of being traded, or it is expected/due to be realized or settled within twelve months after the reporting date. Other assets are classified as non-current.

A liability is classified as current when it is expected to be settled in the group's normal operating cycle, is held primarily for the purpose of being traded, the liability is due to be settled within twelve months after the reporting period, or if the group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Financial assets, financial liabilities and equity

Financial assets and liabilities in the group consist of investments in other companies, trade and other receivables, interest-bearing receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowing.

The group initially recognizes borrowings and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.



Other investments

Other investments include equity securities where the group has neither control nor significant influence, usually represented by less than 20 percent of the voting power. The investments are categorized as available-for-sale financial assets and are recognized initially at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented as part of fair value reserve. When an investment is derecognized, the gain or loss accumulated in other comprehensive income is reclassified to profit and loss. Impairment losses are recognized in the income statement when the decrease in fair value is significant or prolonged.

Trade and other receivables

Trade receivables are recognized at the original invoiced amount, less an allowance made for doubtful receivables. Other receivables are recognized initially at fair value. Trade and other receivables are valued at amortized cost using the effective interest rate method. The interest rate element is disregarded if insignificant, which is the case for the majority of the group's trade receivables.

Current interest-bearing receivables

Current interest bearing receivables include bonds, securities and mutual funds with short-term maturity. These assets are designated upon initial recognition as at fair value through profit and loss.

Non-current interest-bearing receivables

Interest bearing receivables include loans to related parties and other receivables with fixed or determinable payments that are not quoted in an active market. Such financial assets are recognized initially at fair value and subsequent measurement at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits held at banks and other short-term highly liquid investments with original maturity of three months or less.

Trade and other payables

Trade payables are recognized at the original invoiced amount. Other payables are recognized initially at fair value. Trade and other payables are valued at amortized cost using the effective interest rate method. The interest rate element is disregarded if it is insignificant, which is the case for the majority of the group's trade payables.

Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Share capital

Ordinary shares are classified as equity. Repurchase of share capital is recognized as a reduction in equity and is classified as treasury shares.

Derivative financial instruments

The group uses derivative financial instruments such as currency forward

contracts and currency swaps to hedge its exposure to foreign exchange risks arising from operational, financial and investment activities. These derivative financial instruments are accounted for as cash flow hedges since highly probable future cash flows are hedged (rather than committed revenues and expenses). The group also has embedded foreign exchange derivatives which have been separated from their ordinary commercial contracts. Derivative financial instruments are recognized initially at fair value. Derivatives are subsequently measured at fair value, and changes in fair value are accounted for as described below.

Cash flow hedge

Hedging of the exposure to variability in cash flows that is attributable to a particular risk or a highly probable future cash flow is defined as a cash flow hedge. The effective portion of changes in the fair value is recognized in other comprehensive income as a hedge reserve. All foreign exchange exposure is hedged, of which about 80 percent qualifies for hedge accounting. The gain or loss relating to the ineffective portion of derivative hedging instruments is recognized immediately in the income statement as finance income or expense. Amounts accumulated in hedge reserves are reclassified to the income statement in the periods when the hedged item is recognized in the income statement.

Hedge accounting is discontinued when the hedge no longer qualifies for hedge accounting. Disqualification occurs when the hedging instrument expires, is sold, terminated or exercised, or when a forecast transaction is no longer expected or the hedge is no longer effective. When a hedge is disqualified, the cumulative gain or loss that was recognized in the hedge reserve is recognized immediately in the income statement unless it relates to a future cash flow that is likely to occur, but don't qualify for hedge accounting, in which the accumulated hedge reserve remains in other comprehensive income until the hedged cash flow is recognized in income statement.

Net investment hedge

Hedge of net investment in a foreign operation is accounted for similarly to cash flow hedges. Gains or losses arising from the hedging instruments relating to the effective portions of the net investment hedge are recognized in other comprehensive income as currency translation reserves. These translation reserves are reclassified to the income statement upon disposal of the hedged net investments, offsetting the translation differences from these net investments. Any ineffective portion is recognized immediately in the income statement as finance income or expenses. Gains and losses accumulated in other comprehensive income are reclassified to the income statement when the foreign operation is partially disposed of or sold.

Embedded derivatives

Embedded derivatives are derivatives that are embedded in other financial instruments or other non-financial host contracts. Under certain conditions, the embedded derivative must be separated from its host contract and the derivative is then to be recognized and measured as any other derivative in the financial statements. Embedded derivatives must be separated when the settlement for a commercial contract is denominated in a currency different from any of the major contract parties' own functional currency, or that the contract currency is not considered to be commonly used for the relevant economic environment defined as the countries involved in the cross-border transaction. Changes in the fair value of separated embedded derivatives are recognized



immediately in the income statement. All foreign currency exposure is hedged, so the hedging instrument to the embedded derivative will also have corresponding opposite fair value changes in the income statement.

Finance income and expense

Finance income and expense includes interest income and expense on financial assets and liabilities, foreign exchange gains and losses, dividend income and gains and losses on derivatives. Interest income and expenses include calculated interest using the effective interest method, in addition to discounting effects from assets and liabilities measured at fair value. Gains and losses on derivatives include effects from derivatives that do not qualify for hedge accounting and embedded derivatives, in addition to the ineffective portion of qualifying hedges.

Revenue recognition

Construction contracts

Construction contract revenues are recognized using the percentage of completion method. Stage of completion is determined by the method that measures reliably the work performed. Depending on the nature of the contract, the two main methods used by Akastor to assess stage of completion are:

- Technical completion, or
- Contract costs incurred to date compared to estimated total contract costs.

When the final outcome of a contract cannot be reliably estimated, contract revenue is recognized only to the extent of costs incurred that are expected to be recoverable. The revenue recognized in one period will be the revenues attributable to the period's progress and adjustments related to changes in the estimated final outcome, if any. Losses on contracts are fully recognized when identified.

Contract revenues include variation orders and incentive bonuses when it is probable that they will result in revenue that can be measured reliably. Disputed amounts and claims are only recognized when negotiations have reached an advanced stage, customer acceptance is highly likely and the amounts can be measured reliably. Options for additional assets are included in the contract when exercised by the buyer. In the rare circumstances where the option is a loss contract, the full loss is recognized when it is probable that the options will be exercised.

See note 4 Significant accounting estimates and judgements for further description of recognition of construction contract revenue.

Goods sold and services rendered

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, which is usually when goods are delivered to customers. Revenue from services rendered is recognized in the income statement in proportion to the stage of completion of the transaction at the reporting date or is invoiced based on hours performed at agreed rates. The stage of completion is normally assessed based on the proportion of costs incurred for work performed to date compared to the estimated total contract costs. No revenue is recognized if there is significant uncertainty regarding recovery of consideration due.

Lease income

Lease revenue from time charters and bareboat charters are recognized daily over the term of the charter. The company does not recognize revenue during days when the vessel is off-hire. Other lease income from operating leases, mainly related to office leases, is recognized as revenue on a straight-line basis over the term of the relevant lease. Lease income is included in operating revenue as service revenue.

Other income

Gains and losses resulting from acquisition and disposal of businesses which do not represent discontinued operations are included in Other income. Such gains may result from the remeasurement of a previously held interest in the acquired entity. Changes in the fair value of the contingent consideration from acquisition of a subsidiary or non-controlling interest are recognized as part of Other income.

Share of profit and loss from associated companies and joint ventures, to the extent that these investments are related to the group's operating activities, are included in Other income, as well as gains and losses related to the sale of operating assets.

Expenses

Construction contracts

Contract costs include costs that relate directly to the specific contract and allocated costs that are attributable to general contract activity. Costs that cannot be attributed to contract activity are expensed. Tender costs are capitalized when it is probable that the company will obtain the contract. All other bidding costs are expensed as incurred. See note 4 Significant accounting estimates and judgements for further description of recognition of construction contract costs.

Lease payments

Lease payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Any lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Income tax

Income tax recognized in the income statement comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends, recognized at the same time as the liability to pay the related dividend.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Goodwill not deductible for tax purposes
- The initial recognition of assets or liabilities that affects neither accounting nor taxable profit



- Temporary differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the tax assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Measurement of deferred tax assets are reviewed at each reporting date.

Construction work in progress

Construction work in progress represents the aggregate amount of costs incurred and recognized profits, less the sum of recognized losses and progress billings. The presentation of construction work in progress in the statement of financial position depends on the financial status of the individual projects. All projects with net amounts due from customers are summarized and presented as an asset, and all projects with net amounts due to customers are summarized and presented as a liability in the statement of financial position. Advances are presented separately as such advances represent payments from customers in excess of the work performed.

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories and bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment

Trade and other receivables

Provision of doubtful debt is made when there is objective evidence that the group will be unable to recover receivables in full. Receivables are impaired when the probability of recovery is assessed as being remote. The impairment is recognized in financial items to the extent that impairment is caused by the insolvency of the customer.

Available-for-sale financial assets

Equity investments classified as available-for-sale are considered to be impaired when there is a significant (more than 20 percent) or prolonged (more than 6 months) decline in fair value of the investment below its cost. Any subsequent increase in value on available-for-sale assets is considered to be a revaluation and is recognized in other comprehensive income.

Other financial assets

The recoverable amounts of receivables carried at amortized cost are

calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (the effective interest rate computed at initial recognition of the financial assets). Impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occur after the initial recognition of the asset (a loss event) and the loss event has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

Non-financial assets

The carrying amounts of the group's assets, other than employee benefit assets, inventories, deferred tax assets and derivatives are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If an indication of impairment exists, the asset's recoverable amount is estimated. Cash-generating units (CGU) containing goodwill, intangible assets with an indefinite useful life and intangible assets that are not yet available for use are tested for impairment annually.

The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in the income statement.

An impairment loss recognized in respect of CGU (or a group of CGUs) containing goodwill is allocated first to goodwill and then to the other assets in the CGU(s) on a pro rata basis.

An impairment loss on goodwill is not reversed. An impairment loss on other assets is reversed if there has been a change in the estimates used to determine the recoverable amount, and the change can be objectively related to an event occurring after the impairment is recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions

A provision is recognized when the group has a present obligation as a result of a past event that can be estimated reliably and it is probable that the group will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a market based pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the liability-specific risks. The unwinding of the discount is recognized as a finance cost.

Warranties

Provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Onerous contracts

Provision for onerous contracts is recognized when the expected benefits



to be derived by the group from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is recognized, the group recognizes any impairment loss on the assets associated with the contract.

Restructuring

A restructuring provision is recognized when the group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that the entity will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, borrowing costs on qualifying assets, production overheads and the estimated costs of dismantling and removing the assets and restoring the site on which they are located.

If the components of property, plant and equipment have different useful lives, they are accounted for as separate components.

Subsequent costs

The group capitalizes the cost of a replacement part or a component of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. All other costs are expensed as incurred.

Depreciation

Depreciation is normally recognized on a straight-line basis over the estimated useful lives of property, plant and equipment.

Finance leases

Leases where the group assumes substantially all the risks and rewards of ownership are classified as finance leases. At the beginning of the leasing period, finance leases are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as other non-current liabilities except for first year instalment which is recognized as current liabilities. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest of the remaining balance of the liability. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term.

Intangible assets

Goodwill

Goodwill that arises from the acquisition of subsidiaries is presented as intangible asset. For the measurement of goodwill at initial recognition, see Business combinations.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

When the group disposes of an operation within a CGU or group of CGUs to which goodwill has been allocated, a portion of the goodwill is included in the carrying amount of the operation when determining the gain or loss on disposal. The portion of the goodwill allocated is measured based on the relative values of the operation disposed of and the portion of the CGU retained at the date of partial disposal, unless it can be demonstrated that another method better reflects the goodwill associated with the operation disposed of. The same principle is used for allocation of goodwill when the group reorganizes its businesses.

Research and development

Expenditures on research activities undertaken with the prospect of obtaining new scientific or technical knowledge and understanding is recognized in the income statement as incurred.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalized expenditure includes cost of materials, direct labour overhead costs that are directly attributable to preparing the asset for its intended use and capitalized interest on qualifying assets. Other development expenditures are recognized in the income statement as an expense as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

Other intangible assets

Acquired intangible assets are measured at cost less accumulated amortization and impairment losses.

Subsequent expenditures

Subsequent expenditures on intangible assets are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred.

Amortization

Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such useful lives are indefinite. Intangible assets are amortized from the date they are available for use.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

Defined benefit plans

The group's net obligation in respect of defined benefit pension plans is



calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods; discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. The discount rate is the yield at the reporting date on government bonds or high-quality corporate bonds with maturities consistent with the terms of the obligations.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The group determines the

net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in the income statement.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the income statement. The group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Note 4 | Significant accounting estimates and judgements

Estimates and judgements are continually reviewed and are based on historical experiences and expectations of future events. The resulting accounting estimates will, by definition, seldom accurately match actual results, but are based on the best estimate at the time. Estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

The percentage-of-completion method is used to account for construction contracts. This method requires estimates of the final revenue and costs of the contract, as well as measurement of progress achieved to date as a proportion of the total work to be performed.

The main uncertainty when assessing contract revenue is related to recoverable amounts from variation orders, claims and incentive payments which are recognized when, in the group's judgement, it is probable that they will result in revenue and are measurable. This assessment is adjusted by management's evaluation of liquidated damages to be imposed by customers typically relating to contractual delivery terms. In many projects, there are frequent changes in scope of work resulting in a number of variation orders. Normally the contracts with customers include procedures for presentation of and agreement of variation orders. At any point in time, there will be unapproved variation orders and claims included in the project revenue where recovery is assessed as probable and other criteria are met. Even though management has extensive experience in assessing the outcome of such negotiations, uncertainties exist.

One of the key uncertainties related to revenue recognition arises in the final stages of the completion of long term contracts which can involve renegotiations with customers. The estimates of the likely outcome of these renegotiations are based on management's assessments subject to complex interpretations of contractual, engineering, design and project execution issues. There can be a wide range of reasonably possible outcomes from such renegotiations and the estimates made require a high degree of judgment.

Remaining project costs depend on productivity factors and the cost of inputs. Weather conditions, the performance of subcontractors and others with an impact on schedules, commodity prices and currency rates can

affect cost estimates. Experience, systematic use of the project execution model and focus on core competencies reduce, but do not eliminate, the risk that estimates may change significantly. A risk contingency is included in project cost based on the risk register for identified significant risks.

Progress measurement based on costs has an inherent risk related to the cost estimate as described above. In situations where cost does not seem to properly reflect actual progress, alternative measures such as hours or physical progress are used to achieve more precise revenue recognition. The estimation uncertainty during the early stages of a contract is mitigated by a policy of normally not recognizing revenue in excess of costs on large lump sum projects before the contract reaches 20 percent of completion. However, management can on a project-by-project basis give approval of earlier recognition if cost estimates are certain, typically in situations of repeat projects, proven technology or proven execution model.

Warranties

A provision is made for expected warranty expenditures. The warranty period is normally two years as one operating cycle. Based on experience, the provision is often estimated at one percent of the contract value, but can also be a higher or lower amount following a specific evaluation of the actual circumstances for each contract. Both the general one percent provision and the evaluation of project specific circumstances are based on experience from earlier projects. Factors that could affect the estimated warranty cost include the group's quality initiatives and project execution model. Reference is made to note 28 Provisions for further information about provisions for warranty expenditures on delivered projects.

Deferred and contingent considerations

Deferred and contingent considerations resulting from business combinations and disposals are measured at fair value at transaction date. When a deferred and contingent consideration meets the definition of a financial asset or liability, it is subsequently remeasured at fair value of the reporting date. The determination of fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Leases

The determination of whether an arrangement is (or contains) a lease is



based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset (or assets) or the arrangement conveys a right to use the asset (or assets), even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. The assessment for the classification of leases is based on the substance of the transactions and requires judgement.

Impairment of non-financial assets

Property, plant and equipment and intangible assets

The group has significant non-current assets recognized in the consolidated statement of financial position related to Property, plant and equipment and intangible assets. The value in use of some of these assets can be significantly impacted by changes of market conditions. The group considers whether there are indications of impairment on the carrying amounts of such non-current assets. If such indications exist, an impairment test is performed to assess whether or not the assets should be impaired. The valuations, often determined by value-in-use calculations, will often have to be performed based on estimates of future cash flows discounted by an appropriate discount rate. Significant estimates and judgments have to be made by the management, including determining appropriated cash-generating units and discount rate, projections for future cash flows and assumptions of future market conditions. References are made to note 14 Property, plant and equipment and note 15 Intangible assets.

Goodwill

The group performs impairment testing of goodwill annually or more frequently if any impairment indicators are identified. The recoverable amounts of cash-generating units to which goodwill is allocated have been determined based on value-in-use calculations. These calculations require management to estimate future cash flows expected to arise from these cash-generating units and an appropriate discount rate to reflect the time value of the money. Key assumptions made by the management include also assumptions for future market conditions, which require a high degree of judgment. Further details about goodwill allocation and impairment testing are included in note 16 Impairment testing of goodwill.

Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required to determine the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Provisions for anticipated tax audit issues are based on estimates of eventual additional taxes.

Income tax expense is calculated based on reported income in the different legal entities. Deferred income tax expense is calculated based on the differences between the assets' carrying amount for financial reporting purposes and their respective tax basis that are considered temporary in nature. The total amount of income tax expense and allocation between current and deferred income tax requires management's interpretation of complex tax laws and regulations in the many tax jurisdictions where the group operates.

Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred tax benefit. Expected recoverability may result from expected taxable income in the near future, planned transactions or planned tax optimizing measures. Economic conditions may change and lead to a different conclusion regarding recoverability, and such change may affect the results for each future reporting period.

Tax authorities in different jurisdictions may challenge calculation of income taxes from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense in the period of change. During the period when tax authorities challenge income tax calculations, management is required to make estimates of the probability and size of possible tax adjustments. Such estimates may change as additional information becomes known. Further details about income taxes are included in note 12 Income tax.

Onerous contracts

The group has entered into several non-cancellable lease contracts for office premises which may result in vacant leased space. The group recognizes a provision for such lease contracts when the leased property is or will be vacant during the non-cancellable lease period. The provision is made for the discounted future lease payments, net of expected sublease income, if any. Key assumptions in determining the provisions are primarily related to expected sublease income, length of vacancy periods and appropriate discount rates. Further information about provision for onerous contracts is included in note 28 Provisions.

Pension benefits

The present value of the pension obligations depends on a number of factors determined on the basis of actuarial assumptions. These assumptions include financial factors such as the discount rate, expected salary growth, inflation and return on assets as well as demographical factors concerning mortality, employee turnover, disability and early retirement. Assumptions about all these factors are based on the situation at the time the assessment is made. However, it is reasonably certain that such factors will change over the very long periods for which pension calculations are made. Any changes in these assumptions will affect the calculated pension obligations with immediate recognition in other comprehensive income. Further information about the pension obligations and the assumptions used are included in note 27 Employee benefits – pension.

Legal claims

Given the scope of the group's worldwide operations, group companies are inevitably involved in legal disputes in the course of their business activities. In addition, as an investment company, Akastor and its portfolio companies from time to time engage in mergers, acquisitions and other transactions that could expose the companies to financial and other non-operational risks, such as indemnity claims and price adjustment mechanisms resulting in recognition of deferred settlement obligations.

Provisions have been made to cover the expected outcome of the legal claims to the extent negative outcomes are likely and reliable estimates can be made. However, the final outcome of these cases is subject to uncertainties, and resulting liabilities may exceed provisions recognized.



Note 5 | Discontinued operations

Disposal of Managed Pressure Operations (MPO)

In August 2016, Akastor sold Managed Pressure Operations in MHWirth to AFGlobal, following the decision of evaluating strategic alternatives for this operation. Managed Pressure Operations is an oilfield services company supplying industry leading Managed Pressure Drilling equipment, know how and experience.

The consideration for the disposal includes an earn-out element which potentially could reach USD 65 million over the next six years. The contingent consideration was recognized at fair value as of December 31, 2016.

Disposal of Frontica Business Solutions

In November 2016, Akastor completed the transactions to sell Frontica's IT business line (Frontica Business Solutions), to Cognizant. Frontica Business Solutions is a global provider of Information Technology Outsourcing (ITO) and Business Process Outsourcing (BPO) services to the oil and gas sector. The ITO division delivers services for IT infrastructure and workplace, application management and software development, as well as consulting services. The BPO division offers transaction finance, HR and payroll services. Frontica Business Solutions has about 570 employees, with offices in Norway, UK, USA, Brazil and Malaysia.

MPO, Frontica (Frontica Business Solutions and Frontica Advantage) and Fjords Processing are classified as discontinued operations and the comparative consolidated income statement has been restated to show the discontinued operations separately from continuing operations. Frontica Advantage is classified as held for sale as of December 31, 2016.

Disposal of Fjords Processing

In December 2016, Akastor completed the transaction to sell Fjords Processing segment to National Oilwell Varco (NOV). Fjords Processing provides world-class wellstream processing technology, systems and services to the upstream oil and gas industry. The company delivers market-leading solutions for separation and treatment of oil and gas, based on innovative technology and extensive competence accumulated over the last 40 years. Fjords Processing is headquartered in Fornebu, Norway, and has about 500 employees in 15 countries.

Disposal of Frontica Advantage

In December 2016, Akastor entered into a definitive agreement to sell Frontica's staffing business (Frontica Advantage) to NES Global Talent in exchange for a minority shareholding in the combined entity. Frontica Advantage is a provider of quality workforce solutions with global presence. The company has about 80 employees, with offices in Norway, UK, USA, Brazil and Malaysia. The transaction was completed on January 6, 2017. See also note 37 Subsequent events for more information about the divestment of Frontica Advantage.

Results of discontinued operations

Amounts in NOK million	2016	2015
Revenue	4 616	5 832
Expenses	(4 715)	(6 474)
Net financial items	(4)	(13)
Profit (loss) before tax	(102)	(655)
Income tax	(58)	(65)
Profit (loss) from operating activities, net of tax	(160)	(720)
Gain (loss) on sale of discontinued operations ¹⁾	968	(23)
Income tax on gain (loss) on sale of discontinued operations	(73)	-
Net profit (loss) from discontinued operations	734	(743)
Basic/diluted earnings (loss) per share from discontinued operations (NOK)	2.71	(2.74)

¹⁾ Includes currency translation differences of NOK 105 million that was reclassified from Other Comprehensive Income to the income statement upon disposal in 2016.

Gain before tax from the disposal was NOK 507 million for Frontica Business Solutions and NOK 654 million for Fjords Processing, and loss before tax of NOK 127 million for MPO. The net gain before tax on sale of discontinued operations in 2016 was negatively affected by lower earn-out expectations on divestments from prior years.

Cash flows from (used in) discontinued operations

Amounts in NOK million	2016	2015
Net cash from operating activities	(73)	(314)
Net cash from investing activities	2 333	(4)
Net cash flow from discontinued operations	2 260	(318)

**Effect of disposal on the financial position of the group**

<i>Amounts in NOK million</i>	2016
Deferred tax assets	(171)
Property, plant and equipment	(218)
Intangible assets	(640)
Other non-current assets	(24)
Inventories	(114)
Trade and other receivables	(1 163)
Cash and cash equivalents	(262)
Other current assets	(111)
Non-current liabilities	89
Trade and other payables	197
Other current liabilities	758
Currency translation reserve	105
Net assets and liabilities	(1 554)
Total consideration at fair value	2 587
Portion of consideration received in cash, net of transaction costs	2 644
Cash and cash equivalents disposed of	(262)
Cash inflows from disposal, net of cash disposed of	2 382

Assets and liabilities held for sale

<i>Amounts in NOK million</i>	2016
Deferred tax assets	33
Intangible assets	48
Current operating assets	78
Cash and cash equivalents	53
Assets classified as held for sale	212
Deferred tax liabilities	(29)
Trade payables	(54)
Other current liabilities	(94)
Liabilities classified as held for sale	(177)
Net assets held for sale	35

Disposal of subsidiaries in 2015

In July 2015, Akastor sold its shareholding in Pusnes Eiendom Invest AS and in December 2015, Akastor sold its entire real estate portfolio comprising of eight properties to Aker Maritime Finance AS, a related party of Aker ASA. The total consideration received was NOK 1 156 million and resulted in a gain of NOK 303 million recognized in Other income. See also note 35 Related parties.

The table below shows the effects on the consolidated statement of financial position from disposals of subsidiaries during 2015:

<i>Amounts in NOK million</i>	2015
Property, plant and equipment	(314)
Investment property	(696)
Intangible assets	(16)
Trade and other receivables	(30)
Cash and cash equivalents	(6)
Deferred tax liabilities	144
Other non-current liabilities	20
Trade and other payables	13
Other current liabilities	32
Net assets and liabilities	(854)
Consideration received, satisfied in cash	1 156
Cash and cash equivalents disposed of	(6)
Cash inflows from disposal of subsidiaries, net of cash disposed of	1 150



Note 6 | Operating segments

Basis for segmentation

As of December 31, 2016, Akastor has three reportable segments which are the strategic business units of the group. The strategic business units are managed separately and offer different products and services due to different market segments and different strategies for their projects, products and services:

- MHWirth is a supplier of drilling systems and drilling lifecycle services globally. 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.
- AKOFS Offshore is a global provider of vessel-based subsea well construction and intervention services to the oil and gas industry, covering all phases from conceptual development to project execution and offshore operations.
- KOP Surface Products is a 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.

Further, Akastor owns other investments, mainly 76 percent in Step Oiltools, 50 percent of DOF Deepwater AS, 100 percent in First Geo AS and Cool Sorption, and 93 percent of Aker Pensjonskasse. These are included in "Other holdings".

As a result of Frontica and Fjords Processing being classified as discontinued operations, the segment reporting has been reassessed in 2016 and the historical comparative figures have been restated accordingly. See note 5 for more information about the discontinued operations.

Measurement of segment performance

Segment performance is measured by operating profit before depreciation, amortization and impairment (EBITDA) which is reviewed by the group's Executive Management Group (the chief operating decision maker). Segment profit, together with key financial information as described below, gives the Executive Management Group relevant information in evaluating the results of the operating segments and is relevant in evaluating the results of the segments relative to other entities operating within these industries. Inter-segment pricing is determined on an arm's length basis.

The accounting policies of the reportable segments are the same as described in note 2 Basis of preparation and note 3 Significant accounting principles, except for hedge accounting. When contract revenues and contract costs are denominated in a foreign currency, the subsidiary hedges the exposure against the central treasury department (Akastor Treasury) and hedge accounting is applied independently of whether the hedge qualify for hedge accounting in accordance with IFRS. The correction of the non-qualifying hedges to secure that the consolidated financial statements are in accordance with IFRS is made as an adjustment at corporate level. This means that the group's segment reporting reflect all hedges as qualifying even though they may not qualify in accordance with IFRS.

Hedge transactions not qualifying for hedge accounting represent an accounting loss of NOK 10 million to EBITDA (gain of NOK 53 million in 2015) and a loss under financial items of NOK 289 million (gain of NOK 50 million in 2015). This is recognized as group adjustment under Other holdings.

Information about reportable segments

<i>Amounts in NOK million</i>	<i>Note</i>	MHWirth	AKOFS Offshore	KOP Surface	Other holdings	Eliminations	Total segments
2016							
<i>Income statement</i>							
External revenue and other income		3 510	835	335	629	-	5 310
Inter-segment revenue		38	-	-	44	(82)	-
Total operating revenue and other income		3 548	835	335	674	(82)	5 310
Operating profit before depreciation, amortization and impairment (EBITDA)		71	316	(22)	(296)	-	69
Depreciation and amortization	14, 15	(269)	(331)	(58)	(88)	-	(746)
Impairment	14, 15	(353)	(118)	-	(2)	-	(473)
Operating profit (loss) (EBIT)		(552)	(134)	(80)	(385)	-	(1 151)
<i>Assets</i>							
Current operating assets		3 060	277	228	425	-	3 991
Non-current operating assets		2 448	4 306	298	794	-	7 846
Operating segment assets		5 509	4 583	526	1 219	-	11 837
<i>Liabilities</i>							
Current operating liabilities		1 970	156	109	683	-	2 919
Non-current operating liabilities		339	58	20	422	-	840
Operating segment liabilities		2 309	214	130	1 106	-	3 758
Net current operating assets		1 091	121	119	(258)	-	1 072
Net capital employed		3 200	4 378	396	104	-	8 078
Capital expenditure and R&D capitalization		36	108	13	5	-	162
Cash flow from operating activities		280	(234)	42	(144)	-	(56)
<i>Amounts in NOK million</i>	<i>Note</i>	MHWirth	AKOFS Offshore	KOP Surface	Real estate & Other holdings	Eliminations	Total segments
2015 (Restated)							
<i>Income statement</i>							
External revenue and other income		6 455	781	1 131	1 616	-	9 983
Inter-segment revenue		72	-	-	153	(225)	-
Total operating revenue and other income		6 527	781	1 131	1 769	(225)	9 983
Operating profit before depreciation, amortization and impairment (EBITDA)		18	104	242	203	-	567
Depreciation and amortization	14, 15	(264)	(355)	(57)	(153)	-	(829)
Impairment	14, 15	(104)	(1 037)	(8)	(107)	-	(1 256)
Operating profit (loss) (EBIT)		(349)	(1 288)	177	(57)	-	(1 518)
<i>Assets</i>							
Current operating assets		5 005	200	374	412	-	5 991
Non-current operating assets		2 781	5 119	341	841	-	9 081
Operating segment assets		7 786	5 319	715	1 253	-	15 073
<i>Liabilities</i>							
Current operating liabilities		2 872	131	135	432	-	3 570
Non-current operating liabilities		629	4	25	127	-	785
Operating segment liabilities		3 501	135	160	559	-	4 355
Net current operating assets		2 133	69	240	(20)	-	2 422
Net capital employed		4 285	5 183	555	694	-	10 718
Capital expenditure and R&D capitalization		360	1 057	31	99	-	1 548
Cash flow from operating activities		-	(193)	400	(496)	-	(289)



Reconciliations of information on reportable segments to IFRS measures

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015 Restated
<i>Assets</i>			
Total segment assets		11 837	15 073
Derivative financial instruments	32	269	1 746
Cash and cash equivalents	23	487	563
Current interest-bearing receivables	17	15	72
Non-current interest-bearing receivables	17	51	84
Assets classified as held for sale	5	212	-
Operating assets related to discontinued operations		-	3 087
Elimination of intra-group assets		(10)	(87)
Consolidated assets		12 861	20 537
<i>Liabilities</i>			
Total segment liabilities		3 758	4 355
Derivative financial instruments	32	301	1 528
Current borrowings	25	1 560	4 054
Non-current borrowings	25	1 494	1 583
Liabilities classified as held for sale	5	177	-
Operating liabilities related to discontinued operations		-	1 717
Elimination of intra-group liabilities		(10)	(87)
Consolidated liabilities		7 281	13 150

Major customers

Revenue from two customers in MHWirth represents approximately NOK 1.5 billion (NOK 1.3 billion in 2015), and one customer in AKOFS Offshore represents approximately NOK 600 million (NOK 485 million in 2015) of the group's total revenue.

Geographical information

Geographical revenue is presented on the basis of geographical location of the group companies selling to the customers. Non-current segment assets and capital expenditures are based on the geographical location of the assets. Norway has revenue and non-current assets higher than 10 percent of the group, while Singapore had revenue higher than 10 percent of the group in 2015.

<i>Amounts in NOK million</i>	Operating revenue and other income		Non-current assets excluding deferred tax assets and financial instruments	
	2016	2015 Restated	2016	2015
Norway	2 905	5 759	4 887	6 451
Singapore	498	1 424	218	626
Other Europe	641	934	925	1 485
North America	331	824	337	514
South America	270	339	406	579
Other Asia	449	406	200	176
Australia	91	107	41	57
Middle East	113	168	5	29
Other	12	22	3	2
Total	5 310	9 983	7 022	9 919

Note 7 | Operating revenue and other income

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015 Restated
Construction revenue	20	1 612	4 257
Service revenue		2 242	3 292
Product revenue		918	1 628
Other operating revenue ¹⁾		368	402
Total operating revenue		5 140	9 580
Decrease (increase) in contingent considerations from business combinations		-	44
Gain on disposal of subsidiaries	5	-	303
Deferred gain on disposal of real estate		-	37
Gain on disposals of assets		170	19
Total other income		170	403

¹⁾ Includes rental income from investment property of NOK 60 million in 2015.

Gain on disposal of assets in 2016 mainly relates to the sale of the Skandi Santos topside equipment from AKOFS Offshore to Avium Subsea AS, a joint venture where Akastor has 50 percent ownership. The sale resulted in an accounting gain of NOK 172 million, representing 50% of the total gain on sale. See note 35 Related parties for more information about the transaction with joint venture.

Note 8 | Salaries, wages and social security costs

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015 Restated
Salaries and wages including holiday allowance		1 843	2 604
Social security tax/national insurance contribution		250	313
Pension cost	27	78	92
Other employee costs		133	197
Salaries, wages and social security costs		2 304	3 205

Note 9 | Operating leases

Group as lessee

Future minimum commitments under non-cancellable operating leases

<i>Amounts in NOK million</i>	2016	2015
Due within one year	568	678
Due in one to five years	1 287	1 756
Due in more than five years	443	567
Total	2 298	3 001

Minimum sublease income to be received in the future amounts to NOK 26 million (NOK 29 million in 2015) and relates mainly to sublease of office buildings.

Lease and sublease payments recognized in the income statement

<i>Amounts in NOK million</i>	2016	2015 Restated
Minimum lease payments	535	891
Sublease income	(9)	(2)
Total	527	889



The group has operating lease costs for buildings on a large number of locations worldwide. The leases typically run for a period of 12–15 years, with an option to renew the lease at market conditions. The group has also operating lease costs related to cars and inventory. These leases have an average lease period of 3–5 years with no renewal options included in the contracts.

In addition, the group has vessel lease costs in AKOFS Offshore related to rental for the Skandi Santos vessel. In November 2016, AKOFS entered into a lease agreement for the Skandi Santos vessel with the 50 percent owned joint venture, Avium Subsea AS. The Skandi Santos lease contract expires in March 2020, with an option for renewal for 5 years. See note 35 Related parties for more information about the transactions with joint ventures. The AKOFS Seafarer vessel was acquired in February 2015 and Aker Wayfarer vessel was recognized as finance lease as of September 2014.

Group as lessor

Future minimum lease income commitments under non-cancellable operating leases

Amounts in NOK million	2016	2015
Due within one year	726	965
Due in one to five years	4 223	4 903
Due in more than five years	581	403
Total	5 530	6 272

Lease income recognized in the income statement

Operating lease income relates mainly to the vessels Skandi Santos and Aker Wayfarer, offices leases to Aker Solutions and the rental business in Step Oiltools. Operating lease income of NOK 691 million is recognized in the income statement in 2016 (NOK 1 218 million in 2015).

Note 10 | Other operating expenses

Amounts in NOK million	2016	2015 Restated
Rental and other costs for buildings and premises	290	445
External consultants and hired-ins inclusive audit fees	242	382
Office supplies	23	29
Travel expenses	71	113
Insurance	32	37
Other	165	296
Total other operating expenses	823	1 303

Fees to the auditors

The table below summarizes audit fees, as well as fees for audit related services, tax services and other services incurred by the group during 2016 and 2015.

Amounts in NOK million	Akastor ASA		Subsidiaries		Total	
	2016	2015	2016	2015 Restated	2016	2015 Restated
Audit	3	2	10	10	13	12
Other assurance services	-	-	3	2	3	2
Tax services	-	-	1	-	1	-
Other non-audit services	-	-	1	1	1	1
Total	3	2	15	13	18	15

Note 11 | Finance income and expenses

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015 Restated
Profit (loss) on foreign currency forward contracts		(289)	50
Equity accounted investees	18	(214)	(73)
Interest income on bank deposits measured at amortized cost		10	12
Net foreign exchange gain		28	49
Other finance income		2	26
Finance income		40	87
Interest expense on financial liabilities measured at amortized cost		(246)	(205)
Finance charges under finance leases ¹⁾		(292)	(279)
Interest expense on financial liabilities measured at fair value		(21)	(21)
Loss on sale of available-for sale-assets ²⁾		(26)	-
Impairment loss on available-for sale-assets ²⁾		-	(202)
Impairment loss on external receivables ³⁾		(94)	-
Other financial expenses		(31)	(35)
Financial expenses		(710)	(742)
Net finance expenses recognized in profit and loss		(1174)	(678)

¹⁾ Aker Wayfarer vessel in AKOFS Offshore was recognized as finance lease as of September 2014.

²⁾ Loss on sale in 2016 and impairment loss in 2015 on available-for-sale assets relate to the group's shareholdings in EZRA Holdings Ltd.

³⁾ Impairment loss on external receivables in 2016 was triggered by insolvency of certain customers as well as unrecoverability of interest-bearing receivables.

See note 33 Financial instruments for information of the finance income and expense generating items.

Foreign currency forward contracts

Some foreign exchange hedge transactions do not qualify for hedge accounting under IFRS, primarily because a large number of internal hedge transactions are grouped and netted before external hedge transactions are established. These derivatives are mainly foreign exchange forward contracts. The corresponding contracts to the derivatives are calculated to have an equal, but opposite effect, and both the derivatives and the hedged items are reported as financial items. The net amount therefore reflects the difference in timing between the non-qualifying hedging instrument and the future transaction (economically hedged item).

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

The exposure from foreign currency embedded derivatives is economically hedged, but cannot qualify for hedge accounting and is therefore included in net foreign exchange gain/loss. Hedge accounting and embedded derivatives are explained in note 32 Derivative financial instruments.

Note 12 | Income tax

Income tax expense

<i>Amounts in NOK million</i>	2016	2015 Restated
<i>Current tax expense</i>		
Current year	(35)	(120)
Adjustments for prior years	(21)	(2)
Total current tax expense	(57)	(122)
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	574	627
Change in tax rate	(18)	(12)
Write down of tax loss and deferred tax assets	(192)	(140)
Total deferred tax income (expense)	364	474
Total tax income (expense)	307	351



Effective tax rate

The table below reconciles the reported income tax expense to the expected income tax expense according to the corporate income tax rate in Norway.

Amounts in NOK million	2016		2015 Restated	
Profit (loss) before tax, continuing operations	(2 324)		(2 195)	
Tax income (expense) using the company's domestic tax rate	581	25.0%	593	27.0%
<i>Tax effects of:</i>				
Difference between local tax rate and Norwegian tax rate	45	1.9%	(10)	(0.4%)
Permanent differences ¹⁾	(84)	(3.6%)	44	2.0%
Prior year adjustments (current tax)	(21)	(0.9%)	(2)	(0.1%)
Prior year adjustments (deferred tax)	6	0.3%	(6)	(0.3%)
Write down of tax loss or deferred tax assets ²⁾	(192)	(8.3%)	(140)	(6.4%)
Change in tax rates ³⁾	(18)	(0.8%)	(12)	(0.6%)
Effect of functional currency different from currency in tax reporting ⁴⁾	(2)	(0.1%)	(84)	(3.8%)
Other	(8)	(0.3%)	(31)	(1.4%)
Total tax income (expenses)	307	13.2%	351	16.0%

¹⁾ Relates mainly to profit (loss) from equity accounted investees, profit (loss) recognized on various tax-exempted investments and impairment of goodwill in 2015.

²⁾ In 2016, an impairment of deferred tax asset of NOK 85 million was recognized due to the preliminary decision from Central Tax office in Norway of disallowance of tax loss carry-forward incurred in relation to the liquidation of AKOFS Singapore in 2014. The remaining impairment relates mainly to MHWirth Inc in MHWirth, KOP Surface Nigeria and Step Oiltools.

³⁾ Relates mainly to changes in corporate income tax rate in Norway. The tax rate is changed from 25 percent to 24 percent effective as of January 1, 2017. In 2015, the tax rate was changed from 27 percent to 25 percent effective as of January 1, 2016.

⁴⁾ Relates to Norwegian legal entities in AKOFS Offshore with functional currency of USD.

Recognized deferred tax assets and liabilities

Amounts in NOK million	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Property, plant and equipment	135	68	(207)	(205)	(72)	(137)
Intangible assets	1	35	(42)	(146)	(41)	(111)
Projects under construction	-	-	(326)	(453)	(326)	(453)
Pensions	95	122	-	-	95	122
Provisions	158	198	(1)	(3)	158	195
Derivatives	32	89	(102)	(264)	(70)	(175)
Other items	152	179	(91)	(31)	61	148
Tax loss carry-forwards	782	829	-	-	782	829
Total before set offs	1 355	1 521	(770)	(1 103)	586	418
Set-off of tax	(756)	(1 053)	756	1 053	-	-
Total deferred tax assets (liabilities)	600	468	(15)	(51)	586	418

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the deductible temporary difference can be utilized. The deferred tax assets recognized for tax loss carry-forward are mainly related to the entities of the Norwegian tax group where tax losses can be carried forward without expiration. The group has made an evaluation of taxable profit in the Norwegian entities for the next five years based on management's projection. The estimates indicate that it is probable that future tax profit will be available for which such tax losses can be utilized.

Change in net recognized deferred tax assets (liabilities)

<i>Amounts in NOK million</i>	Property, plant and equipment	Intangible assets	Projects under construction	Pensions	Provisions	Derivatives	Other items	Tax loss carry-forwards	Total
Balance as of January 1, 2015	(368)	(102)	(552)	135	204	(151)	117	448	(269)
Recognized in profit and loss (restated)	125	5	95	(6)	123	(63)	(30)	226	474
Recognized in other comprehensive income	-	-	-	(9)	-	39	10	-	40
Discontinued operations	11	-	5	(1)	(127)	-	37	85	9
Disposal of subsidiaries	130	-	-	-	-	-	-	(2)	128
Currency translation differences	(34)	(14)	-	3	(5)	1	12	73	36
Balance as of December 31, 2015	(137)	(111)	(453)	122	195	(175)	148	829	418
Classified as held for sale as of January 1, 2016	-	2	-	-	(6)	-	(1)	(37)	(41)
Disposal of subsidiaries as of January 1, 2016	(20)	52	(14)	(13)	(23)	1	(128)	(66)	(211)
Recognized in profit and loss	75	14	132	(16)	12	15	67	64	364
Recognized in other comprehensive income	-	-	-	4	-	90	(35)	-	60
Currency translation differences	9	1	8	(2)	(22)	(2)	11	(8)	(3)
Balance as of December 31, 2016	(72)	(41)	(326)	95	158	(70)	61	782	586

Tax loss carry-forwards and deductible temporary differences for which no deferred tax assets are recognized

Deferred tax assets have not been recognized in respect of tax loss carry-forwards or deductible temporary differences when the group evaluates that it is not probable that future taxable profit will be available against which the group can utilize these benefit based on forecasts and realistic expectations.

Expiry date of unrecognized tax loss carry-forwards

<i>Amounts in NOK million</i>	2016	2015
Expiry in 2018	-	168
Expiry in 2019	-	-
Expiry in 2020	12	13
Expiry in 2021 and later	487	431
Indefinite	687	216
Total	1 187	828

Unrecognized other deductible temporary differences are NOK 287 million in 2016 (NOK 181 million in 2015).

Note 13 | Earnings per share

Akastor ASA holds 2 776 376 treasury shares at year end 2016 (2 776 376 in 2015). Treasury shares are not included in the weighted average number of ordinary shares.

<i>Amounts in NOK million</i>	2016	2015 Restated
Profit (loss) attributable to ordinary shares	(1 282)	(2 587)
Profit (loss) attributable to ordinary shares from continuing operations	(2 017)	(1 844)

Basic/diluted earnings per share

The calculation of basic/diluted earnings per share is based on the profit (loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding.

	2016	2015 Restated
Issued ordinary shares as of January 1	274 000 000	274 000 000
Weighted average number of issued ordinary shares for the year adjusted for treasury shares	271 223 624	271 086 638
Basic/diluted earnings (loss) per share (NOK)	(4.73)	(9.54)
Basic/diluted earnings (loss) per share for continuing operations (NOK)	(7.44)	(6.80)



Note 14 | Property, plant and equipment

The table below includes discontinued operations until these met the criteria to be classified as held for sale or distribution.

<i>Amounts in NOK million</i>	<i>Note</i>	Buildings and land	Vessels	Machinery, equipment, software	Under construction	Total
<i>Historical cost</i>						
Balance as of January 1, 2015		974	5 271	3 579	954	10 778
Additions ¹⁾		9	1 032	15	397	1 454
Reclassifications ³⁾		-	-	60	276	336
Transfer from assets under construction		49	8	181	(239)	-
Disposals and scrapping		(106)	-	(594)	(507)	(1 207)
Disposal of subsidiaries	5	(291)	-	(83)	-	(374)
Currency translation differences		26	1 133	241	(9)	1 390
Balance as of December 31, 2015		661	7 444	3 399	872	12 376
Additions ²⁾		1	-	45	107	153
Reclassifications ³⁾		-	(69)	69	395	395
Transfer from assets under construction		436	747	44	(1 225)	-
Disposals and scrapping		(6)	(566)	(325)	(55)	(952)
Disposal of subsidiaries	5	(7)	-	(1 092)	(7)	(1 107)
Currency translation differences		(43)	(171)	62	19	(132)
Balance as of December 31, 2016		1 042	7 384	2 202	105	10 733
<i>Accumulated depreciation and impairment</i>						
Balance as of January 1, 2015		(208)	(1 729)	(1 910)	(462)	(4 309)
Depreciation for the year ⁴⁾		(44)	(342)	(474)	-	(859)
Impairment ⁵⁾		(9)	(1 037)	(169)	(10)	(1 225)
Reclassifications ³⁾		-	-	(47)	-	(47)
Disposals and scrapping		39	-	534	496	1 069
Disposal of subsidiaries	5	43	-	16	-	60
Currency translation differences		(22)	(382)	(140)	(40)	(584)
Balance as of December 31, 2015		(200)	(3 490)	(2 190)	(16)	(5 896)
Depreciation for the year ⁴⁾		(48)	(320)	(359)	-	(727)
Impairment ⁵⁾		(283)	(118)	(110)	-	(511)
Disposals and scrapping		2	304	320	-	626
Disposal of subsidiaries	5	2	-	887	-	889
Currency translation differences		34	62	(11)	-	85
Balance as of December 31, 2016		(494)	(3 562)	(1 463)	(16)	(5 535)
Book value as of December 31, 2015		461	3 954	1 208	856	6 480
Book value as of December 31, 2016		548	3 822	739	89	5 198
Of which financial lease as of December 31, 2015		-	1 313	-	-	1 313
Of which financial lease as of December 31, 2016		-	1 618	-	-	1 618

¹⁾ Includes NOK 23 million of capitalized borrowing costs in 2015. The average capitalization rate is 6.8 percent.

²⁾ Includes additions of NOK 22 million related to discontinued operations.

³⁾ Includes reclassifications from Other non-current operating assets (relating to Aker Wayfarer vessel) and Intangible assets.

⁴⁾ Includes depreciation of NOK 126 million from discontinued operations in 2016 (NOK 211 million in 2015).

⁵⁾ Includes impairment of NOK 93 million from discontinued operations in 2016 (NOK 132 million in 2015).

**Finance leased asset**

The vessel under finance lease relates to the Aker Wayfarer vessel that is under lease contract with Ocean Yield. Please refer to note 35 Related parties for more information of the agreement.

Commitments

As of December 31, 2016, Akastor entered into contractual commitments for the acquisition of property, plant and equipment amounting to NOK 11 million (NOK 16 million in 2015), mainly related to the Macae plant in MHWirth and offshore equipment in AKOFS Offshore.

Depreciation

Estimates for useful life, depreciation method and residual values are reviewed annually. Assets are mainly depreciated on a straight-line basis over their expected economic lives as follows:

Machinery, equipment and software	3–15 years
Vessels	20–25 years
Buildings	8–30 years
Land	No depreciation

Impairment***Impairment in MHWirth***

An impairment loss of NOK 241 million was recognized in 2016 related to the Macae plant in Brazil. The impairment was triggered by current weak market conditions for project related work which are expected to continue in the short to medium term. The recoverable amount of NOK 400 million was determined based on value in use. In determining value in use for the cash generating unit, the cash flows were discounted at a rate of 15.9% on a pre-tax basis.

In addition, an impairment loss of NOK 58 million was recognized mainly related to the closing down of a manufacturing plant in Asia in 2016.

Impairment in AKOFS Offshore

An impairment loss of NOK 118 million was recognized in 2016 writing down the cash-generating unit AKOFS Seafarer to its recoverable amount of NOK 2.1 billion based on value in use. The impairment was mainly a result of increased discount rate (10.0%) used in the impairment test. The recoverable amount analysis for AKOFS Seafarer has been made with different probability weighted scenarios covering the variation in day rates and utilization based on the management's assessment of market conditions. See note 16 for more information about the discount rate and key assumptions.

In 2015, an impairment loss of NOK 1 037 million related to AKOFS Seafarer was recognized. The impairment was triggered by the current weak market conditions which are expected to continue in the short to medium term.

Security

The AKOFS Seafarer vessel, with carrying amount of NOK 2.2 billion as of December 31, 2016, is pledged as security for borrowings in the group.



Note 15 | Intangible assets

Amounts in NOK million	Note	Development costs	Goodwill	Other	Total
<i>Historical cost</i>					
Balance as of January 1, 2015		971	2 369	578	3 918
Reclassification ¹⁾		(60)	-	-	(60)
Capitalized development		169	-	7	176
Disposal and scrapping		(189)	-	(6)	(195)
Currency translation differences		33	173	72	277
Balance as of December 31, 2015		923	2 542	652	4 117
Reclassification		(9)	-	9	-
Capitalized development ²⁾		47	-	2	49
Disposal and scrapping		(103)	-	-	(103)
Disposal of subsidiaries	5	(228)	(648)	(403)	(1 278)
Reclassification to asset held for sale	5	-	(48)	-	(48)
Currency translation differences		(13)	(129)	(25)	(168)
Balance as of December 31, 2016		618	1 718	235	2 570
<i>Accumulated amortization and impairment</i>					
Balance as of January 1, 2015		(281)	(347)	(167)	(795)
Reclassifications ¹⁾		47	-	-	47
Amortisation for the year ³⁾		(146)	-	(59)	(205)
Impairment for the year ⁴⁾		(96)	(280)	(157)	(533)
Disposal and scrapping		189	-	6	195
Currency translation differences		5	(26)	(19)	(39)
Balance as of December 31, 2015		(281)	(653)	(397)	(1331)
Amortisation for the year ³⁾		(143)	-	(30)	(173)
Impairment for the year ⁴⁾		(49)	-	(97)	(146)
Disposal and scrapping		103	-	-	103
Disposal of subsidiaries	5	65	211	363	638
Currency translation differences		2	54	14	70
Balance as of December 31, 2016		(304)	(388)	(147)	(839)
Book value as of December 31, 2015		642	1 889	254	2 785
Book value as of December 31, 2016		314	1 330	88	1 731

¹⁾ Reclassifications to Property, Plant and Equipment in 2015.

²⁾ Includes capitalized development costs of NOK 20 million from discontinued operations.

³⁾ Includes amortization of NOK 28 million from discontinued operations in 2016 (NOK 63 million in 2015).

⁴⁾ Includes impairment of NOK 91 million from discontinued operations in 2016 (NOK 370 million in 2015).

Impairment loss of goodwill

In 2015, the impairment loss of goodwill was mainly related to Step Oiltools (NOK 65 million) and the discontinued operation, Managed Pressure Operations in MHWirth (NOK 213 million). See note 16 for more information about goodwill impairment.

Impairment loss of other intangible assets than goodwill

In 2016, an impairment loss of NOK 54 million was recognized mainly related to intangible assets that were no longer expected to be utilized in MHWirth. The impairment loss of intangible assets recognized in MHWirth in 2015 was NOK 87 million.

The impairment loss of other intangible assets from discontinued operations was related to Managed Pressure Operations in MHWirth in both 2016 and 2015.

Research and development costs

NOK 49 million has been capitalized in 2016 (NOK 176 million in 2015) related to development activities. In addition, research and development costs of NOK 62 million were expensed during the year because the criteria for capitalization are not met (NOK 60 million in 2015).

Amortization

Intangible assets all have finite useful lives and are amortized over the expected economic life, ranging between 5-10 years.

Note 16 | Impairment testing of goodwill

Goodwill originates from a number of acquisitions. For the purpose of impairment testing, goodwill has been allocated to the group's cash-generating units (portfolio companies) as shown in the table below, which represents the lowest level at which goodwill is monitored in management reporting.

<i>Amounts in NOK million</i>	2016	2015
MHWirth	1 063	1 093
Frontica ¹⁾	-	203
AKOFS Offshore	145	145
Fjords Processing ²⁾	-	327
KOP Surface Products	103	103
First Geo ³⁾	18	18
Total goodwill	1 330	1 889

¹⁾ Following the divestment of Frontica Business Solutions, goodwill of NOK 48 million was allocated to Frontica Advantage which is classified as held for sale as of December 31, 2016

²⁾ Sold in 2016.

³⁾ This portfolio company is included in Other Holdings in segment reporting.

Impairment testing for cash-generating units containing significant goodwill

The recoverable amounts of cash-generating units (portfolio companies) are determined based on value-in-use calculations. Discounted cash flow models are applied to determine the value in use for the portfolio companies with goodwill. For all portfolio companies except for AKOFS Offshore, management has made cash flow projections based on budget and strategic forecast for the periods 2017-2021. Beyond the explicit forecast period of five years, the cash flows are extrapolated using a constant growth rate. For AKOFS Offshore, the cash flow projections are made for the periods equal to estimated useful life of the vessels.

Key assumptions used in the calculation of value in use are discussed below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries as well as management's expectations regarding margin, and have been based on historical data from both external and internal sources.

EBITDA used in the value-in-use calculations represents the operating earnings before depreciation and amortization and is estimated based on the expected future performance of the existing businesses in their main markets. Assumptions are made regarding revenue growth, gross margins and other cost components based on historical experience as

well as assessment of future market development and conditions. These assumptions require a high degree of judgement, given the significant degree of uncertainty regarding oil price development and oilfield service activities in the forecast period.

Terminal value growth rate. The group uses a constant growth rate not exceeding 2% (including inflation) for periods beyond the management's forecast period of five years. The growth rates used do not exceed the growth rates for the industry in which the portfolio company operates.

Vessel-specific day rate. For AKOFS Offshore, the cash flow projections reflect vessel-specific rates as reflected in charter-agreements and, for periods when the vessels are operating in the spot market, rates achieved in most recent charter agreements.

Discount rates are estimated based on Weighted Average Cost of Capital (WACC) for the industry in which the portfolio company operates. The risk free interest rates used in the discount rates are based on the 10 year state treasury bond rate at the time of the impairment testing. Optimal debt leverage is estimated for each portfolio company. The discount rates are further adjusted to reflect any additional short to medium term market risk considering current industry conditions.

Discount rate assumptions used in impairment testing	Discount rate after tax		Discount rate pre tax	
	2016	2015	2016	2015
MHWirth	9.2%	9.3%	11.4%	11.1%
AKOFS Offshore ¹⁾	10.0%	7.8%	10.0%	7.8%
KOP Surface Products	11.4%	10.4%	13.0%	11.9%

¹⁾ Discount rate pre tax and Discount rate after tax for AKOFS Offshore are equal due to the assumption that AKOFS Offshore will enter into the tonnage tax regime in Norway.

Sensitivity to changes in assumptions

For the portfolio companies containing goodwill, the recoverable amounts are higher than the carrying amounts based on the value in use analysis and consequently no impairment loss of goodwill was recognized in 2016. The group has performed sensitivity calculations to identify any reasonably possible change in key assumptions that could cause the carrying amount to exceed the recoverable amount.

In AKOFS Offshore, an impairment testing was triggered by impairment indicators in the fourth quarter of 2016 and an impairment loss of NOK 118 million was recognized related to AKOFS Seafarer, see also note 14 Property, plant and equipment for more information. Following the impairment of AKOFS Seafarer, no impairment of goodwill was recognized in AKOFS Offshore. The estimated recoverable amount of AKOFS Seafarer is equal to the carrying amount and hence, any adverse change



in key assumptions may result in further impairment in AKOFS Seafarer. However, as a result of impairment of AKOFS Seafarer, the group believes that no reasonably possible change in any of the key assumptions used for impairment testing would cause the carrying amount of the portfolio company to exceed its recoverable amount and trigger an impairment of goodwill.

In KOP Surface Products, if the assumptions regarding cost level were changed (while the other assumptions remain unchanged) so that the EBITDA margin was decreased by 3.1% for both the forecast period and terminal year when the cash flows are extrapolated into the future, the recoverable amount would be equal to the carrying amount of the portfolio company.

In MHWirth, the group believes that no reasonably possible change in any of the key assumptions used for impairment testing would cause the carrying amount of the portfolio company to exceed its recoverable amount.

Impairment loss recognized in 2015

Due to challenging financial performance under current market conditions, goodwill allocated to MPO and Step Oiltools was fully impaired in 2015 and an impairment loss of NOK 213 million and NOK 65 million was recognized in MPO and Step Oiltools, respectively. Further, a total impairment loss of NOK 275 million was recognized in MPO related to Property, plant and equipment and intangible assets, see note 14 and 15 for more information.

In AKOFS Offshore, an impairment testing was triggered by impairment indicators in the third quarter of 2015 and an impairment loss of NOK 1 037 million was recognized related to AKOFS Seafarer vessel (see also note 14 Property, plant and equipment). The impairment was triggered by the current weak market conditions which are expected to continue in the short to medium term. The recoverable amount analysis for AKOFS Seafarer was made with different probability weighted scenarios covering the variation in day rates and utilization.

Following the impairment of AKOFS Seafarer vessel, no impairment of goodwill was recognized in AKOFS Offshore. However, the estimated recoverable amount of AKOFS Offshore was equal to the carrying amount and hence, any adverse change in key assumptions may result in further impairment.

Note 17 | Interest-bearing receivables

Current interest-bearing receivables

Amounts in NOK million	2016	2015
Mutual fund	15	16
Receivable from EZRA Holdings Ltd ¹⁾	-	56
Total current interest-bearing receivables	15	72

¹⁾ The receivable from EZRA Holdings Ltd was impaired in 2016, and the loss was recognized as Finance expenses.

Current interest-bearing receivables are classified as financial assets at amortized cost.

Non-current interest-bearing receivables

Amounts in NOK million	Note	2016	2015
Receivable from DOF Deepwater AS	35	50	82
Other receivables		1	2
Total non-current interest-bearing receivables		51	84

See note 31 Financial risk management and exposures for information regarding credit risk management in the group.

Note 18 | Equity-accounted investees

Equity-accounted investees include mainly joint ventures. Such investments are defined as related parties to Akastor. See note 35 Related parties for overview of transactions and balances with joint ventures and any guarantees provided on behalf of or from such entities.

Amounts in NOK million	DOF Deepwater AS ¹⁾	Avium Subsea AS ²⁾	Total
2016			
Business office	Storebø, Norway	Oslo, Norway	
Percentage of voting rights and ownership	50%	50%	
Share of profit (loss) reported in Financial items	(214)	-	(214)
Carrying amount of investments	93	-	93

Amounts in NOK million	DOF Deepwater AS ¹⁾	Fjords Processing Korea Co Ltd ³⁾	Other	Total
2015				
Business office	Storebø, Norway	Gyeonggi, South Korea		
Percentage of voting rights and ownership	50%	50%		
Share of profit (loss) reported in Other income	-	5	-	5
Share of profit (loss) reported in Financial items	(74)	-	1	(73)
Carrying amount of investments	157	19	1	177

¹⁾ DOF Deepwater is a joint venture with DOF ASA, which owns and operates five anchor handling tug supply (AHTS) vessels.

²⁾ Avium Subsea is a joint venture with MITSUI & CO., Ltd, newly established in 2016. The joint venture owns and operates the Skandi Santos vessel.

³⁾ Fjords Processing Korea Co Ltd was a joint venture with Kolon Energy Co Ltd. The company was disposed in 2016.

Summary of financial information for significant equity-accounted investee (100 percent basis)

Amounts in NOK million	DOF Deepwater AS		Avium Subsea AS
	2016	2015	2016
Current assets	195	149	56
– Cash and cash equivalents	101	32	28
Non-current assets	1 221	1 604	1 602
Current liabilities	(108)	(221)	(165)
– Current financial liabilities (excluding trade and other payables and provisions)	(30)	(120)	(140)
Non-current liabilities	(1 122)	(1 218)	(1 256)
– Non-current financial liabilities (excluding trade and other payables and provisions)	(1 122)	(1 215)	(1 256)
Net assets (100%)	186	314	237
Akastor's share of net assets (50%)	93	157	118
Elimination of gain from transaction with joint venture ¹⁾	-	-	(118)
Akastor's carrying amount of the investment	93	157	-
Revenue	204	306	26
Depreciation, amortization and impairment	(405)	(133)	(15)
Interest expense	(61)	(53)	(10)
Income tax expense	(2)	(1)	(4)
Profit (loss) for the year	(427)	(143)	(1)
Total comprehensive income (loss) for the year	(427)	(143)	(1)

¹⁾ See note 26 Other non-current liabilities and note 35 related parties for more information about the deferred gain related to the transaction with joint venture.

For information about guarantees provided on behalf of equity-accounted investees, see note 35 Related parties.

Note 19 | Other investments

Amounts in NOK million	Note	2016	2015
EZRA Holdings Ltd ¹⁾		-	135
Aker Pensjonskasse	35	120	120
Other equity securities		1	6
Available-for-sale investments	33	121	261
Total other investments		121	261

¹⁾ The shareholdings in EZRA Holdings Ltd were disposed in 2016 and a loss of NOK 26 million was recognized as financial expenses, see also note 11.

Available-for-sale investments that do not have an active market are measured at cost as this is considered to be the best estimate of fair value.



Note 20 | Construction contracts

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015 Restated
Construction revenue in the period	7	1 612	4 257
Amounts due from customers for construction work	22	262	1 402
Amounts due to customers for construction work ¹⁾	29	(1 226)	(1 795)
Construction contracts in progress, net position		(964)	(393)

Construction contracts in progress at the end of the reporting period

<i>Amounts in NOK million</i>	2016	2015
Aggregate amount of cost incurred and recognized profits (less losses) to date	8 472	15 214
Progress billings	(9 436)	(15 607)
Advances from customers ¹⁾	364	520

¹⁾ Advances are presented as part of Amounts due to customers for construction work.

Note 21 | Inventories

<i>Amounts in NOK million</i>	2016	2015 Restated
Stock of raw materials	507	594
Goods under production	74	178
Finished goods	506	691
Total inventories	1 086	1 464
Inventories expensed in the period	(1 353)	(3 517)
Write-down of inventories in the period	(169)	(120)
Reversal of write-down of inventories in the period	45	2

Note 22 | Trade and other receivables

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015
Trade receivables ¹⁾		1 652	3 169
Less provision for impairment of receivables		(107)	(120)
Trade receivables, net of provision		1 545	3 049
Other receivables		568	673
Trade and other receivables		2 113	3 722
Advances to suppliers		163	203
Amount due from customers for construction work	20	262	1 402
Prepaid expenses		112	178
Accrued revenue		178	455
Total		2 829	5 959

¹⁾ Trade receivables are financial instruments and an impairment loss of NOK 39 million (NOK 45 million in 2015) was recognized in operating expenses.

Book value of trade and other receivables is approximately equal to fair value.

Aging of trade receivables

<i>Amounts in NOK million</i>	2016	2015
Not overdue	786	1 440
Past due 0–30 days	92	509
Past due 31–90 days	63	397
Past due 91 days	711	823
Total trade receivables	1 652	3 169

As of December 31, 2016, trade receivables of an initial value of NOK 107 million (NOK 120 million in 2015) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables.

<i>Amounts in NOK million</i>	2016	2015
Balance as of January 1	120	118
New provisions	39	45
Utilized	(7)	(47)
Unused amounts reversed	(29)	(8)
Disposal of subsidiaries	(1)	-
Currency translation differences	15	13
Balance as of December 31	107	120

Note 23 | Cash and cash equivalents

<i>Amounts in NOK million</i>	2016	2015
Restricted cash	9	58
Cash pool	135	195
Interest-bearing deposits	343	311
Total cash and cash equivalents	487	563

Additional undrawn committed current bank revolving credit facilities amount to NOK 2.6 billion, that together with cash and cash equivalents gives a total liquidity reserve of NOK 3.1 billion as of December 31, 2016. See also note 25 Borrowings.

Note 24 | Capital and reserves**Share capital**

Akastor ASA has one class of shares, ordinary shares, with equal rights for all shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at General Meetings. Total outstanding shares are 274 000 000 at par value NOK 0.592 per share (NOK 0.592 in 2015). All issued shares are fully paid.

Share buy-back

At the Annual General Meeting in 2014, authorization was given to repurchase up to 27.4 million shares, representing 10 percent of the share capital of Akastor ASA. There is no purchase or sale of treasury shares in 2016 and as of December 31, 2016 Akastor ASA holds 2 776 376 treasury shares representing 1.01 percent of total outstanding shares.

Summary of purchase and sale of treasury shares

	Number of shares	Consideration (NOK million)
Treasury shares as of January 1, 2015	2 976 376	500
Sale	(200 000)	(2)
Treasury shares as of December 31, 2015	2 776 376	498
Treasury shares as of December 31, 2016	2 776 376	498

The group purchases treasury shares to meet the obligation under employee share purchase programs. No programs were initiated in 2016 or 2015. The Board of Directors has proposed no dividends for 2016 or 2015.

Hedging reserve

The hedging reserve relates to cash flow hedges of future revenues and expenses against exchange rate fluctuations. The income statement effects of such instruments are recognized in accordance with the

progress of the underlying construction contract as part of revenues or expenses as appropriate. The hedging reserve represents the value of such hedging instruments that is not yet recognized in the income statement. The underlying nature of a hedge is that a positive value on a hedging



instrument exists to cover a negative value on the hedged position, see note 11 Finance income and expenses and note 32 Derivative financial instruments.

Currency translation reserve

The currency translation reserve includes exchange differences arising from the translation of the net investments in foreign operations, and foreign exchange gain or loss on loans defined as net investment hedge or part of net investments in foreign operations. Upon the disposal of investments in foreign operations during 2016, the accumulated currency

translation differences related to the disposed entities were reclassified from the currency translation reserve to the income statement in profit (loss) from discontinued operations.

Net investments in foreign operations have been hedged with a gain of NOK 71 million in 2016 (loss of NOK 65 million in 2015). Accumulated loss on net investment hedges as of 2016 is NOK 70 million (loss of NOK 141 million in 2015). The net investment hedge as of December 31, 2016 relates to investments in the United States, Brazil, Mauritius and Cyprus.

Note 25 | Borrowings

Contractual terms of group's interest-bearing loans and borrowings which are measured at amortized cost. For more information about the group's exposure to interest rates, foreign currency and liquidity risk, see note 31 Financial risk management and exposures. For more information related to the financial lease, see note 35 Related parties.

Amounts in million	Currency	Nominal currency value	Carrying amount (NOK)	Interest rate	Interest margin	Interest coupon	Maturity	Interest terms
2016								
Revolving credit facility (NOK 1 122 million)	NOK	-	-	-	2.75%	-	July 2019 ²⁾	NIBOR + margin ¹⁾
Revolving credit facility (USD 313 million)	USD	139	1 195	0.67%	2.75%	3.42%	July 2019 ²⁾	USD LIBOR + margin ¹⁾
BNDES loan (Brazil)	BRL	89	237	7.50%	1.40%	8.90%	May 2022	TJLP + fixed margin ⁴⁾
Financial lease obligation	USD/NOK		1 622					
Total borrowings			3 054					
Current borrowings			1 560					
Non-current borrowings			1 494					
Total borrowings			3 054					

Amounts in million	Currency	Nominal currency value	Carrying amount (NOK)	Interest rate	Interest margin	Interest coupon	Maturity	Interest terms
2015								
Revolving credit facility (NOK 2 000 million) ³⁾	NOK	-	(10)	1.00%	1.90%	2.90 %	July 2017 ²⁾	IBOR + variable margin ¹⁾
Term loan	NOK	2 500	2 491	1.20%	1.80 %	3.00 %	July 2019 ²⁾	IBOR 3M +fixed margin
Term loan	USD	125	1 096	0.48%	1.60 %	2.08 %	January 2017 ²⁾	IBOR 3M +fixed margin
BNDES loan (Brazil)	BRL	103	230	7.50%	1.90 %	9.40 %	May 2022	TJLP + fixed margin ⁴⁾
EZRA – secured financing	SGD	25	156	2.00%	1.75 %	3.75 %	March 2016	IBOR 3M+fixed margin
Finance lease obligation	USD/NOK		1 645					
Other loans			29					
Total borrowings			5 637					
Current borrowings			4 054					
Non-current borrowings			1 583					
Total borrowings			5 637					

¹⁾ The margin applicable to the facilities is decided by a price grid based on the leverage ratio and level of utilization. Commitment fee is 40 percent of the margin.

²⁾ The maturity date reflects maturity date as defined in the loan agreements. See below for further description of covenant breach as of December 31, 2016.

³⁾ Carrying amount of negative NOK 10 million in 2015 relates to issue costs.

⁴⁾ The loan in Brazil is allocated into three sub-credits. Interest terms disclosed above is for the sub-credit representing more than 90 percent of the total loan in Brazil. TJLP is the Brazilian Federal long term interest rate.

Bank debt (Norway)

All facilities are provided by a bank syndicate consisting of high quality Nordic and international banks. The terms and conditions include restrictions which are customary for these kinds of facilities, including inter alia negative pledge provisions and restrictions on acquisitions, disposals and mergers and change of control provisions. The facilities include no dividend restrictions. There is a stand-alone mortgage on the vessel AKOFS Seafarer as security for the facilities.

The financial covenants are a gearing ratio based on net debt/equity, an interest coverage ratio (ICR) based on EBITDA/net interest costs and a minimum liquidity amount. The financial covenants are tested on

a quarterly basis. At December 31, 2016, the ICR ended below the 1.5 minimum level and external borrowings of NOK 1.2 billion, with maturity in 2019, have therefore been reclassified from non-current to current borrowings. On March 1, 2017, Akastor signed an agreement with its bank syndicate to replace its ICR covenant with a nominal EBITDA amount until Q2 2018. See more information in note 30 Capital management.

Finance lease obligation

A financial lease obligation was recognized in 2014 following the renegotiation of the bareboat charter contract with OCY Wayfarer AS. The lease agreement includes purchase option on three different dates. The finance lease liability is payable as follows as of December 31, 2016:

<i>Amounts in NOK million</i>	Present value of minimum lease payments	Interest	Future minimum lease payments
Less than one year	322	26	348
Between one and five years	439	1 124	1 563
More than five years	861	383	1 244
Total	1 622	1 532	3 155

Financial liabilities and the period in which they mature

<i>Amounts in NOK million</i>	Carrying amount	Total undis- counted cash flow ¹⁾	6 months and less	6–12 months	1–2 years	2–5 years	More than 5 years
2016							
Revolving credit facility (USD 313 million) ²⁾	1 195	1 209	1 209	-	-	-	-
BNDES loan (Brazil)	237	282	30	29	56	149	19
Financial lease obligation	1 622	3 155	173	175	702	861	1 244
Total borrowings	3 054	4 646	1 412	204	758	1 010	1 262
2015							
Revolving credit facility (NOK 2 000 million) ²⁾	(10)	-	-	-	-	-	-
Term loan (NOK 2 500 million) ²⁾	2 491	2 512	2 512	-	-	-	-
Term loan (USD 125 million) ²⁾	1 096	1 103	1 103	-	-	-	-
BNDES loan (Brazil)	230	282	25	25	94	123	14
DNB – Singapore loan	156	157	157	-	-	-	-
Finance lease obligation	1 645	3 508	119	177	709	967	1 535
Other loans	29	32	13	3	8	8	-
Total borrowings	5 637	7 594	3 930	206	812	1 098	1 548

¹⁾ The interest costs are calculated using the last fixing rate known by year end (plus applicable margin).

²⁾ Maturity of the term loans in the table reflects that these loans have been reclassified to current borrowings due to breach of covenant. It should be noted that the facilities will not be terminated, see note 37 Subsequent events for information about the new agreement that has been made with the Bank Syndicate in March 2017.



Note 26 | Other non-current liabilities

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015
Deferred settlement obligations	33	9	-
Deferred gain related to joint venture		55	-
Other liabilities		48	74
Total other non-current liabilities		112	74

Deferred gain related to joint venture

In 2016, AKOFS Offshore sold the Skandi Santos topside equipment to Avium Subsea AS, a joint venture with 50 percent ownership. The sale resulted in an accounting gain of NOK 172 million, after elimination of 50% of the total gain on sale. The elimination of the gain in excess of the carrying amount of the joint venture is presented as Deferred gain related to joint venture. See note 18 Equity-accounted investees and note 35 Related parties for more information about the transaction with joint venture.

Other liabilities

Other liabilities relate mainly to liabilities related to leasehold improvements and welfare fund.

Note 27 | Employee benefits – pension

Akastor's pension costs represent the future pension entitlement earned by employees in the financial year. In a defined contribution plan the company is responsible for paying an agreed contribution to the employee's pension assets. In such a plan this annual contribution is also the cost. In a defined benefit plan it is the company's responsibility to provide a certain pension. The measurement of the cost and the pension liability for such arrangements is subject to actuarial valuations. Akastor has over a long time period gradually moved from defined benefit arrangements to defined contribution plans. Consequently, the impact of the remaining defined benefit plans is gradually reduced.

Pension plans in Norway

The main pension arrangement in Norway is a general pension plan organized by the Norwegian Government. This arrangement provides the main general pension entitlement of all Norwegians. All pension arrangements by employers consequently represent limited additional pension entitlements.

Norwegian employers are obliged to provide an employment pension plan, which can be organized as a defined benefit plan or as a defined contribution plan. The Norwegian companies in Akastor have closed the earlier defined benefit plans in 2008 and are now providing defined contribution plans for all of their employees under 61 years of age.

Defined contribution plan

The annual contribution expensed for the new defined contribution plan for continuing operations was NOK 60 million (NOK 79 million in 2015). The estimated contributions expected to be paid in 2017 amount to NOK 60 million including AFP premium (see below).

Defined benefit plan

Employees who were 58 years or older in 2008, when the change took place, are still in the defined benefit plan. This is a funded plan and represents most of the funded pension liability reported in the tables below. The estimated contributions expected to be paid to the Norwegian plan during 2017 amount to NOK 18 million.

Compensation plan

To ensure that the employees were treated fairly on the change over to the new plan, the company has introduced a compensation plan. The basis for deciding the compensation amount is the difference between calculated pension capital in the defined benefit plan and the value of the defined benefit plan at the age of 67 years. The compensation amount will be adjusted annually in accordance with the adjustment of the employees' pensionable income, and accrued interest according to market interest. If the employee leaves the company voluntarily before the age of 67 years, the compensation amount will be reduced.

AFP – early retirement arrangement

AFP is an early retirement arrangement organized by Norwegian employers, the main Labor Union organization in Norway (LO) and the Norwegian Government. The "old AFP" arrangement was established to provide pension between the age of 62 to 67 for employees who retired before the general retirement age of 67. In a recent pension reform individual employees are given a choice of retirement age, but with lower pension with earlier retirement. Estimated remaining employer contributions to cover the plan deficit have been provided for.

The AFP scheme which was newly established in 2011 is not considered to be a defined benefit compensation scheme for early retirement, but a lifelong contribution plan. The scheme is classified as a multi-employer benefit scheme. Akastor has taken the position that the information available at the date of the financial statements is not sufficient to reliably measure the allocation of pension cost and net pension liability/asset in accordance with a cost/benefit approach. Akastor has therefore elected to treat the scheme as a defined contribution plan in which the annual paid premiums to the AFP scheme are expensed in the income statement as they are incurred. The total liability is not recognized. Based on the current financing model for AFP, the annual premiums are expected to increase. When or if sufficient and reliable data is available and a liability can be reliably measured, the recognized liability could be significant.

Pension plans outside Norway

Pension plans outside Norway are predominately defined contribution plans.

Pension cost

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015 Restated
Defined benefit plans		18	13
Defined contribution plans		60	79
Total pension cost	8	78	92

Net employee defined benefit obligations

<i>Amounts in NOK million</i>	2016	2015
Defined benefit plans Norway	195	236
Defined benefit plans Germany	103	103
Defined benefit plans US	63	69
Defined benefit plans Indonesia	18	22
Defined benefit plans other countries	2	4
Total employee benefit obligations	380	434

Movement in net defined benefit (asset) liability

<i>Amounts in NOK million</i>	Pension obligation		Pension asset		Net pension obligation	
	2016	2015	2016	2015	2016	2015
Balance as of January 1	814	823	(380)	(350)	434	473
Adjustment for discontinued operations as of January 1	(126)	-	81	-	(46)	-
Included in profit or loss						
Service cost	18	20	-	-	18	20
Interest cost (income)	13	17	(3)	(5)	10	12
	31	37	(3)	(5)	28	32
Included in OCI						
<i>Remeasurements (loss) gain:</i>						
Actuarial loss (gain) arising from:						
- demographic assumptions	37	(1)	-	-	37	(1)
- financial assumptions	(11)	(27)	(4)	(8)	(15)	(35)
- experience adjustments	18	7	-	-	18	7
Return on plan assets excluding interest income	-	-	-	1	-	1
Total remeasurement	44	(19)	(4)	(7)	40	(25)
Effect of movements in exchange rates	(16)	40	4	(20)	(12)	20
	28	21	-	(26)	28	(5)
Other						
Benefits paid by the plan	(78)	(66)	34	35	(44)	(32)
Contributions paid into the plan	-	-	(20)	(34)	(20)	(34)
	(78)	(66)	14	1	(65)	(65)
Balance as of December 31	669	814	(288)	(380)	380	434



Plan assets

Amounts in NOK million	2016	2015
<i>Plan assets at fair value Norwegian plan</i>		
Equity securities	5	5
Government	2	2
Finance	26	40
Private and Government enterprise	30	43
Municipalities	77	138
Bonds	136	223
Fund/private equity	11	8
Total plan assets Norway at fair value	152	236
Equity securities	43	50
Debt securities	67	66
Total plan assets US at fair value	110	116
Total plan assets Germany at fair value	26	28
Total plan assets at fair value	288	380

The equity portfolio is invested globally. The fair value of the equities is based on their quoted prices at the reporting date without any deduction for estimated future selling cost.

Association. The Bond investments have on average a high credit rating. Most of the investments are in Norwegian municipalities with a credit rating of AA.

The investments in bonds are done in the Norwegian market and most of the bonds are not listed on any exchange. The market value as at year end is based on official prices provided by the Norwegian Securities Dealers

The investment in fund/private equity is mainly funds that invests in listed securities and where the fund value is based on quoted prices.

Defined benefit obligation – actuarial assumptions

The group's most significant defined benefit plans are in Norway, Germany and USA. The followings are the principal actuarial assumptions at the reporting date for the plans in these countries.

	Norway		Germany		USA	
	2016	2015	2016	2015	2016	2015
Discount rate	2.50%	2.60%	4.01%	3.89%	3.64%	3.81%
Asset return	2.50%	2.60%	4.01%	3.89%	3.64%	3.81%
Salary progression	2.25%	2.50%	n/a	n/a	n/a	n/a
Pension indexation	0–2.25%	0.75%	1.75%	1.75%	n/a	n/a
Mortality table	K2013	K2013BE	RT 2005 G	RT 2005 G	RP-2014 Adjusted to 2006 Total Dataset with Scale MP-2016	RP-2014 Adjusted to 2006 Total Dataset with Scale MP-2015

The information below relates only to Norwegian plans as these represent the majority of the plans.

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current life expectancy underlying the values of the defined benefit obligation at the reporting date is shown below.

The discount rates and other assumptions in 2016 and 2015 are based on the Norwegian high quality corporate bond rate and recommendations from the Norwegian Accounting Standards Board. It should be expected that fluctuations in the discount rates would also lead to fluctuations in the pension indexations. The total effect of fluctuations in economic assumptions is consequently unlikely to be very significant.

Years	2016	2015
Life expectancy of male pensioners	22.1	21.3
Life expectancy of female pensioners	25.4	24.4

As of December 31, 2016, the weighted-average duration of the defined benefit obligation was 10.8 years.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as of December 31, 2016 by the amounts shown below.

Amounts in NOK million	Increase	Decrease
Discount rate (1% movement)	(42)	34
Future salary growth (1% movement)	8	(8)
Future pension growth (1% movement)	28	(34)

The change in discount rate assumptions would affect plan assets in the income statement in next period as it would change the estimated asset return, but have no effect on pension assets as of year-end.

Note 28 | Provisions

Amounts in NOK million	2016	2015
Provision, current	354	553
Provision, non-current	333	341
Total provisions	686	894

Development of significant provisions

Amounts in NOK million	Warranties	Restructuring	Onerous lease provision	Other	Total
Balance as of January 1, 2016	207	179	400	108	894
New provisions	37	227	108	40	413
Provisions utilized	(35)	(305)	(84)	(91)	(515)
Provisions reversed	(22)	-	-	-	(22)
Unwind of discount	-	-	30	-	30
Disposal of subsidiaries	(76)	-	-	(15)	(92)
Currency translation differences	(5)	1	(19)	3	(20)
Balance as of December 31, 2016	106	101	436	44	686

Expected timing of payment

Within the next twelve months	101	66	157	25	349
After the next twelve months	4	35	279	19	337
Total	106	101	436	44	686

Warranties

The provision for warranties relates mainly to the possibility that Akastor, based on contractual agreements, needs to perform guarantee work related to products and services delivered to customers. See note 4 Significant accounting estimates and judgments for further descriptions.

Restructuring

Restructuring mainly relates to significant workforce reduction and reorganization in MHWirth in 2016 due to the very challenging rig market. The provision includes provision for vacant office premises after the workforce reduction and is estimated based on the detailed restructuring plans for the businesses and locations affected.

Onerous lease provision

Provision for onerous leases represents provision for vacant properties where the group has committed to future lease payments under operating lease contracts.



Note 29 | Trade and other payables

Amounts in NOK million	Note	2016	2015
Trade creditors ¹⁾		315	950
Public duty and tax payables		122	232
Accrued operating costs		694	1 355
Trade and other payables	33	1 131	2 537
Amount due to customers for construction work and advances	20	1 226	1 795
Deferred settlement obligations	33	107	14
Other		28	97
Total		2 492	4 443

¹⁾ Trade creditors are due in one year (NOK 19 million in 2015 is due after one year).

Book value of trade creditors and other current liabilities is approximately equal to fair value.

Note 30 | Capital management

Akastor's capital management is designed to ensure that the group has sufficient financial flexibility, short-term and long-term. One main objective is to maintain a financial structure that, through solidity and cash flow, secures the group's strong long-term creditworthiness, as well as maximize value creation for its shareholders through:

- Investing in projects and business areas which will increase the company's Return On Capital Employed (ROCE) over time.
- Optimizing the company's capital structure to ensure both sufficient and timely funding over time to finance its activities at the lowest cost.

Investment policy

Akastor's capital management is based on a rigorous investment selection process which considers not only Akastor's weighted average cost of capital and strategic orientation but also external factors such as market expectations.

Funding policy

Liquidity planning

Akastor has a strong focus on its liquidity situation in order to meet its short term working capital needs and to ensure solvency for its financial obligations. Akastor had a liquidity reserve per year end 2016 of NOK 3.1 billion, composed of an undrawn committed credit facility of NOK 2.6 billion and cash and cash equivalents of NOK 487 million.

Funding of operations

Akastor's group funding policy is that all operations shall meet their funding needs directly via the central treasury department (Akastor Treasury). This ensures optimal availability and transfer of cash within the group and better control of the company's overall debt as well as cheaper funding for its operations.

Funding duration

Akastor emphasizes financial flexibility and steers its capital structure accordingly to limit its liquidity and refinancing risks. In this perspective, loans and other external borrowings are to be renegotiated well in advance of their due date and generally for periods of 3 to 5 years.

Funding cost

Akastor aims to have a diversified selection of funding sources in order to reach the lowest possible cost of capital. These funding sources might include:

- The use of banks based on syndicated credit facilities.
- The issue of debt instruments on the Norwegian capital market.
- The issuance of debt in the foreign capital market.

Ratios used in monitoring of capital

Akastor monitors capital on the basis of a gearing ratio (net debt/equity) and interest coverage ratio (EBITDA/net interest costs). These ratios are similar to covenants as defined in loan agreements for the revolving credit facilities (see note 25 Borrowings for details about these loans) and are shown below. Other borrowings in the group have no covenants.

- The company's interest coverage ratio (ICR) shall not be lower than 1.5 in Q4 2016, 3.0 in Q1 2017 and 4.0 from Q2 2017 onwards, calculated from the consolidated EBITDA to consolidated net interest cost.
- The company's gearing ratio shall not exceed 1.0 times and is calculated from the consolidated total borrowings to the consolidated Equity. Total borrowings in this calculation shall not include the financial lease obligation.
- Minimum liquidity level shall exceed NOK 750 million.

The ratios are calculated based on net debt including cash and borrowings as shown in note 34 Financial instruments, adjusted EBITDA (earnings before interest, tax, depreciation, amortization and adjusted for certain items as defined in the loan agreement) and net interest costs.

Covenants in existing borrowings as of December 31

<i>Amounts in NOK million</i>	2016	2015
<i>Gearing ratio</i>		
Net debt	1 479	4 061
Equity	5 580	7 386
Net debt/Equity ¹⁾	0.26	0.55
<i>Interest coverage ratio</i>		
Adjusted EBITDA	(35)	562
Net interest cost	178	201
Adjusted EBITDA/Net interest cost ¹⁾	(0.2)	2.8

¹⁾ Net interest cost, net debt and EBITDA are adjusted for certain items as defined in the loan agreement.

As shown above, Akastor was below the threshold level of 1.5 for Interest Coverage Ratio (ICR) covenant as of December 31, 2016. On March 1, 2017, Akastor signed an agreement with its bank syndicate to replace its ICR covenant with a nominal consolidated EBITDA amount until Q2 2018 and to be allowed to use the existing Revolving Credit Facilities to make acquisitions for up to NOK 1.0 billion under certain conditions. In addition, the minimum liquidity amount was reduced to NOK 500 million.

The nominal consolidated EBITDA amount is adjusted for certain items as defined in the agreement; however does not share the same definition as ICR covenant. The nominal consolidated EBITDA covenant has been agreed as follows:

<i>Amounts in NOK million</i>	Q1	Q2	Q3	Q4
2016				150
2017	150	150	175	225
2018	325	425		

The actual nominal consolidated EBITDA as of Q4 2016 was above minimum covenant amount of NOK 150 million.

The covenants are monitored on a regular basis by the Akastor Treasury department to ensure compliance with the loan agreements. On the basis of the new covenants and its forecasts, management believes that the risk of the new covenant being breached is low and that the group will continue as a going concern for the foreseeable future.

Note 31 | Financial risk management and exposures

The group is exposed to a variety of financial risks: currency risk, interest rate risk, price risk, credit risk, liquidity risk and capital risk. The market risks affect the group's income or the value of financial instruments held. The objective of financial risk management is to manage and control financial risk exposures and thereby increase the predictability of earnings and minimize potential adverse effects on the group's financial performance. Akastor group uses financial derivative instruments to hedge certain risk exposures and aims to apply hedge accounting whenever possible in order to reduce the volatility resulting from the periodic mark-to-market revaluation of financial instruments in the income statement. Risk management is performed in every project. It is the responsibility of the project managers, in cooperation with Akastor Treasury, to identify, evaluate and hedge financial risks under policies approved by the Board of Directors. The group has well-established principles for overall risk management, as well as policies for the use of derivatives and financial investments. There have not been any changes in these policies during the year.

Currency risk

The group operates internationally and is exposed to currency risk on commercial transactions, recognized assets and liabilities and net investments in foreign operations. Commercial transactions and recognized assets and liabilities are subject to currency risk when payments are denominated in a currency other than the respective functional

currency of the group company. The group's exposure to currency risk is primarily to USD, EUR, GBP and BRL but also several other currencies. Akastor's policy requires business units to mitigate currency exposure in any project. Akastor Treasury department manages internal exposures by entering into forward contracts or currency options with the financial market place. Akastor has a large number of contracts involving foreign currency exposures and the currency risk policy has been well-established for many years.

For segment reporting purposes, each business unit designates all currency hedge contracts with Akastor Treasury as cash flow hedge, fair value hedge, net investment hedge or identified and separated as an embedded derivative. External foreign exchange contracts are designated at group level as hedges of currency risk on a gross basis. More than 80 percent of the exposure value either qualify for hedge accounting or are embedded derivatives. Non-qualifying hedges are adjusted at group level and included in the "unallocated" part of the segment reporting. See note 33 Derivative financial instruments for information regarding the accounting treatment of hedging and embedded derivatives.

Currency exposures from investments in foreign currencies are only hedged when specifically instructed by management. As of December 31, 2016, Akastor had no active net investment hedges.



Exposure to currency risk

Estimated forecasted receipts and payments in the table below are calculated based on the group's hedge transactions through the Akastor Treasury department. These are considered to be the best estimate of the currency exposure. The net exposure is managed by Akastor Treasury that is allowed to hold positions within an approved trading mandate. This mandate is closely monitored and reported on a daily basis to the management.

Amounts in million	2016				2015			
	USD	EUR	GBP	BRL	USD	EUR	GBP	BRL
Bank	(68)	(21)	(6)	-	(106)	(23)	(27)	-
Intercompany loans	178	(9)	(13)	148	571	(41)	(15)	136
External loans	(139)	-	-	-	(125)	-	-	-
Balance sheet exposure	(29)	(29)	(19)	148	341	(63)	(42)	136
Estimated forecast receipts from customers	382	4	5	169	1 086	22	3	365
Estimated forecast payments to vendors	(171)	(12)	(1)	-	(471)	(72)	(12)	(15)
Cash flow exposure	212	(8)	4	169	615	(50)	(9)	350
Forward exchange contracts	(271)	38	14	(169)	(952)	113	50	(350)
Net exposure	(88)	1	-	148	4	-	-	136

Sensitivity analysis

A strengthening of EUR, USD, GBP and BRL against NOK as of December 31 would have affected the measurement of financial instruments denominated in a foreign currency and increased (decreased) equity and income statement by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. Figures in the table below only include the effect in income statement and equity for change in currency regarding financial instruments and do not include effect from operating cost and revenue.

Amounts in NOK million	2016		2015	
	Profit (loss) before tax	Equity Increase (decrease)	Profit (loss) before tax	Equity Increase (decrease)
USD (15 percent weakening of NOK)	(278)	(209)	(529)	(448)
EUR (15 percent weakening of NOK)	-	15	56	91
GBP (15 percent weakening of NOK)	1	(6)	17	23
BRL (15 percent weakening of NOK)	(24)	(24)	(36)	(36)

A 15 percent strengthening of the NOK against the above currencies as of December 31 would have had the equal but opposite effect on the above amounts, on the basis that all other variables remain constant. The sensitivity analysis does not include effects on the consolidated result and equity from changed exchange rates used for consolidation of foreign subsidiaries.

The primary currency-related risk is the risk of reduced competitiveness abroad in the case of a strengthened NOK. This risk relates to future commercial contracts and is not included in the sensitivity analysis above.

Interest rate risk

The group's interest rate risk arises from interest-bearing borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. However, as these borrowings are measured at amortized cost, interest rate variations do not affect profit and loss when held to maturity.

As the group has no significant interest-bearing operating assets, operating income and operating cash flows are substantially independent of changes in market interest rates.

An increase of 100 basis points in interest rates during 2016 would have increased (decreased) equity and profit and loss by the amounts shown on the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Effect of increase of 100 basis points in interest rates on profit (loss) before tax

<i>Amounts in NOK million</i>	2016	2015
Cash and cash equivalents	4	9
Non-current interest-bearing receivables	1	1
Current interest-bearing receivables	1	1
Borrowings	(38)	(52)
Cash flow sensitivity (net)	(31)	(41)

A decrease of 100 basis points in interest rates during 2016 would have had the equal but opposite effect on the above amounts, on the basis that all other variables remain constant. There are no effects on equity as there are no interest swaps.

Guarantee obligations

The group has provided the following guarantees on behalf of wholly owned subsidiaries as of December 31, 2016 (all obligations are per date of issue):

- Financial guarantees related to project performance on behalf of group companies are NOK 16.2 billion (NOK 24 billion in 2015).
- Financial parent company indemnity guarantees for fulfillment of lease obligations are NOK 5.4 billion (NOK 4.4 billion in 2015).
- Financial guarantees including counter guarantees for bank/surety bonds and guarantees for pension obligations to employees are NOK 2.4 billion (NOK 3.5 billion in 2015).

Although guarantees are financial instruments, they are considered contingent obligations and the notional amounts are not included in the financial statements. Some of the guarantee obligations are on behalf of related parties to Akastor, see more information in note 35 Related parties.

Price risk

The group is exposed to fluctuations in market prices both in the investment portfolio used in the pension benefit plan and in the operating businesses related to individual contracts. The investment portfolio is limited.

The businesses may be exposed to changes in market price for raw materials, equipment and development in wages. This is managed in the bid process by locking in committed prices from vendors as basis for offers to customers or through escalation clauses with customers.

Credit risk

Credit risk is the risk of financial losses to the group if customer or counterparty to financial investments/instruments fails to meet contractual obligations, and arise principally from investment securities and receivables. Investment securities and derivatives are only traded against approved banks. All approved banks are participants in the Akastor loan syndicate and have investment grade ratings. Credit risk related to investment securities and derivatives is therefore considered to be insignificant.

Assessment of credit risk related to customers and subcontractors is an important requirement in the bid phase and throughout the contract

period. Such assessments are based on credit ratings, income statement and balance sheet reviews and using credit assessment tools available (e.g. Dun & Bradstreet and Credit Watch). Sales to customers are settled in cash.

Based on estimates of incurred losses in respect of trade and other receivables, the group establishes a provision for impairment losses. Provisions for loss on debtors are based on individual assessments. Provisions for loss on receivables were NOK 107 million in 2016 (NOK 120 million in 2015). Revenues are mainly related to large and long-term projects closely followed up in terms of payments up front and in accordance with agreed milestones. Normally, lack of payments is due to disagreements related to project deliveries and is solved together with the customer or escalated to the local authority.

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date equals the book value of each category of financial assets, see carrying amounts in note 34 Financial instruments. The group does not hold collateral as security.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities. The group manages its liquidity to ensure that it will always have sufficient liquidity reserves to meet its liabilities when due.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Akastor Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The group policy for the purpose of optimizing availability and flexibility of cash within the group is to operate centrally managed cash pooling arrangements. Such arrangements are either organized with a bank as a service provider, or as a part of the operation of Akastor Treasury. An important condition for the participants (business units) in such cash pooling arrangements is that the group as an owner of such pools is financially viable and is able to prove its capability to service its obligations concerning repayment of any net deposits made by business units. Management monitors rolling weekly and monthly forecasts of the group's liquidity reserve on the basis of expected cash flow.



Financial liabilities and the period in which they mature

Amounts in NOK million	Note	Book value	Total cash flow ¹⁾	6 months and less	6–12 months	1–2 years	2–5 years	More than 5 years
2016								
Borrowings excl. financial lease ²⁾	25	1 433	1 491	1 239	29	56	149	19
Financial lease	25	1 622	3 155	173	175	702	861	1 244
Other non-current liabilities	26	57	57	-	-	29	16	12
Net derivative financial instruments	32	32	32	93	(34)	(26)	-	-
Trade and other payables	29	1 238	1 238	955	283	-	-	-
Total financial liabilities		4 382	5 973	2 460	453	761	1 026	1 274
Financial guarantees ³⁾			7 822	873	927	197	1 601	4 224
2015								
Borrowings excl. financial lease ²⁾	25	3 992	4 086	3 811	28	102	131	14
Financial lease	25	1 645	3 508	119	177	709	967	1 535
Other non-current liabilities	26	74	74	-	-	24	24	25
Net derivative financial instruments	32	(218)	(218)	207	(313)	(83)	(29)	-
Trade and other payables	29	2 550	2 550	1 916	634	-	-	-
Total financial liabilities		8 043	10 000	6 052	527	754	1 093	1 573
Financial guarantees ³⁾			7 885	864	822	1 572	482	4 145

¹⁾ Nominal currency value including interest.

²⁾ Maturity of the term loans in the table reflects that loans have been reclassified to current borrowings due to covenant breach. See note 25 Borrowings for more information.

³⁾ Financial guarantees are not recognized on the consolidated balance sheet. The undiscounted cash flows potentially payable under financial guarantees are classified on the basis of expiry date.

Note 32 | Derivative financial instruments

The group uses derivative financial instruments such as currency forward contracts and currency options to hedge its exposure to foreign exchange arising from operational, financial and investment activities. In addition, there are embedded foreign exchange forward derivatives separated from ordinary commercial contracts. Further information regarding risk management policies in the group is available in note 31 Financial risk management and exposures. Derivative financial instruments are classified as current assets or liabilities as they are a part of the operating cycle.

The table below presents the fair value of the derivative financial instruments and a maturity analysis of the derivatives cash flows. Given Akastor's hedging policy and the assumption that the projects are cash

neutral, this table also indicates when the cash flows related to project expenses are expected to impact profit and loss. The majority of project revenues are recognized in accordance with IAS 11 using the percentage of completion method. This may result in different timing of cash flows related to project revenues and revenue recognition.

Instruments that do not qualify for hedge accounting include the external instruments used to price embedded derivatives as well as other derivative instruments used by Akastor Treasury to hedge the residual exposure of the group as part of its risk mandate. As of December 31, 2016, these instruments only include currency forwards.

Fair value of derivative instruments with maturity

Amounts in NOK million	Instruments at fair value	Total cash flow ¹⁾	6 months or less	6–12 months	1–2 years	2–5 years ²⁾
2016						
<i>Assets</i>						
Cash flow hedges	59	59	58	2	-	-
Embedded derivatives in ordinary commercial contracts	203	203	141	34	28	-
Not hedge accounted	22	22	22	-	-	-
Fair value adjustments to hedged assets ³⁾	(15)	(15)	(15)	-	-	-
Total forward foreign exchange contracts, assets	269	269	206	35	28	-
<i>Liabilities</i>						
Cash flow hedges	(127)	(127)	(123)	(2)	(2)	-
Not hedge accounted	(8)	(8)	(8)	-	-	-
Fair value adjustments to hedged liabilities	(166)	(166)	(167)	1	-	-
Total forward foreign exchange contracts, liabilities	(301)	(301)	(298)	(1)	(2)	-
2015						
<i>Assets</i>						
Cash flow hedges	411	411	223	148	40	-
Embedded derivatives in ordinary commercial contracts	707	707	459	176	43	29
Not hedge accounted	29	29	29	-	-	-
Fair value adjustments to hedged assets ³⁾	600	600	593	6	1	-
Total forward foreign exchange contracts, assets	1 746	1 746	1 304	330	84	29
<i>Liabilities</i>						
Cash flow hedges	(496)	(496)	(487)	(8)	(1)	-
Net investment hedges	(17)	(17)	(17)	-	-	-
Embedded derivatives in ordinary commercial contracts	(1)	(1)	(1)	-	-	-
Not hedge accounted	(234)	(234)	(234)	-	-	-
Fair value adjustments to hedged liabilities	(781)	(781)	(772)	(9)	-	-
Total forward foreign exchange contracts, liabilities	(1 528)	(1 528)	(1 510)	(17)	(1)	-

¹⁾ Cash flows from matured derivatives are translated to NOK using the exchange rates on the balance sheet date.

²⁾ No derivatives with maturity later than five years.

³⁾ Fair value of settled derivatives not yet booked in the income statement are recognized in balance sheet and will be reclassified to the income statement over the next years as the projects progress.



Foreign exchange derivatives

Akastor Treasury hedges the group's future transactions in foreign currencies with external banks. Approximately 80 percent of the exposure to foreign exchange variations in future cash flows are related to a few large projects. The currency exposure in these projects has been hedged back-to-back in order to meet the requirements for hedge accounting. They are either subject to hedge accounting or separated embedded derivatives. All other hedges are not designated as IAS 39 hedges and will have an effect on profit or loss. Hedges qualifying for hedge accounting are classified as cash flow hedges (hedges of highly probable future revenues and/or expenses).

Embedded derivatives are foreign exchange derivatives separated from construction contracts. The reason for separation is that the agreed payment is in a currency different from any of the major contract parties' own functional currency, or that the contract currency is not considered to be commonly used for the relevant economic environment defined as

the countries involved in the cross-border transaction. The embedded derivatives represent currency exposures, which is hedged against external banks. Since the embedded derivatives are measured and classified in the same way as their hedging derivatives, they will have an almost equal, opposite effect to profit and loss. In the table above, the derivatives hedging the embedded derivatives are included in Forward foreign exchange contracts - not hedge accounted.

The hedged transactions in foreign currency that are subject to cash flow hedge accounting are highly probable future transactions expected to occur at various dates during the next one to four years, depending on progress in the projects. Gains and losses on forward foreign exchange contracts are recognized in other comprehensive income and reported as hedging reserve in equity until they are recognized in the income statement in the period or periods during which the hedged transactions affect the income statement.

Unsettled cash flow hedges' impact on profit and loss and equity (not adjusted for tax)

<i>Amounts in NOK million</i>	Fair value of all hedging instruments	Recognized in profit and loss	Deferred in equity (the hedge reserve)
2016			
Forward exchange contracts (cash flow hedges)	(67)	5	(72)
2015			
Forward exchange contracts (cash flow hedges)	(85)	(104)	19

The value of the hedge reserve is before tax to allow comparison with the value of the hedging derivatives; this value does not include deferred settlements related to matured instruments.

The purpose of the hedging instrument is to secure a situation where the hedged item and the hedging instrument together represent a predetermined value independent of fluctuations of exchange rates. Revenue and expense on the underlying construction contracts are

recognized in the income statement in accordance with progress. Consequently, NOK 5 million (negative NOK 104 million in 2015) of the value of the forward contracts have already affected the income statement indirectly as revenues and expenses are recognized based on updated forecasts and progress. The negative NOK 72 million (positive NOK 19 million in 2015) that are currently recorded directly in the hedging reserve, will be reclassified to income statement over the next years.

Note 33 | Financial instruments

The table below lists the group's financial instruments, both assets and liabilities. Financial instruments measured at fair value are classified by the levels in the fair value hierarchy. All other financial instruments are classified by the main group of instruments as defined in IAS 39. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. For financial instruments measured at fair value, the levels in the fair value hierarchy are as shown below.

Level 1 – fair values are based on prices quoted in an active market for identical assets or liabilities.

Level 2 – fair values are based on price inputs other than quoted prices derived from observable market transactions in an active market for identical assets or liabilities. Level 2 includes currency or interest derivatives and interest bonds, typically when the group uses forward prices on foreign exchange rates or interest rates as inputs to valuation models.

Level 3 – Fair values are based on unobservable inputs, mainly based on internal assumptions used in the absence of quoted prices from an active market or other observable price inputs.

<i>Amounts in NOK million</i>	<i>Note</i>	Book value	Financial instruments measured at fair value	Level in fair value hierarchy
2016				
Loans and receivables				
Cash and cash equivalents	23	487		
Current interest-bearing receivables	17	15		
Trade and other receivables	22	2 113		
Non-current interest-bearing receivables	17	51		
Available for sale				
Other investments – equity securities ¹⁾		121	121	Level 3
Fair value – hedging instruments				
Derivative financial instruments	32	269	269	Level 2
Fair value through P&L				
Deferred and contingent consideration		103	103	Level 3
Financial assets		3 159	493	
Other financial liabilities				
Non-current borrowings ²⁾	25	(1 494)	(1 494)	Level 2
Credit facility and other current borrowings ³⁾	25	(1 560)	(1 567)	Level 2
Other non-current liabilities	26	(48)		
Trade and other payables	29	(1 131)		
Fair value – hedging instruments				
Derivative financial instruments	32	(301)	(301)	Level 2
Fair value through P&L				
Deferred settlement obligations	26, 29	(116)	(116)	Level 3
Financial liabilities		(4 650)	(3 377)	



<i>Amounts in NOK million</i>	<i>Note</i>	Book value	Financial instruments measured at fair value	Level in fair value hierarchy
2015				
Loans and receivables				
Cash and cash equivalents	23	563		
Non-current interest-bearing receivables	17	84		
Trade and other receivables	22	3 722		
Current interest-bearing receivables	17	72		
Available for sale				
Shares in EZRA Holding Ltd	19	141	141	Level 1
Other investments – equity securities ¹⁾	19	120	120	Level 3
Fair value – hedging instruments				
Derivative financial instruments	32	1 746	1 746	Level 2
Fair value through P&L				
Deferred and contingent consideration		67	67	Level 3
Financial assets		6 514	2 074	
Other financial liabilities				
Non-current borrowings ²⁾	25	(1 583)	(1 583)	Level 2
Credit facility and other current borrowings ³⁾	25	(4 054)	(4 076)	Level 2
Other non-current liabilities	26	(74)		
Trade and other payables	29	(2 537)		
Deferred settlement obligations	29	(8)		
Fair value – hedging instruments				
Derivative financial instruments	32	(1 528)	(1 528)	Level 2
Fair value through P&L				
Deferred settlement obligations	29	(6)	(6)	Level 3
Financial liabilities		(9 789)	(7 193)	

¹⁾ Investments in level 3 in the hierarchy relate to equity securities with no active market. These investments are measured at cost since this is considered to be the best estimate of fair value. All available for sale investments are designated as such upon initial recognition.

²⁾ For credit facilities and other short-term loans with floating interest, notional amounts are used as approximation of fair values.

³⁾ Portfolio of bonds, obligations and certificates derived from observable market transactions in an active market for identical assets.

There are no financial assets or liabilities held for trading.

Reconciliation of Level 3 assets and liabilities

<i>Amounts in NOK million</i>	Assets	Liabilities
Balance as of January 1, 2015	210	(56)
Settlements	-	4
Net gain (loss) in the income statement	(23)	47
Balance as of December 31, 2015	187	(6)
Additions	237	(121)
Unwind of discount	10	(1)
Net gain (loss) in the income statement	(216)	12
Currency translation difference	5	-
Balance as of December 31, 2016	223	(116)

The assets and liabilities reported as Level 3 in the fair value hierarchy relate to contingent considerations from business acquisitions and disposals where the final amounts to be paid or received depend on future earnings in the acquired and disposed companies. The recognized amounts are determined based on recent forecasts and strategy figures for these entities, thus the final realized values are sensitive to the above inputs as driven by market conditions.

The credit exposure on the Level 3 asset is limited to the amount recognized and due to the nature of the arrangement the credit risk is not considered to be significant.

Note 34 | Group companies

This note gives an overview of entities that are subsidiaries of Akastor ASA. For information about other investments in the group, refer to note 18 Equity-accounted investees and note 19 Other investments. If not stated otherwise, ownership equals share of voting rights.

Group companies as of December 31

Company	Location	Country	Ownership (%)	
			2016	2015
Akastor ASA	Fornebu	Norway		
MHWirth				
MHWirth Pty Ltd	Argenton	Australia	100	100
MHWirth Canada Inc	Newfoundland	Canada	100	100
MHWirth Offshore Petroleum Engineering (Shanghai) Co Ltd	Shanghai	China	100	100
MHWirth GmbH	Erkelenz	Germany	100	100
MHWirth (India) Pvt Ltd	Mumbai	India	100	100
MHWirth Sdn Bhd	Kuala Lumpur	Malaysia	100	100
Drilltech AS	Kristiansand	Norway	100	100
Maritime Promeco AS	Kristiansand	Norway	100	100
MHWirth AS	Kristiansand	Norway	100	100
MHWirth Singapore Engineering Management Pte Ltd ¹⁾	Singapore	Singapore	100	-
MHWirth (Singapore) Pte Ltd	Singapore	Singapore	100	100
MHWirth UK Ltd	Aberdeen	UK	100	100
MHWirth FZE	Dubai	UAE	100	100
MHWirth Inc	Houston	USA	100	100
MHWirth Gas & Oil- Field Equipment & Services LLC ³⁾	Abu Dhabi	UAE	49	49
AKOFS Offshore				
AKOFS 1 AS	Oslo	Norway	100	100
AKOFS 2 AS	Oslo	Norway	100	100
AKOFS 3 AS	Oslo	Norway	100	100
AKOFS 2 Services AS	Oslo	Norway	100	100
AKOFS Offshore AS	Oslo	Norway	100	100
AKOFS Offshore Operations AS	Oslo	Norway	100	100
AKOFS 4 AS	Oslo	Norway	100	100
AKOFS Wayfarer AS ²⁾	Oslo	Norway	-	100
AKOFS Angola Limited	Luanda	Angola	100	100
KOP Surface Products				
PT KOP Surface Products	Jakarta	Indonesia	100	100
KOP Surface Products Sdn Bhd	Kuala Lumpur	Malaysia	100	100
KOP Surface Products Nigeria Ltd	Ikoyi - Lagos	Nigeria	100	100
KOP Surface Products Singapore Pte Ltd	Singapore	Singapore	100	100
KOP Surface Products (Services) Pte Ltd	Singapore	Singapore	100	100
KOP Surface Products (Services) UK Ltd	Aberdeen	UK	100	100
Step Oiltools ³⁾				
Step Oiltools (Australia) Pty Ltd	Perth	Australia	76	76
Step Oiltools Limited	Grand Cayman	Cayman Islands	76	76
Step Oiltools GmbH	Bad Fallingbommel	Germany	76	76
PT Step Oiltools	Jakarta	Indonesia	76	76
Step Oiltools LLP	Aktau	Kazakhstan	76	76
Step Oiltools BV	Amsterdam	Netherlands	76	76
Step Oiltools AS	Stavanger	Norway	76	76



Company	Location	Country	Ownership (%)	
			2016	2015
Step Oiltools (Myanmar) Ltd	Yangon	Myanmar	76	76
Step Oiltools Services LLC	Muscat	Oman	51	51
Step Oiltools (M) Sdn Bhd	Kuala Lumpur	Malaysia	76	76
Step Oiltools LLC	Moscow	Russia	76	76
Step Oiltools Pte Ltd	Singapore	Singapore	76	76
Step Oiltools (Thailand) Ltd	Bangkok	Thailand	76	76
Step Oiltools (UK) Ltd	Aberdeen	UK	76	76
Step Oiltools FZE	Dubai	UAE	76	76

Other companies

Zoetermeer Process Belgium NV/SA	Antwerp	Belgium	100	100
AK Operações do Brasil Ltda	Rio de Janeiro	Brazil	100	100
Aker Cool Sorption (Beijing) Technology Co Ltd	Beijing	China	100	100
Cool Sorption A/S	Glostrup	Denmark	100	100
Akastor Mauritius Ltd	Port Louis	Mauritius	100	100
Zoetermeer Process BV	Zoetermeer	Netherlands	100	100
BTA Technology AS	Fornebu	Norway	100	100
Akastor AS	Fornebu	Norway	100	100
Tromsøriffen AS ⁴⁾	Fornebu	Norway	-	100
Akastor Real Estate AS	Fornebu	Norway	100	100
Aker Cool Sorption Siam Ltd	Rayong	Thailand	100	100
Frontica Business Solutions Ltd	London	UK	100	100
AK Pharmaceuticals LLC	Houston	USA	100	100
AK Willfab Inc	Williamsport	USA	100	100
Frontica Group AS	Fornebu	Norway	100	100
Frontica Global Employment Ltd	Limassol	Cyprus	100	100
Fjords Processing AS	Fornebu	Norway	100	100
First Geo AS	Stavanger	Norway	100	100

Frontica Advantage ⁵⁾

Frontica Advantage Pty Ltd ⁶⁾	Melbourne	Australia	-	100
Frontica Advantage AS	Bergen	Norway	100	100
Frontica Advantage Group AS	Fornebu	Norway	100	100
Frontica Advantage Ltd	London	UK	100	100
Frontica DC Trustees Ltd	London	UK	100	100
Frontica Advantage Inc	Houston	USA	100	100

¹⁾ New companies in 2016

²⁾ Merged into AKOFS 3 AS

³⁾ No non-controlling interest is recognized due to applying the anticipated acquisition method

⁴⁾ Merged into Akastor AS

⁵⁾ Frontica Advantage entities are classified as held for sale as of December 31, 2016

⁶⁾ Liquidated in 2016

Company	Location	Country	Ownership (%)	
			2016	2015
Disposed Entities ⁷⁾				
MPO Austria Holding GmbH	Vienna	Austria	-	100
Managed Pressure Operations International Limited (Cyprus)	Limassol	Cyprus	-	100
PT Managed Pressure Operations (Indonesia)	Jakarta	Indonesia	-	100
Managed Pressure Operations International AS	Kristiansand	Norway	-	100
Managed Pressure Operations Pte Ltd (Singapore)	Singapore	Singapore	-	100
MPO Research Technologies Pte Ltd	Singapore	Singapore	-	100
Managed Pressure Operations FZE (Dubai)	Dubai	UAE	-	100
Managed Pressure Operations LLC (USA – TX)	Houston	USA	-	100
Frontica Business Solutions Sdn Bhd	Kuala Lumpur	Malaysia	-	100
Frontica Business Solutions AS	Fornebu	Norway	-	100
Frontica Business Solutions Inc	Houston	USA	-	100
Fjords Processing Australia Pty Ltd	Welshpool	Australia	-	100
Fjords Processing Canada Inc	Newfoundland	Canada	-	100
Aker Midsund Engineering s.r.o	Prague	Czech Republic	-	98
Fjords Processing France SAS	Vincennes Cedex	France	-	100
Fjords Processing 1 AS	Fornebu	Norway	-	100
Fjords Processing International AS	Fornebu	Norway	-	100
Midsund Bruk AS	Midsund	Norway	-	100
Midsund Bruk 1 AS	Fornebu	Norway	-	100
Fjords Processing UK Ltd	Aberdeen	UK	-	100
Opus Maxim Ltd	Guildford	UK	-	100
Opus Plus Ltd	Orkney	UK	-	100
Fjords Processing Inc	Houston	USA	-	100
Fjords Processing Colombia SAS	Bogota	Colombia	-	100
PT Aker Solution E & C Indonesia	Jakarta	Indonesia	-	100

⁷⁾ Entities are referred to by company names before the disposals.

Note 35 | Related parties

Related party relationships are those involving control (either direct or indirect), joint control or significant influence. Related parties are in a position to enter into transactions with the company that would not be undertaken between unrelated parties. All transactions with related parties in Akastor have been based on arm's length terms.

Akastor ASA is a parent company with control of around 70 companies around the world. These subsidiaries are listed in note 34 Group companies. Any transactions between the parent company and the subsidiaries are shown line by line in the separate financial statements of the parent company, and are eliminated in the consolidated financial statements.

Joint ventures are consolidated using the equity method, see note 18 Equity-accounted investees. Transactions between the group and these entities are shown in the table below.

Remunerations and transactions with directors and executive officers are summarized in note 36 Management remunerations.

The largest shareholder of Akastor, Aker Kværner Holding AS, is controlled by Aker ASA (70 percent) which in turn is controlled by Kjell Inge Røkke and his family through TRG Holding AS and The Resource Group TRG AS. The Chief Executive Officer of Akastor, Kristian Monsen Røkke, is a board member of Aker ASA and TRG Holding AS. Aker ASA also holds 8.5 percent of the shares in Akastor ASA directly. All entities controlled by Aker ASA, including Kvaerner and Aker Solutions, are considered related parties to Akastor, referred to as "Aker entities". The entities controlled directly by Kjell Inge Røkke and his family through TRG Holding AS and The Resource Group TRG AS, are referred to as "Related parties to Aker ASA".



Summary of transactions and balances with significant related parties

Amounts in NOK million	2016			2015		
	Aker entities	Joint ventures	Total	Aker entities	Joint ventures	Total
<i>Income statement</i>						
Operating revenues	229	-	229	371	-	371
Other income	-	172	172	310	-	310
Operating costs	(41)	-	(41)	(200)	-	(200)
Net financial items	(292)	7	(285)	(279)	4	(275)
Included in Net profit from discontinued operations ¹⁾						
– Operating revenues	2 484	-	2 484	3 851	-	3 851
– Operating costs	(22)	-	(22)	(87)	-	(87)
<i>Assets (liabilities)</i>						
Trade receivables	29	-	29	154	-	154
Interest-bearing receivables	-	50	50	-	82	82
PPE under finance lease (Aker Wayfarer)	1 618	-	1 618	1 313	-	1 313
Non-current assets under finance lease (Aker Wayfarer)	-	-	-	410	-	410
Assets held for sale	6	-	6	-	-	-
Trade payables	(16)	-	(16)	(51)	-	(51)
Financial lease liability (Aker Wayfarer)	(1 622)	-	(1 622)	(1 645)	-	(1 645)
Liabilities held for sale	(1)	-	(1)	-	-	-

¹⁾ See note 5 for information about discontinued operations.

Below are descriptions of significant related party agreements. Following the divestment of Frontica Business Solutions and Frontica Advantage, the agreements between Akastor's related parties and Frontica will not be addressed as related party transactions after the date of disposals. See note 5 for more information about the divestment.

Related party transactions with Aker entities

Aker Solutions

Akastor has entered into a number of agreements and arrangements with Aker Solutions, including:

- In February 2016, Aker Solutions signed five-year contracts for delivery of staffing services, IT services and consultancy projects as well as business support services within HR, finance and procurement from Frontica Advantage and Frontica Business Solutions. The amount charged for these services was NOK 2.2 billion (NOK 3.5 billion in 2015) and is included in revenues from discontinued operations following the divestment of Frontica Business Solutions and Frontica Advantage.
- Various lease agreements from Akastor Real Estate AS and other Akastor companies to subsidiaries of Aker Solutions.
- Following the demerger between Aker Solutions and Akastor in 2014, several arrangements are still valid:
 - Agreements addressing separation issues: Aker Solutions and Akastor entered into several agreements addressing various separation issues between the two parties, including but not limited to a main separation agreement, a technology agreement concerning ownership and licensing rights to intellectual property and know-how as well as several bilateral license agreements and various agreements addressing

commercial separation issues between subsidiaries of Aker Solutions and Akastor. The parties also entered into an agreement for provisioning of transitional services to and from Aker Solutions following the demerger, of which most of the services are finalized during 2016.

- Financial guarantees: Some parent company guarantees issued on behalf of Aker Solutions entities by Akastor (as their previous parent company) were not transferred in connection with the demerger. Aker Solutions is liable to indemnify Akastor for any rightful claim such parent company guarantees and to pay a guarantee commission on market terms until the guarantees are effectively transferred to Aker Solutions or have lapsed.
- Secondary joint liability: If an obligation that arose prior to the completion of the demerger is not satisfied by the party to which the obligation has been allocated under the demerger plan, be it Akastor or Aker Solutions, the other party will have secondary joint liability for such obligation. This statutory liability is unlimited in time, but is limited in amount to the net value allocated to the non-defaulting party in the demerger.

Kvaerner

Some parent company guarantees issued on behalf of Kvaerner entities by Akastor (as their previous parent company) were not transferred in connection with the demerger of Kvaerner in 2011. The parent company guarantees provided by Akastor ASA on behalf of Kvaerner entities are NOK 5.5 billion as of December 31, 2016. Kvaerner is liable to indemnify Akastor for any rightful claim such parent company guarantees and to pay a guarantee commission on market terms until the guarantees are effectively transferred to Kvaerner or have lapsed.

In November 2016, Kvaerner signed five-year contracts for delivery of staffing services, IT services and consultancy projects as well as business support services within HR, finance and procurement from Frontica Advantage and Frontica Business Solutions. The amount charged for these services in 2016 was NOK 180 million (NOK 301 million in 2015) and is included in revenues from discontinued operations following the divestment of Frontica Business Solutions and Frontica Advantage.

OCY Wayfarer AS (Ocean Yield)

OCY Wayfarer AS and AKOFS 3 AS, a wholly owned subsidiary in Akastor, have entered into a long term lease contract for the Aker Wayfarer vessel until 2027 with purchase options on 3 different dates. This lease agreement is recognized as a finance lease and the finance lease obligation as of December 31, 2016 amounts to NOK 1 622 million, of which NOK 322 million is presented as current liability, representing the lease payment to OCY Wayfarer AS in the next twelve months. The carrying amount of the vessel under finance lease is NOK 1 618 million as of December 31, 2016.

Agreements with related parties to Aker ASA

Aker Maritime Finance AS

In December 2015, Akastor sold its real estate portfolio comprising of eight properties to Aker Maritime Finance AS, a company then owned by Aker ASA and later sold to Kjell Inge Røkke and The Resource Group TRG AS in 2016. Following the divestment, MHWirth AS, a wholly owned subsidiary of Akastor, entered into long-term lease agreements with subsidiaries of Aker Maritime Finance AS for properties in Kristiansand in Norway. The annual lease payment is approximately NOK 22 million for a lease period of 19 years starting October 1, 2015, with options for renewal.

AK Wilfab Inc, a wholly owned subsidiary of Akastor, is together with Aker Solutions Inc and Aker Maritime Finance AS sponsoring the US pension plan named the Kvaerner Consolidated Retirement Plan. Aker Maritime Finance AS holds two thirds of the liability of the sponsors for the underfunded element of the plan, while the ultimate liability for the remaining one third lies with Akastor.

Fornebuporten AS

Akastor has entered into a long-term lease agreement with Fornebuporten AS, an associated company of The Resource Group TRG AS, starting August 31, 2015 for headquarter offices at Fornebu. The duration of the contract is 10 years, with two additional five-year options.

Related party transactions with joint ventures

DOF Deepwater AS

During 2016, the shareholder's loan to DOF Deepwater AS was increased by NOK 114 million to NOK 200 million and thereafter NOK 150 million of

the loan was converted to the equity of the company. The ownership of the joint venture remains unchanged. As of December 31, 2016, the carrying amount of the shareholder's loan from Akastor to DOF Deepwater AS is NOK 50 million (NIBOR 6 months+ 3.6 percent).

Akastor ASA has issued financial guarantees in favor of banks related to financing of the five vessels in DOF Deepwater. The liability is capped at 50 percent of drawn amount. The guarantee is NOK 533 million as of December 31, 2016 (NOK 589 million in 2015).

Avium Subsea AS

In November 2016, Akastor and Mitsui established a joint venture, Avium Subsea AS, with 50/50 ownership. The joint venture acquired both the Skandi Santos hull from DOF Subsea Rederi AS and the Skandi Santos topside equipment from AKOFS Offshore. The sale of topside equipment resulted in an accounting gain of NOK 172 mill, representing 50% of the total gain on sale. The joint venture then entered into a lease agreement with AKOFS Offshore corresponding to the remaining Skandi Santos contract duration between AKOFS Offshore and Petrobras.

Akastor AS has issued a financial parent company indemnity guarantee of NOK 970 million and a financial guarantee of NOK 41 million in favor of finance institutions for fulfillment of lease obligations related to Avium Subsea AS.

Other related parties

Aker Pensjonskasse

Aker Pensjonskasse was established by Aker ASA to manage the retirement plan for employees and retirees in Akastor as well as related Aker companies. Akastor holds 93.4 percent of the paid-in capital in Aker Pensjonskasse and Akastor's share of paid-in equity was NOK 120 million at the end of 2016 (unchanged from 2015). Akastor's premium paid to Aker Pensjonskasse amounts to NOK 13 million in 2016 (NOK 15 million in 2015).

Even though Akastor owns 93.4 percent in Aker Pensjonskasse, the ownership does not constitute control since Akastor does not have the power to govern the financial and operating policies so as to obtain benefits from the activities in this entity.

Grants to employee representative's collective fund

Aker ASA has signed an agreement with employee representatives that regulate use of grants from Akastor ASA for activities related to professional development. The grant in 2016 was NOK 510 000 (NOK 595 000 in 2015).



Note 36 | Management remunerations

Board of directors

The board of directors did not receive any other fees than those listed in the table below in 2016 or 2015, except for employee representatives who had market based salaries. The members of the board of directors have no agreements that entitle them to any extraordinary remuneration.

The fees in the table below represent what is recognized as expenses in the income statement based on assumptions about fees to be approved at the general assembly rather than what has been paid in the year.

Amounts in NOK	2016		2015	
	Audit Committee	Board fees	Audit Committee	Board fees
Kjell Inge Røkke	-	-	-	255 000
Frank Ove Reite	-	600 000	-	150 000
Øyvind Eriksen	-	340 000	-	535 000
Lone Fønss Schrøder	205 000	440 000	205 000	440 000
Kathryn Baker	115 000	340 000	115 000	340 000
Sarah Ryan ¹⁾	-	434 800	-	445 600
Jannicke Sommer-Ekelund	-	170 000	-	170 000
Stig Faraas	-	63 750	-	170 000
Asbjørn Michailoff Pettersen	115 000	170 000	115 000	170 000
Siv K. Hestad	-	85 000	-	-
Stian Sjølund	-	21 250	-	-
Total	435 000	2 664 800	435 000	2 675 600

¹⁾ Board fees in 2016 and 2015 include an allowance of NOK 12 500 per meeting per physical attendance for board members residing outside the Nordic countries.

According to policy in Aker, fees to directors employed in Aker companies are paid to the Aker companies, not to the directors in person. Therefore, board fees for Øyvind Eriksen were paid to Aker ASA. Board fee for Kjell Inge Røkke was paid to The Resource Group.

Audit Committee

Akastor has an audit committee comprising three of the directors, which held 11 meetings in 2016. As of December 31, 2016, the audit committee comprises Lone Fønss Schrøder (chairperson), Kathryn M. Baker and Asbjørn Michailoff Pettersen.

Guidelines for remuneration to the members of the executive management of Akastor

The main purpose of the executive remuneration is to encourage a strong and sustainable performance-based culture, which supports growth in shareholder value. As of December 31, 2016, the executive management of

Akastor comprises the company's CEO, Kristian Monsen Røkke, CFO Leif H. Borge, Investment Director Paal E. Johnsen and Investment Director Karl Erik Kjelstad. The company practices standard employment contracts and standard terms and conditions regarding notice period and severance pay for the Akastor management. Kristian Monsen Røkke and Paal E. Johnsen have a three months' notice period as a part of their employment contracts, while Borge and Kjelstad both have six months' notice periods.

Compensation to the executive management has a fixed element which includes a base salary which pursuant to the company's benchmarking is competitive with other investment companies. In addition, the executive management has variable remuneration, as further described below. All variable pay shall be subject to a cap.

The salary figures for the remuneration for the executive management represent what has been expensed in the year.

Amounts in NOK	Job title	Base salary	Variable pay ⁵⁾	Other benefits ^{1), 2)}	Total taxable remuneration	Pension benefit earned/ cost to company ³⁾
2016						
Kristian Monsen Røkke	CEO	3 531 868	4 037 600	9 992	7 579 460	84 260
Leif Hejøl Borge ⁴⁾	CFO	3 504 342	4 261 870	43 688	7 809 900	135 849
Karl Erik Kjelstad ⁴⁾	Investment director	3 640 699	4 316 900	28 304	7 985 903	132 654
Paal E. Johnsen	Investment director	2 990 055	3 224 388	11 191	6 225 634	85 396
Total		13 666 965	15 840 758	93 175	29 600 897	438 157
2015						
Frank Ove Reite ⁶⁾	CEO	2 519 166	-	30 446	2 549 612	45 765
Kristian Monsen Røkke ⁷⁾	CEO	1 540 735	914 708	3 291	2 458 733	33 963
Leif Hejøl Borge ⁴⁾	CFO	3 446 646	1 331 143	21 848	4 799 638	136 592
Karl Erik Kjelstad ⁴⁾	Investment director	3 581 353	1 524 044	29 920	5 135 317	133 189
Paal E. Johnsen ⁸⁾	Investment director	1 947 355	426 888	7 861	2 382 104	41 214
Total		13 035 255	4 196 784	93 366	17 325 404	390 722

¹⁾ Other benefits include insurance agreements, such as membership in the standard employee scheme and an additional executive group life and disability insurance.

²⁾ Other benefits include salary in notice period and severance pay for management where employment is terminated.

³⁾ Pension benefits include the standard employee pension scheme, a pension compensation scheme (for transfer from benefit to contribution scheme), a disability pension scheme and certain management pension rights related to the wound up schemes and early retirement schemes.

⁴⁾ Variable pay includes deferred variable payments from previous years, which are paid out on the condition of continued employment.

⁵⁾ See below for further description of principles for performance based remuneration.

⁶⁾ For the period between January 1 and August 9, 2015.

⁷⁾ For the period between August 1 and December 31, 2015.

⁸⁾ For the period between May 18 and December 31, 2015..

Benefits

The executive management participates in the standard employee, pension and insurance plan applicable to all employees in the company. No executive personnel in Akastor has performance based pension plans and there are no current loans, prepayments or other forms of credit from the company to its executive management. No members of the executive management are part of any option- or incentive programs other than what is described in this note.

Performance based remuneration

In addition to the fixed compensation set out above, the executive management participates in a variable pay program. The objective of the program is to incentivize the management to contribute to sound financial results for the company as well as executing leadership in accordance with the company's values and business ethics. The variable pay program potential is maximized to 100 percent of the annual base salary. The payments under the variable pay program are determined based on three components:

- Development of Akastor ASA's share price
- Delivery of certain key financial and operational targets for Akastor
- Delivery of personal performance objectives during the year

For the CEO, payments under the variable pay program are determined based on development of Akastor ASA's share price only. Since the variable pay program for the executive management is partly linked to the development of the Akastor ASA share price, it requires approval by the general meeting and the guidelines will thereafter be binding.

Further, the executive management may be offered additional variable pay arrangements going forward which differs from the ordinary variable pay program described above. The variable pay arrangements offered to the executive management may in its entirety be linked to the development of the company's share price. The executive management may from time to time be granted a discretionary variable pay. There was no discretionary pay paid out for 2015 or 2016, but incentive bonuses for transactions completed in 2016 may be granted later.

Share purchase program for Akastor's executive management team

The company had no regular share purchase program in 2016. Should the board of directors decide to launch a share purchase program in 2017, the executive management will be invited to participate. Had a regular share purchase program been executed in 2016, the CEO would have been entitled to purchase up to 200 000 treasury shares, as informed in the stock exchange announcement on 16 July 2015. All shares purchased under the programs are subject to a three year lock-up period under which the acquired shares may not be sold or otherwise disposed of. The executive management may also be offered to take part in separate share purchase programs, such as programs with a higher maximum purchase amount than for other managers.

Directors' and executive management's shareholding

The following number of shares is owned by the directors and the members of the executive management (and their related parties) as of December 31:



	Job title	2016	2015
Kristian Monsen Røkke	CEO	200 000	200 000
Leif Hejøl Borge	CFO	250 000	142 775
Karl Erik Kjelstad	Investment Director	123 074	123 074
Paal E. Johnsen	Investment Director	-	-
Frank Ove Reite	Chairman	200 000	200 000
Lone Fønss Schrøder	Deputy Chairman	4 400	4 400
Kathryn Baker	Director	45 683	-
Sarah Ryan	Director	5 000	-
Jannicke Sommer-Ekelund	Director	839	839
Asbjørn Michailoff Pettersen	Director	3 050	3 050
Stian Sjølund	Director	-	-

The overview includes only direct ownership of Akastor shares and does not include Øyvind Eriksen and Kjell Inge Røkke's indirect ownership through their ownership in Aker ASA.

Note 37 | Subsequent events

On January 6, 2017, Akastor completed the transaction to sell Frontica's staffing business (Advantage) to NES Global Talent to create a combined company as a global provider in staffing services to the oil and gas industry. Initially Akastor is holding a 15.2% economic ownership position in the combined entity with potential to increase its ownership depending on the growth in Aker controlled entities over the next three years. The estimated accounting gain is approximately NOK 385 million to be recognized in the first quarter of 2017. Frontica Advantage is presented as discontinued operations and held for sale as of December 31, 2016, see note 5 Discontinued operations.

On March 1, 2017, Akastor signed an agreement with its bank syndicate to:

- i) replace its ICR covenant with a nominal EBITDA amount until Q2 2018;
- and ii) to be allowed to use the existing RCF to make acquisitions for up to NOK 1.0 billion under certain conditions. See more information in note 30 Capital Management.

05.b. FINANCIALS AND NOTES

AKASTOR ASA

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Akastor ASA | Income statement

For the year ended December 31

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015
Operating revenue	2	15	16
Operating expenses	2	(64)	(67)
Operating profit (loss)		(49)	(52)
Net financial items	3	868	(1 386)
Profit (loss) before tax		819	(1 437)
Income tax benefit (expense)	4	(29)	(23)
Profit (loss) for the period		790	(1 461)
<i>Profit (loss) for the period distributed as follows</i>			
Other equity		790	(1 461)
Profit (loss) for the period		790	(1 461)

Akastor ASA | Statement of financial position
For the year ended December 31

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015
Assets			
Deferred tax asset	4	4	31
Investments in group companies	5	5 396	4 754
Non-current interest-bearing receivables on group companies	7	2 951	2 021
Other non-current interest-bearing receivables	8	2	84
Total non-current assets		8 353	6 890
Current interest-bearing receivables on group companies	7	300	4 150
Other receivables on group companies	7	1 004	-
Derivative financial instruments	11	453	1 939
Other current receivables		-	38
Cash in cash pool system	7	135	195
Total current assets		1 892	6 322
Total assets		10 245	13 212
Equity and liabilities			
Issued capital		162	162
Treasury shares		(2)	(2)
Share premium		2 000	2 000
Other paid in capital		2 003	2 003
Other equity		(133)	(923)
Total equity	6	4 031	3 241
Non-current borrowings, external	9	1 191	3 577
Total non-current liabilities		1 191	3 577
Current borrowings, external	9	4	10
Current borrowings from group companies	7	4 499	4 183
Group contribution, payable		-	42
Other liabilities to group companies		61	55
Derivative financial instruments	11	430	2 032
Other current liabilities		29	72
Total current liabilities		5 023	5 903
Total liabilities		6 214	9 971
Total equity and liabilities		10 245	13 212

Fornebu, March 7, 2017 | Board of Directors of Akastor ASA



Frank O. Reite | Chairman



Lone Fønss Schrøder | Deputy Chairman



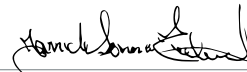
Øyvind Eriksen | Director



Kathryn M. Baker | Director



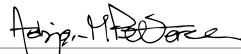
Sarah Ryan | Director



Jannicke Sommer-Ekelund | Director



Stian Sjølund | Director



Asbjørn Michailoff Pettersen | Director



Kristian Monsen Røkke | CEO



Akastor ASA | Statement of cash flow For the year ended December 31

<i>Amounts in NOK million</i>	<i>Note</i>	2016	2015
Profit (loss) before tax		819	(1 437)
<i>Adjustments for non-cash effects</i>			
Impairment of receivables		356	1 505
Group contribution		(1 000)	-
Changes in other net operating assets		(262)	141
Net cash from operating activities		(88)	209
Payment related to increase in interest-bearing receivables		(114)	-
Proceeds from repayment of interest-bearing receivables		-	29
Net cash from investing activities		(114)	29
Proceeds from borrowings		421	1 178
Repayment of borrowings		(2 853)	(1 000)
Changes in borrowings from group companies		514	215
Changes in borrowings to group companies		1 986	(937)
Proceeds from employees share purchase program		2	2
Payment of group contribution		(42)	2
Net cash from financing activities		27	(543)
Effect of exchange rate changes on cash and cash deposits		115	
Net increase (decrease) in cash and bank deposits		(60)	(304)
Cash in cash pool system at the beginning of the period		195	499
Cash in cash pool system at the end of the period ¹⁾	7	135	195

¹⁾ Unused credit facilities amounted to NOK 2.6 billion as of December 31, 2016 (NOK 2 billion in 2015).



Note 1 | Accounting principles

Akastor ASA (the parent company) is a company domiciled in Norway. The financial statements are presented in conformity with Norwegian Accounting Act and Norwegian generally accepted accounting principles (NGAAP).

Revenue recognition

Revenue is recognized when the service is delivered. Operating revenue is comprised mainly of income from parent company guarantees (PCG). The PCGs are invoiced when the guarantee is issued and the income is recognized on a straight line basis over the lifetime of the guarantee. Insurance commissions are recognized the year the insurance is established.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for using the cost method in the parent company's accounts. The investments are valued at cost less impairment losses. Investments in subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment.

Dividends and other distributions are recognized as income the same year as they are allocated from the subsidiary. If the dividend exceeds accumulated profits in the subsidiary after the acquisition, the payment is treated as a reduction of the carrying amount of the investment.

Classification

An asset is classified as current when it is expected to be realized or is intended for sale or consumption as part of the operating cycle or is expected/due to be realized or settled within twelve months after the reporting date. Other assets are classified as non-current.

A liability is classified as current when it is expected to be settled as part of the operating cycle, the liability is due to be settled within twelve months after the reporting period, or if Akastor ASA does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Non-current borrowings are presented as current if a loan covenant breach exists at balance date. If a covenant waiver is approved subsequent to year-end and before the approval of the financial statements, the liability is presented as non-current debt to the extent maturity date is beyond one year.

Financial assets and liabilities

Financial assets and liabilities consist of investments in other companies, trade and other receivables, interest-bearing receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowing.

The company initially recognizes borrowings and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

Trade receivables and other receivables are recognized at nominal value less provision for expected losses. Provision for expected losses is considered on an individual basis.

Non-current borrowings are initially recorded at transaction value less attributable transaction costs. Subsequent to initial recognition, interest-bearing non-current borrowings are measured at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Cash in cash pool system

Cash in cash pool system is the parent company's cash as well as net deposits from subsidiaries in the group's cash pooling systems owned by the parent company. Correspondingly, the parent company's current debt to group companies will include the same net deposits in the group's cash pooling system.

The statement of cash flow is prepared according to the indirect method.

Share capital

Costs for purchase of own shares including transaction costs are accounted for directly against equity. Sales of own shares are performed according to stock-exchange quotations at the time of award and accounted for as increase in equity.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate on that date. Foreign exchange differences arising on translation are recognized in the income statement.

Derivative financial instruments

Subsidiaries have entered into financial derivative agreements with the parent company to hedge their foreign exchange exposure. The parent company does not engage in hedging activities other than as a counterparty in financial derivative agreements with the subsidiaries. In the parent company, derivatives from external banks are used to mitigate the foreign exchange exposure from the financial derivative agreements with the subsidiaries.

Hedge accounting is performed at Akastor group level. Refer to note 3 in Akastor's consolidated financial statements for the description of hedge accounting at group level.

All financial assets and liabilities related to foreign exchange contracts are remeasured at fair value in respect to exchange rates at reporting date and resulting gains or losses are recorded in the income statement.

Tax

Tax expense in the income statement comprises current tax and changes in deferred tax. Deferred tax is calculated as 24 percent of temporary differences between accounting and tax values as well as any tax losses carry-forward at the year end. Net deferred tax assets are recognized only to the extent it is probable that they will be utilized against future taxable profits.



Note 2 | Operating revenue and expenses

Operating revenue comprises mainly NOK 12 million in income from parent company guarantees (NOK 12 million in 2015) and NOK 3 million in insurance commissions from group companies (NOK 4 million in 2015). Income from parent company guarantees includes NOK 0.6 million from external companies and related parties (NOK 0.1 million in 2015).

There are no employees in Akastor ASA and hence no salary or pension related costs and also no loan or guarantees related to the executive management team. Group management and corporate staff are employed by other Akastor companies and costs for their services as well as other parent company costs are charged to Akastor ASA. Remuneration to and shareholding of managing director is described in note 36 Management remunerations in Akastor's consolidated financial statements

Fees to the auditors

<i>Amounts in NOK million</i>	2016	2015
Audit	3	2
Total	3	2

No fees related to other assurance services, tax services or non-audit services were provided.

Note 3 | Net financial items

<i>Amounts in NOK million</i>	Note	2016	2015
Interest income from group companies		293	336
Interest expense to group companies		(8)	(8)
Net interest group companies		285	328
Interest income from related parties		7	4
Net interest related parties		7	4
Interest income		15	12
Interest expense		(237)	(211)
Net interest external		(221)	(199)
Income on investment in subsidiary (group contribution)		1 000	-
Impairment on receivables to group companies	7	(292)	(1 265)
Impairment of receivables on related parties	8	(64)	-
Impairment of shares		-	(240)
Other financial income		72	19
Other financial expense		(4)	(1)
Foreign exchange gain		214	261
Foreign exchange loss		(129)	(294)
Net other financial items		797	(1 519)
Net financial items		868	(1 386)

Note 4 | Tax

Amounts in NOK million	2016	2015
<i>Calculation of taxable income</i>		
Profit (loss) before tax	819	(1 437)
Impairment of internal loans and shares	292	1 505
Permanent differences	(3)	(4)
Changes in timing differences	(119)	60
Generated (utilized) tax loss	-	(82)
Group contribution without tax effect	(1 000)	-
Group contribution with tax effect	-	(42)
Taxable income	(11)	-
<i>Taxable (deductible) temporary differences</i>		
Unrealized gain (loss) on forward exchange contracts	23	(93)
Other temporary differences	(27)	(30)
Tax loss carry-forward	(11)	-
Basis for deferred tax	(15)	(123)
Tax rate	24%	25%
Deferred tax assets	4	31
<i>Tax expense</i>		
Origination and reversal of temporary differences in income statement	(27)	(8)
Withholding tax paid	(2)	(4)
Tax on group contribution	-	(11)
Total tax in income statement	(29)	(23)

Note 5 | Investments in group companies

Amounts in NOK million	Registered office	Share capital	Number of shares held	Percentage owner- / voting share	2016	2015
Akastor AS	Fornebu, Norway	1 004	1	100.00%	4 191	4 191
AKOFS Offshore AS ¹⁾	Oslo, Norway	733	27 128 355	55.49%	1 205	563
Total					5 396	4 754

¹⁾ Shareholding in AKOFS Offshore AS was increased in 2016 following conversion of loan of USD 75 million. The remaining 44.51 percent of the shares in AKOFS Offshore AS are held by Akastor AS. Accordingly, Akastor ASA owns 100 percent of the shares through direct and indirect ownership.

Note 6 | Shareholders' equity

Amounts in NOK million	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total
Equity as of January 1, 2015	162	(2)	2 000	2 003	537	4 700
Profit (loss) for the period	-	-	-	-	(1 461)	(1 461)
Equity as of December 31, 2015	162	(2)	2 000	2 003	(923)	3 241
Profit (loss) for the period	-	-	-	-	790	790
Equity as of December 31, 2016	162	(2)	2 000	2 003	(133)	4 031

The share capital of Akastor ASA is divided into 274 000 000 shares with a nominal value of NOK 0.592. The shares can be freely traded. An overview of the company's largest shareholders is to be found in note 13 Shareholders.

The number of treasury shares held by the end of 2016 are 2 776 376 and are held for the purpose of being used for future awards under any share purchase program for employees, as settlement in future corporate acquisitions or for other purpose as decided by the board of directors.



Note 7 | Receivables and borrowings from group companies

<i>Amounts in NOK million</i>	2016	2015
Group companies deposits in the cash pool system	2 702	3 102
Group companies borrowings in the cash pool system	(13)	(410)
Akastor ASA's net borrowings in the cash pool system	(2 554)	(2 497)
Cash in cash pool system	135	195
Current interest-bearing receivables on group companies	300	4 150
Non-current interest-bearing receivables on group companies	2 951	2 021
Current borrowings from group companies	(4 499)	(4 183)
Net interest-bearing receivables on group companies	(1 248)	1 988
Group contribution receivable	1000	-
Other receivables on group companies	4	-
Total other receivables on group companies	1 004	-

Interest-bearing receivables on and borrowings from group companies

Akastor ASA is the group's central treasury function (Akastor Treasury) and enters into borrowings and deposit agreements with group companies. Deposits and borrowings are done at market terms and are dependent of the group companies' credit rating and the duration of the borrowings.

In 2016, an impairment of NOK 292 million (NOK 1.3 billion in 2015) is recognized related to interest-bearing receivables on group companies. The impairment is mainly related to receivables on Step Oiltools and MPO.

All current receivables and borrowings are due within one year.

Cash pool arrangement

Akastor ASA is the owner of the cash pool system arrangements with DNB, Nordea and The Royal Bank of Scotland. The cash pool systems

cover a majority of the group geographically and assure good control and access to the group's cash. Participation in the cash pool is vested in the group's policy and decided by each company's board of directors and confirmed by a statement of participation. The participants in the cash pool system are jointly and severally liable and it is therefore important that Akastor as a group is financially viable and can repay deposits and carry out transactions. Any debit balance on a sub account can be set-off against any credit balance. A debit balance does hence represent a claim on Akastor ASA and a credit balance a borrowing from Akastor ASA.

The cash pool systems were showing a net balance of NOK 135 million per December 31, 2016 (NOK 195 million in 2015). This amount is reported in Akastor ASA's accounts as short term borrowings from group companies and as cash in cash pool system.

Note 8 | Other non-current interest-bearing receivables

<i>Amounts in NOK million</i>	2016	2015
Loan to DOF Deepwater AS (related party to Akastor) ¹⁾	-	82
Stiftelsen Akastor Kompensasjonsordning	2	2
Total other non-current interest-bearing receivables	2	84

¹⁾ The loan to DOF Deepwater AS was increased by NOK 114 million during the year followed by a sale of the receivable to Akastor AS. An impairment of NOK 64 million was booked upon realization of the receivable.

Note 9 | Borrowings

Amounts in million	Currency	Nominal currency value	Carrying amount (NOK)	Interest rate	Interest margin	Interest coupon	Maturity	Interest terms
2016								
Revolving credit facility (NOK 1 122 million)	NOK	-	-		2.75%		July 2019 ²⁾	NIBOR + margin ¹⁾
Revolving credit facility (USD 313 million)	USD	139	1 195	0.67%	2.75%	3.42%	July 2019 ²⁾	USD LIBOR + margin ¹⁾
Total borrowings			1 195					
Current borrowings			4					
Non-current borrowings			1 191					
Total			1 195					
2015								
Revolving credit facility (NOK 2 000 million) ³⁾	NOK	-	(10)	1.00%	1.90%	2.90%	July 2017 ²⁾	IBOR + variable margin ¹⁾
Term loan	NOK	2 500	2 491	1.20%	1.80%	3.00%	July 2019 ²⁾	IBOR 3M+fixed margin
Term loan	USD	125	1 096	0.48%	1.60%	2.08%	January 2017 ²⁾	IBOR 3M+fixed margin
Accrued interest			10					
Total borrowings			3 587					
Current borrowings			10					
Non-current borrowings			3 577					
Total borrowings			3 587					

¹⁾ The margin applicable to the facility is decided by a price grid based on the leverage ratio and level of utilization. Commitment fee is 40 percent of the margin.

²⁾ The maturity date reflects maturity date as defined in the loan agreements. See below for further description of covenant breach as of December 31, 2016.

³⁾ Carrying amount of negative NOK 10 million in 2015 relates to issue costs.

All facilities are provided by a bank syndicate consisting of high quality Nordic and international banks. The terms and conditions include restrictions which are customary for these kinds of facilities, including inter alia negative pledge provisions and restrictions on acquisitions, disposals and mergers and change of control provisions. The facilities include no dividend restrictions. There is a stand-alone mortgage on the vessel AKOFS Seafarer as security for the facilities.

The financial covenants are a gearing ratio based on net debt/equity, an interest coverage ratio (ICR) based on EBITDA/net interest costs and a minimum liquidity amount:

- The company's interest coverage ratio (ICR) shall not be lower than 1.5 in Q4 2016, 3.0 in Q1 2017 and 4.0 from Q2 2017 onwards, calculated from the consolidated EBITDA to consolidated Net Finance Cost.

- The company's gearing ratio shall not exceed 1.0 times and is calculated from the consolidated total borrowings to the consolidated Equity.
- Minimum liquidity amount shall exceed NOK 750 million on consolidated level.

The financial covenants are tested on a quarterly basis and at December 31, 2016, the ICR ended below the 1.5 minimum level. On March 1, 2017, Akastor signed an agreement with its bank syndicate to replace its ICR covenant with a nominal consolidated EBITDA amount until Q2 2018 and to be allowed to use the existing Revolving Credit Facilities to make acquisitions for up to NOK 1.0 billion under certain conditions. In addition, the minimum liquidity amount was reduced to NOK 500 million.

The nominal consolidated EBITDA amount is adjusted for certain items as defined in the agreement; however does not share the same definition as ICR covenant. The nominal consolidated EBITDA covenant has been agreed as follows:

Amounts in NOK million	Q1	Q2	Q3	Q4
2016				150
2017	150	150	175	225
2018	325	425		



The actual nominal consolidated EBITDA as of Q4 2016 was above minimum covenant amount of NOK 150 million.

The covenants are monitored on a regular basis by the Akastor Treasury department to ensure compliance with the loan agreements. On the

basis of the waiver agreed with the bank and its forecasts, management believes that the risk of the new covenant being breached is low and that the group will continue as a going concern for the foreseeable future. See more information in note 30 Capital management in the Akastor Group consolidated accounts.

Financial liabilities and the period in which they mature

<i>Amounts in NOK million</i>	Carrying amount	Total undiscounted cash flow ¹⁾	6 months and less	6–12 months	1–2 years	2–5 years ²⁾
2016						
Revolving credit facility (USD 313 million)	1 195	1 345	24	20	41	1 260
Total borrowings	1 195	1 345	24	20	41	1 260
2015						
Revolving credit facility (NOK 2 000 million)	(10)	-	-	-	-	-
Term loan (NOK 2 500 million) ²⁾	2 491	2 765	38	38	75	2 615
Term loan (USD 125 million) ²⁾	1 096	1 124	11	11	1 101	-
Accrued interest	10	10	10	-	-	-
Total borrowings	3 587	3 899	59	49	1 176	2 615

¹⁾ The interest costs are calculated using the last fixing rate known by year end (plus applicable margin).

²⁾ Repayment of the loan in the table is according to maturity date of the facility in the loan agreement.

Note 10 | Guarantees

The group has provided the following guarantees on behalf of wholly owned subsidiaries as of December 31 (all obligations are per date of issue):

<i>Amounts in NOK million</i>	2016	2015
Parent Company Guarantees to group companies ¹⁾	13 719	14 356
Guarantees on behalf of Kværner companies	5 455	12 194
Counter guarantees for bank/surety bonds ²⁾	2 425	3 462
Guarantees on behalf of companies sold ³⁾	501	425
Total guarantee liabilities	22 100	30 436
<i>Maturity of guarantee liabilities:</i>		
6 months and less	6 596	8 009
6–12 months	2 534	9 343
1–2 years	6 543	3 259
2–5 years	2 216	5 681
5 years and more	4 211	4 145

¹⁾ Parent Company Guarantees to support subsidiaries in contractual obligations towards clients.

²⁾ Bank guarantees and surety bonds are issued on behalf of Akastor subsidiaries, and counter indemnified by Akastor ASA.

³⁾ Guarantees to companies sold; Cognizant Oil and Gas Consulting Services (former Frontica Business Solutions) and McGregor Pusnes AS (former Aker Pusnes AS).

Although guarantees are financial instruments, they are considered contingent obligations and the notional amounts are not included in the financial statements.

Note 11 | Financial risk management and financial instruments

Akastor ASA has entered into forward exchange contracts with subsidiaries in 2016 with a total value of about NOK 32.8 billion (NOK 34.4 billion in 2015). Large contracts are hedged back-to-back with external banks, while minor contracts are hedged based on internal matching principles. Contracts that are hedged back-to-back represent about 80 percent of

the total currency exposure. These contracts have no significant impact on Akastor ASA's income statement.

All instruments are measured at fair value as of December 31.

Amounts in NOK million	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts with group companies	367	(139)	1 430	(612)
Forward exchange contracts with external counterparts	86	(291)	509	(1 420)
Total	453	(430)	1 939	(2 032)

Interest rate risk

The interest rate risk arises from interest-bearing borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. However, as these borrowings are measured at amortized cost, interest rate variations do not affect profit and loss when held to maturity.

Interest-bearing borrowings to group companies reflect the cost of external borrowing, reducing the interest risk exposure for Akastor ASA.

Credit risk

Credit risk is the risk of financial losses to the company if customer or counterparty to financial investments/instruments fails to meet contractual obligations, and arise principally from investment securities and receivables. Investment securities and derivatives are only traded against approved banks. All approved banks are participants in the Akastor loan syndicate and have investment grade ratings. Credit risk related to investment securities and derivatives is therefore considered to be insignificant. The existence of netting agreements between Akastor ASA and the banks reduces the credit risk.

Loss provisions for interest-bearing receivables are recognized in situations of negative equity if the company is not expected to be able to fulfil its loan obligations from future earnings. NOK 292 million was impaired in 2016 (NOK 1.3 billion in 2015), see also note 7 Receivables and borrowings from group companies.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. Akastor manages its liquidity to ensure that it will always have sufficient liquidity reserves to meet its liabilities when due.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Akastor Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The policy for the purpose of optimizing availability and flexibility of cash within the Akastor group is to operate centrally managed cash pooling arrangements. Such arrangements are either organized with a bank as a service provider, or as a part of the operation of Akastor Treasury. An important condition for the participants (business units) in such cash pooling arrangements is that Akastor ASA as an owner of such pools is financially viable and is able to prove its capability to service its obligations concerning repayment of any net deposits made by business units. Management monitors rolling weekly and monthly forecasts of the group's liquidity reserve on the basis of expected cash flow. Liquidity risk relates to the risk that the company will not be able to meet its debt and guarantee obligations and are managed through maintaining sufficient cash and available credit facilities. The development in the group's and thereby Akastor ASA's available liquidity is continuously monitored through weekly and monthly cash forecasts, annual budgets and long term planning.

Note 12 | Related parties

Transactions with subsidiaries and related parties are described in the following notes:

Transactions	Info in note
Other services	Note 2
Financial items	Note 3
Investments	Note 5
Cash pool	Note 7
Receivables and borrowings	Note 7, 8
Guarantees	Note 10
Foreign exchange contracts	Note 11

Akastor ASA's agreement with Aker ASA regarding pension obligation in US are described in note 35 Related parties in the consolidated financial statements. All transactions with related parties are done at market rates and in accordance with the arm's lengths principle.



Note 13 | Shareholders

Shareholders with more than 1 percent shareholding

<i>Company</i>	<i>Note</i>	Nominee	Number of shares held	Ownership
2016				
Aker Kværner Holding AS			110 333 615	40.27%
Goldman Sachs & Co		Nominee	40 714 852	14.86%
Euroclear Bank S.A./N.V.('BA')		Nominee	35 124 259	12.82%
Aker ASA			23 331 762	8.52%
Morgan Stanley & Co. LLC		Nominee	9 930 418	3.62%
ODIN Norge			7 840 060	2.86%
Credit Suisse Securities (USA) LLC		Nominee	3 638 779	1.33%
Akastor ASA	6		2 776 376	1.01%

<i>Company</i>	<i>Note</i>	Nominee	Number of shares held	Ownership
2015				
Aker Kværner Holding AS			110 333 615	40.27%
Goldman Sachs & Co		Nominee	54 603 407	19.93%
Euroclear Bank S.A./N.V.('BA')		Nominee	30 067 853	10.97%
Aker ASA			23 331 762	8.52%
ODIN Norge			7 840 060	2.86%
Morgan Stanley & Co		Nominee	4 830 268	1.76%
SIX SIS AG		Nominee	3 691 900	1.35%
Akastor ASA	6		2 776 376	1.01%

Note 14 | Subsequent events

On March 1, 2017, Akastor signed an agreement with its bank syndicate to: i) replace its ICR covenant with a nominal EBITDA amount until Q2 2018; and ii) to be allowed to use the existing RCF to make acquisitions for up to NOK 1.0 billion under certain conditions. See note 9 Borrowings for more information about covenant compliance at December 31, 2016.



1. Accounting treatment, presentation and disclosure of disposals

Reference is made to Note 3 Significant accounting policies, Note 4 Significant accounting estimates and judgements, Note 5 Discontinued operations, Note 33 Financial instruments, and the Board of Directors report.

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>In 2016, the Group sold Managed Pressure Operations ("MPO") in August 2016, Frontica Business Solutions in November 2016 and Fjords Processing in December 2016. The gain on sale before tax of these discontinued operations of NOK 1 034 million was recognised during the year.</p> <p>The valuation of these transactions are based on management's assumptions about the fair value of assets and liabilities disposed and the consideration received. The MPO disposal involved significant judgment and applied valuation techniques in relation to deferred and contingent consideration, and deferred settlement obligations.</p> <p>The inherent uncertainty involved in forecasting future cash flows, specifically in relation to contingent consideration and deferred settlement obligations, makes this a key area of focus.</p> <p>IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> required the subsidiaries to be treated as discontinued operations in the consolidated financial statements. Given these transactions are of significance to the Group, the compliance with disclosure requirements and the presentation in the financial statements are also a key focus area.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • We read the sale and purchase agreements for the transactions and analysed the rights and obligations of the Group in the transactions; • We analysed the fair value of the considerations received, particularly the valuation of deferred consideration relating to revenue forecasts of the buyer; • We used KPMG valuation specialists to verify the mathematical and methodological integrity of management's valuation models; • We assessed the reasonableness of management's judgement regarding the trigger for receipt of the contingent consideration; • We analysed the valuation of assets and liabilities in the disposed business to consider whether any revaluation or impairment was required by considering the headroom between the fair value less costs to sell and the carrying value of assets and liabilities in the disposal group; • We evaluated the adequacy of the disclosure against the disclosure requirements of IFRS 5; and • We tested the Group's restatement of the comparative numbers and associated disclosures to assess whether the allocation of the prior year results between continuing and discontinued operations are reasonable. <p>From the audit evidence obtained, we consider that the accounting treatment and disclosures are in accordance with IFRS 5, and that estimates made in relation to contingent consideration and deferred settlement obligations are consistent with the requirements under the relevant accounting standards.</p>

2. Goodwill impairment

Reference is made to Note 3 Significant accounting policies, Note 4 Significant accounting estimates and judgements, Note 15 Intangible assets, and Note 16 Impairment testing of goodwill.

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The impairment assessment of goodwill with a carrying value of NOK 1 330 million is</p>	<p>Our audit procedures in this area included, among others:</p>



considered to be a risk area due to the size of the balances, recent impairments and the current economic environment in the Group's operating segments and jurisdictions.

The recoverable amount is determined based on value in use calculations which rely on external factors, managements' assumptions, and estimated future performance. Key assumptions applied in management's assumptions are future market development and conditions, discount rates applied for each cash flow forecast, vessel-specific day rates, cash flow growth assumptions, and estimated timing of cash flows.

- We evaluated the historical accuracy of management's budgets and forecasts and challenged management on the current year cash flow forecasts as well as the timing on future cash flows;
- We evaluated and challenged management on the growth assumptions and management's future business plan assumptions with reference to current market conditions in the cash flow forecasts;
- We used KPMG valuation specialists to verify the mathematical and methodological integrity of management's impairment models and to assess the reasonableness of discount rates applied with reference to market data;
- We obtained and evaluated management's sensitivity analyses to determine the impact of reasonably possible changes and we performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in impairment; and
- We considered whether the disclosures regarding key assumptions and sensitivities adequately reflected the underlying goodwill impairment assessments.

From the audit evidence obtained, we consider management's assessment of the carrying value of goodwill to be in accordance with the requirements under the relevant accounting standards.

3. Assessment of the carrying value of property, plant and equipment and other intangible assets

Reference is made to Note 3 Significant accounting policies, Note 4 Significant accounting estimates and judgements, Note 14 Property, plant and equipment, Note 15 Intangible assets, and the Board of Directors Report.

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The impairment assessment of property, plant and equipment and other intangible assets, with carrying values of NOK 5 198 million and NOK 402 million respectively, is considered to be a risk area due to the size of the balances, the number and size of recent impairments, the current economic environment in the Group's operating segments and jurisdictions as well as their judgmental nature, similar to that noted in the assessment of the goodwill impairment above.</p> <p>The Group has recognised impairment charges in respect of items of property, plant and equipment and other intangible assets during the year of NOK 658 million.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • We assessed management's process and results for identification and classification of cash generating units (CGUs) to ensure they were appropriate and in accordance to IAS 36; • We evaluated management's assessment of impairment triggers; • We evaluated the historical accuracy of management's budgets and forecasts and challenged management on the current year cash flow forecasts; • We challenged the appropriateness of the assumptions used in the impairment test in relation to forecast growth rates and



	<p>revenue forecasts, and the timing of the cash flows;</p> <ul style="list-style-type: none"> • We used KPMG valuation specialists to assess the mathematical and methodological integrity of management's impairment models and to assess the reasonableness of discount rates applied with reference to market data; and • We evaluated the adequacy and appropriateness of the disclosures related to the carrying value of property, plant and equipment. <p>From the audit evidence obtained, we consider management's assessment of the carrying value of property, plant and equipment and other intangible assets to be in accordance with the requirements under the relevant accounting standards.</p>
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4. Construction contract accounting estimates

Reference is made to Note 3 Significant accounting policies, Note 4 Significant accounting estimates and judgements, Note 20 Construction contracts, and the Board of Directors Report.

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Estimating the outcome of disputes and renegotiations on long term projects is considered to be a risk area due to the significant judgment and estimation applied by management as well as the degree of complexity of the contracts, current market environment and challenges faced by customers.</p> <p>These management estimates and judgments are often complex and involve assumptions regarding future events for which there may be little or no external corroborative evidence available. There are typically a wide range of reasonably possible outcomes, and a high degree of uncertainty on the outcomes of negotiations and disputes linked to complex contract interpretations.</p> <p>As such, these contract accounting estimates also require significant attention during the audit and are subject to a high degree of auditor judgment.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • We challenged management on their assessment of probable settlement negotiations regarding liquidated damages and disputes; • We challenged management on the estimate of cost to complete, timing of the cost and the risk assessment related to forecast cost; • We read correspondence between the Group and the customer and the Group's legal advisors; • We analysed preliminary rulings or other relevant pronouncements for items in arbitration and historical outcomes of negotiations with customers and other proceedings; and • We considered events subsequent to reporting date and challenged management on their impact to the estimates made at year-end. <p>From the audit evidence obtained, we consider construction contract accounting estimates to be consistent with the requirements under the relevant accounting standards.</p>



5. Compliance with debt covenant requirements

Reference is made to Note 2 Basis for preparation, Note 3 Significant accounting policies, Note 25 Borrowings, Note 30 Capital management, Note 37 Subsequent events, and the Board of Directors Report.

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group has external bank debt of NOK 1 432 million (2015: NOK 3 992 million) with restrictive covenants over the majority of its debt. The Group breached its interest coverage ratio (ICR) covenant as of 31 December 2016 and subsequently reached an agreement with its bank syndicate to replace its ICR covenant with a nominal EBITDA amount until Q2 2018.</p> <p>Based on the continuing challenges in the oilfield services industry impacting EBITDA, there is a degree of judgment as to the Group's ability to comply with certain of the covenants within its loan agreements throughout the going concern assessment period, in particular with respect to EBITDA covenants.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • We examined management's forecasted covenant calculations, with particular focus on the nominal EBITDA, and reviewed management's sensitivity analysis; • We challenged the key assumptions in management's forecasted cash flows for the next 12 months, and we compared the key input assumptions to externally and internally derived data; • We compared the consistency between the forecasts used in the covenant compliance calculation and those used in the goodwill impairment assessments; • We reviewed the loan addendum agreement, in particular the amended terms for covenant ratios and events of default; and • We evaluated the adequacy of the Group's disclosure regarding the covenants and loan amendments. <p>From the audit evidence obtained, we consider management's assessment and disclosures to be in accordance with the requirements under the relevant accounting standards.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, with the exception of the financial statements and the independent auditor's report.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon, with the exception of our report on Other Legal and Regulatory Requirements below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director ("Management") are responsible for the preparation and fair presentation of the financial statements of the Company in accordance with NGAAP, and for the preparation and fair presentation of the financial statements of the Group in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial



statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

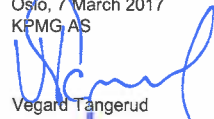
Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the Corporate Governance Statement and Corporate Responsibility Report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 7 March 2017
KPMG AS



Vegard Tangerud
State authorised public accountant



07. ALTERNATIVE PERFORMANCE MEASURES

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.

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

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

Gross debt – Sum of current and non-current borrowings.

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

Net interest-bearing debt (NIBD) – Net debt minus non-current and current interest bearing receivables.

Equity ratio – Total equity divided by Total assets at the reporting date.

Order intake – Represents the estimated contract value from the contracts or orders that are entered into or committed in the reporting period.

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

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

Net current operating assets (NCOA)

<i>Amounts in NOK million</i>	2016	2015
Current tax assets	65	2
Inventories	1 086	1 464
Trade and other receivables	2 829	5 959
Current operating assets	3 980	7 425
Current tax liabilities	(63)	(89)
Provisions	(354)	(553)
Trade and other payables	(2 492)	(4 443)
Current operating liabilities	(2 909)	(5 085)
Adjusted by NCOA related to discontinued operations	-	82
Net current operating assets (NCOA) (continuing operations)	1 072	2 422

Net capital employed (NCE)

<i>Amounts in NOK million</i>	2016	2015
Total non-current assets	7 897	10 732
Net current operating assets (NCOA)	1 072	2 422
Non-current interest-bearing receivables	(51)	(84)
Deferred tax liabilities	(15)	(51)
Employee benefit obligations	(380)	(434)
Other non-current liabilities	(112)	(74)
Non-current provisions	(333)	(341)
Adjusted by NCE related to discontinued operations	-	(1 452)
Net capital employed (NCE) (continuing operations)	8 078	10 718

Gross debt/Net debt/NIBD

<i>Amounts in NOK million</i>	2016	2015
Non-current borrowings	1 494	1 583
Current borrowings	1 560	4 054
Gross debt	3 054	5 637
Less:		
Cash and cash equivalents	487	563
Net debt	2 567	5 074
Less:		
Non-current interest-bearing receivables	51	84
Current interest-bearing receivables	15	72
Net interest-bearing debt (NIBD)	2 501	4 918

Equity ratio

<i>Amounts in NOK million</i>	2016	2015
Total equity	5 580	7 386
Divided by Total assets	12 861	20 537
Equity ratio	43%	36%



08. BOARD OF DIRECTORS



Frank O. Reite | Chairman

Frank O. Reite first joined Aker in 1995, and became CFO in Aker ASA in August 2015. He holds a B.A. in business administration from Handelshøyskolen BI in Oslo. Mr. Reite came from the position of President & CEO of Akastor, and has previously held a variety of executive positions in the Aker group, including overseeing and developing Aker's investments in Converto Capital Fund AS, Norway Seafoods Group AS and Aker Yards ASA. Mr. Reite also has experience from banking and served as Operating Director at Paine & Partners, a New York-based private equity firm. Mr. Reite is chairman of Akastor ASA.

Mr. Reite holds 200 000 shares in Akastor ASA, and has no stock options. Mr. Reite is a Norwegian citizen and has been elected for the period 2015–2017.



Lone Fønss Schrøder | Deputy Chairman

Lone Fønss Schrøder has experience from CEO and Senior Management positions at the Danish shipping and oil group A.P. Møller-Maersk A/S. She is Chairman of Saxo Bank, director and chairperson for the audit committee at Volvo Cars and Valmet Oy, Director of Ikea Group and senior advisor for Credit Suisse in London.

Ms. Fønss Schrøder has a law degree from the University of Copenhagen and of economics from Copenhagen Business School. As of December 31, 2016, she held 4 400 shares in the company and had no stock options. She is a Danish citizen and has been elected for the period 2016–2018.



Øyvind Eriksen | Director

Øyvind Eriksen joined Aker ASA in January 2009. Mr. Eriksen holds a law degree from the University of Oslo. He joined Norwegian law firm BA-HR in 1990, where he became a partner in 1996 and a director/chairman from 2003. At BA-HR, Mr. Eriksen worked closely with Aker and Aker's main shareholder, Kjell Inge Røkke. Mr. Eriksen is chairman of Aker BP, Aker Solutions ASA and Aker Kværner Holding AS, and a director of several companies, including The Resource Group TRG AS, TRG Holding AS and Reitangruppen AS.

As of 31 December 2016, Mr. Eriksen holds no shares or stock options in Akastor directly; he has an ownership interest through his holding of 144 911 shares in Aker ASA, through Erøy AS. Erøy AS also owns 100 000 b-shares (0.2 per cent) in TRG Holding AS, the largest shareholder in Aker ASA. Mr. Eriksen is a Norwegian citizen and has been elected for the period 2016–2018.



Kathryn M. Baker | Director

Kathryn M. Baker has 30 years of business experience in a broad range of industries and roles. She currently serves on the Executive Board of the Central Bank of Norway (Norges Bank), where she is also a member of the audit and ownership committees. Other current board positions include Chairman of Catena Media Plc and Navamedic, and board member of Sevan Marine and DOF. Ms. Baker also serves on the European Advisory Boards of the Tuck School of Business and DLA Piper Norway and leads the Ethics Committee of the Norwegian Private Equity and Venture Capital Association (NVCA), where she previously served as Chairman. Ms. Baker was a partner at the Norwegian private equity firm Reiten & Co for 15 years. Prior to that, she was a management consultant at McKinsey and Company in Oslo and a financial analyst at Morgan Stanley in New York. Ms. Baker holds a bachelor degree in Economics from Wellesley College and an MBA from the Amos Tuck School of Business at Dartmouth College. She holds 45 683 shares in the company. Ms. Baker is an American citizen and has been elected for the period 2016–2018.



Sarah Ryan | Director

Sarah Ryan is a non-executive director of Woodside Petroleum and Vautron Pty Ltd and Energy Advisor to Earnest Partners, a US investment management firm and she was previously a non-executive director of Aker Solutions. Dr Ryan was investment director and equity analyst with Earnest Partners, and previous to that held various senior management, technical and operational roles during her 15 years with Schlumberger.

Dr. Ryan holds a BSc in geology from the University of Melbourne, a BSc (Hons) in geophysics and a PhD in petroleum geology and geophysics from the University of Adelaide. As of December 31, 2016, she held 5 000 shares in the company and had no stock options. Ms. Ryan is an Australian citizen. She has been elected for the period 2016–2018.



Jannicke Sommer-Ekelund | Director

Jannicke Sommer-Ekelund is Senior Consultant and Lead Auditor for supply chain support at MHWirth. Ms. Sommer-Ekelund joined Aker Solutions in 2006 and worked as a senior consultant in procurement until 2012 when she moved to her current role. She holds exams in Mechanical Engineering and Personnel Management and Organizational Development from the Technology Agder Maritime College. Her background is from mechanical engineering, fabrication and supply chain in marine industry, onshore and offshore. Jannicke was a crew member on board the MT/Polytrader in 1980 when the second cargo from the Statfjord A loading buoy was picked up and delivered to Mongstad.

As of December 31, 2016, she holds 839 shares in the company and no stock options. Ms. Sommer-Ekelund is a Norwegian citizen. She has been elected for the period 2014–2017.



Stian Sjølund | Director

Stian Sjølund currently works as Performance Optimization Engineer at MHWirth AS. Mr. Sjølund joined the Company in 1998 as an Engineer in Drilling Lifecycle Services department. He has since then held various positions in the company in Norway and abroad.

Mr. Sjølund holds a technical college degree in electrical engineering from Grimstad Technical College. As of December 31, 2016, Mr. Sjølund holds no shares or stock options in the company. Mr. Sjølund is a Norwegian citizen and has been elected for the period 2016–2017.



Asbjørn Michailoff Pettersen | Director

Asbjørn Pettersen currently works as Package Responsible Engineer in global projects at MHWirth. He began his career with the Aker group in 1983 when he joined Aker Engineering where he held various positions until 1997. He joined Aker MH in 2007 after engagements with ABB Environment, including as project leader for one of the first steam power plants in the Norwegian sector of the North Sea, and at GE Healthcare's Lindesnes plant. Mr. Pettersen holds a BSc in mechanical engineering from Trondheim College of Engineering. As of December 31, 2016, he held 3 050 shares in the company and had no stock options. Mr. Pettersen is a Norwegian citizen. He has been elected for the period 2014–2017.



09. MANAGEMENT



Kristian Røkke | Chief Executive Officer

Kristian Røkke joined Akastor ASA in August 2015 and has experience in offshore service and shipbuilding from several companies in the Aker group. He spent eight years at Philly Shipyard, most recently as Chairman of the Board and previously as President & CEO. Before then, Mr. Røkke served as SVP Operations and has held other production management positions at Philly Shipyard. The company is a leading U.S. commercial shipyard constructing vessels for operation in the Jones Act market and is listed on the Oslo Stock Exchange. In recent years, it has successfully expanded its business beyond traditional shipbuilding into investing in shipping assets and has, in addition to other shipping investments, established a stand-alone shipping company, Philly Tankers, together with financial sponsors. Mr. Røkke is a Board member of TRG Holding AS and Aker ASA.

Mr. Røkke holds an MBA from The Wharton School, University of Pennsylvania and is both a Norwegian and United States citizen. As of December 31, 2016, Mr. Røkke holds, through a privately owned company, 200 000 shares in Akastor ASA.



Leif Borge | Chief Financial Officer

Before joining Akastor, Leif Borge served as CFO of Aker Solutions in 2008–2014. He was CFO of Aker Yards in 2002–2008, CFO of Stento ASA/ Zenitel NV in 1998–2001, CFO of Vitana (a subsidiary of Rieber & Søn ASA in the Czech Republic) in 1994–1997, and prior to that Financial Manager in Union Bank of Norway.

Mr. Borge holds an MBA from Pacific Lutheran University in Washington State, and is a Norwegian citizen. As of December 31, 2016, Mr. Borge holds, directly and through a privately owned company, 250 000 shares in the company, and had no stock options.



Karl Erik Kjelstad | Executive Vice President – Investment Director

Karl Erik Kjelstad has held a variety of executive positions in the Aker group which he joined in 1998. He was EVP at Aker Solutions from 2009 and earlier served as Senior Partner and President of Maritime Technologies at Aker ASA. He was President and CEO of Aker Yards ASA in 2003–2007. Before joining Aker, Mr. Kjelstad was senior consultant at PA Consulting Group and in 1992–1996 held various management positions at the TTS Group.

Mr. Kjelstad holds an MSc in marine engineering from the Norwegian University of Science and Technology (NTNU). As of December 31, 2016, he holds, through a privately-owned company, 123 074 shares in the company and had no stock options. Mr. Kjelstad is a Norwegian citizen.



Paal E. Johnsen | Executive Vice President – Investment Director

Paal E. Johnsen joined Akastor from a senior position within Investment Banking at DNB Bank ASA. From 2009 to 2014, he was CEO of an investment company and held several board positions in both public and private companies across several industries. From 1996 to 2008, Paal E. Johnsen held several executive positions in Carnegie Investment Banking, both on equity research and investment banking.

Mr. Johnsen holds a Master of Science (MSc) in Economics and Business Administration from Norwegian School of Economics. As of 31. December 2016, he holds no shares in the company and had no stock options. Mr. Johnsen is a Norwegian citizen.

10. COMPANY INFORMATION

Reports on the Internet

The quarterly and annual reports of Akastor are available on the internet. Akastor encourages its shareholders to subscribe to the company's annual reports via the electronic delivery system of the Norwegian Central securities Depository (VPS). Please note that VPS services (VPS Investortjenester) are designed primarily for Norwegian shareholders. Subscribers to this service receive annual reports in PDF format by email. VPS distribution takes place at the same time as distribution of the printed version of Akastor's annual report to shareholders who have requested it. Quarterly reports, which are generally only distributed electronically, are available on the company's website and other sources. Shareholders who are unable to receive the electronic version of interim reports may subscribe to the printed version by contacting Akastor's investor relations staff.

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