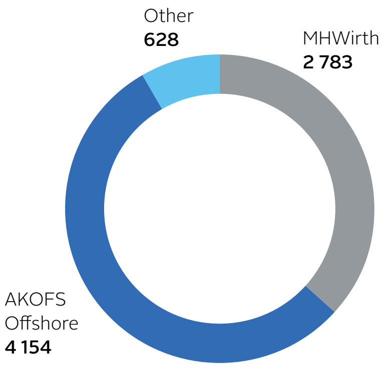
AKASTOR

2017 ANNUAL REPORT

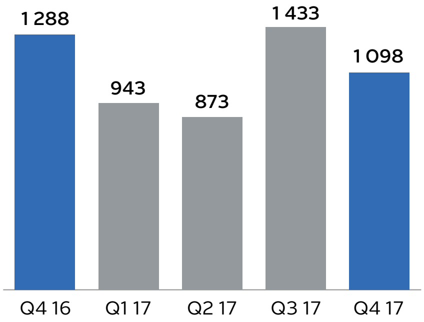
KEY FIGURES (CONTINUING OPERATIONS)

	2017	2016
Results and orders (NOK million)		
Operating revenues and other income	**4 348**	4 975
EBITDA	**293**	91
EBITDA margin (percent)	**6.7**	1.8
Net profit (loss)	**(1 106)**	(1 953)
Net profit (loss) incl discontinued operations	**(58)**	(1 282)
Cash flow from operating activities	**(630)**	(98)
Net debt	**2 364**	2 567
Equity ratio (percent)	**51**	43
Order intake	**3 841**	3 586
Order backlog	**6 865**	7 624
Share (NOK)		
Share price December 31	**16.4**	16.2
Basic/Diluted earnings per share	**(0.21)**	(4.73)
Employees (Full time equivalents)		
Employees including hired-ins	**2 015**	2 244
Health and Safety		
Lost time incident frequency (per million worked hours)	**0.8**	1.4
Total recordable incident frequency (per million worked hours)	**1.3**	2.2
Sick leave rate (percent of worked hours)	**3.0**	3.2

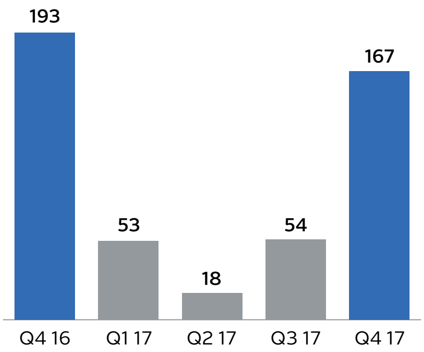
Net capital employed
NOK million



Revenue
NOK million



EBITDA
NOK million



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01. 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, and 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 8.52 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 7.6 billion at the end of 2017.

Highlights 2017

In line with Akastor's focus on active investment, several portfolio companies were either divested or merged in 2017. In January, the merger of Frontica Advantage and NES Global Talent was completed, giving Akastor a 15.2 percent economic interest in NES Global Talent. In July, KOP Surface Products was divested to The Weir Group for USD 114 million. In October, Akastor and Mitsui signed a MoU with the intention to expand its existing partnership by forming a new 50-50 joint venture for AKOFS Offshore. The offshore drilling market, which has been very challenging over the last years, continues to be weak but has shown some signs of recovery in the second half of 2017. In October, MHWirth signed the first contract in more than three years for a new complete drilling package, to be delivered to the West White Rose Project offshore Canada. In December, it was announced that Karl Erik Kjelstad was appointed new CEO of Akastor, following Kristian Røkke who is proposed by Aker to be nominated as new Chairman of the Board of Akastor ASA in the spring of 2018. On January 1, 2018, the vessel Aker Wayfarer started operations under the 5+5 year contract with Petrobras. The vessel will provide subsea well installation and other types of offshore installation work offshore Brazil.

Akastor's total revenue from continuing operations was NOK 4.3 billion in 2017, a decrease of 13 percent from 2016. The decline is mainly due to slow market conditions and low order intake the last three years. The order backlog amounted to NOK 6.9 billion at the end of 2017 compared to NOK 7.6 billion a year earlier. The order intake for 2017 was NOK 3.8 billion.

Company Overview

Akastor is primarily focused on the oilfield services sector. The portfolio in 2017 covers a range of industrial holdings in this sector, all in varying stages of maturity, including:

- MHWirth, which provides drilling systems and lifecycle services. Ownership interest 100 percent.
- AKOFS Offshore, a subsea well installation and intervention services provider. Ownership interest 100 percent.
- Step Oiltools, a drilling waste management company. Ownership interest 76 percent.
- First Geo, which delivers subsurface advice and products to E&P companies. Ownership interest 100 percent.
- Cool Sorption, a supplier of vapour recovery units and systems. Ownership interest 100 percent.
- DOF Deepwater, owns and operates five offshore vessels. Ownership interest 50 percent.
- NES Global Talent, a technical and engineering staffing company. Economic interest 15 percent.

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.

The Akastor corporate organization is based in Norway, at Fornebu, with a team of 16 employees, working closely with the boards and management of its portfolio companies.

Akastor has a total of 2 015 employees with presence in approximately 20 countries at year end 2017.

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, governing documents 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 mainly in the oilfield services industry. While Akastor is positive toward the longer-term outlook for the oil and gas sector, sub segments like offshore drilling, subsea installation and subsea intervention are still struggling from over-capacity. This will continue to impact the activities of the portfolio companies in 2018, with regards to both new orders for equipment and service activities.

During the downturn the last few years, a lot of focus has been on reducing costs and developing more efficient technological solutions. Several of Akastor's portfolio companies are working closely with key clients to develop new solutions for the future and optimize the operations of today's equipment. As an active owner, Akastor will work with the portfolio companies to position them for growth in current and new markets, and ensure financial capacity for potential business opportunities.

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 2017 decreased by 13 percent to NOK 4 348 million due to slow market conditions and low order intake the last three years. Operating profit before interest, tax, depreciation and amortization (EBITDA) increased by NOK 202 million to NOK 293 million. EBITDA was impacted by several items during the year, including positive effects from a settlement agreement of three projects in MHWirth, reversal of onerous lease provision in Other Holdings, offset by restructuring costs and impairment of inventories in MHWirth.

Depreciation and amortization was NOK 612 million in 2017, compared to NOK 688 million in the previous year. In addition, impairment losses of NOK 118 million were recognized in 2017, which were mainly related to internally developed intangible assets and testing facilities that were no longer expected to be fully utilized in MHWirth. No further impairment was made on the AKOFS Seafarer vessel in 2017. However, due to the fact that the vessel is not on firm contract, assumptions of market conditions are made when determining the value in use of the vessel, which requires a high degree of judgement.

Net financial expenses were NOK 774 million in 2017 compared to NOK 1 174 million in the previous year. It includes an impairment of the shareholding in DOF Deepwater AS of NOK 176 million as well as hedging loss from projects in MHWirth. The pre-tax loss for the year was NOK 1 212 million, compared to a loss of NOK 2 245 million the previous year.

The income tax benefit for 2017 was NOK 106 million, compared to a tax benefit of NOK 293 million in 2016. The effective tax rate of 9 percent is influenced by several items, such as impairment of deferred tax assets, non-tax deductible items, 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.

The group had an operating loss of NOK 58 million for the year. Earnings per share were negative NOK 0.21 in 2017, compared with negative NOK 4.73 a year earlier. Net loss from continuing operations was NOK 1 106 million, while net profit from discontinued operations was NOK 1 049 million. The net profit from discontinued operations was mainly related to the gains from the divestments of KOP Surface Products and Frontica Advantage.

The board of directors has resolved to propose to the annual general meeting that no dividend is distributed for 2017.

Financial Position

Total assets of Akastor amounted to NOK 10.3 billion as of December 31, 2017, compared with NOK 12.9 billion at year-end 2016. The decrease reflects reductions in Property, plant and equipment of NOK 0.7 billion, current operating assets of NOK 0.9 billion as well as sale of assets of NOK 0.7 billion as a result of divestments.

Total operating liabilities in portfolio companies decreased by NOK 1.1 billion, mainly explained by decreased activity levels. Gross debt decreased by NOK 0.5 billion as a result of the divestment of KOP Surface Products during the year.

Total equity amounted to NOK 5.3 billion at year-end 2017, compared to NOK 5.6 billion the year before. The equity ratio was 51 percent as of December 31, 2017, increased from 43 percent in 2016.

Cash flow

As of December 31, 2017, Akastor had cash of NOK 168 million, compared to NOK 487 million in 2016. The net cash flow from operating activities was negative NOK 673 million, comprising of net cash outflow from operating activities of NOK 242 million and payments of NOK 431 million for income tax and interest costs including finance leases.

Net cash flow from investing activities was NOK 737 million compared NOK 2 720 million in 2016. The cash flow from investing activities was mainly related to the proceeds from the divestment of KOP Surface Products in 2017. Capex investments were NOK 97 million compared to NOK 202 million in 2016. No new business acquisitions were carried out in 2017.

Net cash flow from financing activities amounted to negative NOK 391 million and reflected reduced borrowings in 2017.

Going Concern

The board of directors confirms that the going concern assumption, on which the consolidated financial statements have been prepared, is appropriate.

The Akastor Portfolio

MHWirth

MHWirth is a global provider of drilling solutions, engineering, projects, equipment and services. MHWirth has activities on five continents with presence in 14 countries. At year-end 2017, the company employs 1 456 people; 52 percent of the workforce is 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 portfolio company by both sales and employees.

Key Figures

Amounts in NOK million	**2017**	2016
Operating revenue and Other income	**3 030**	3 548
EBITDA	**118**	71
EBIT	**(189)**	(552)
CAPEX and R&D capitalization	**46**	36
NCOA	**995**	1 091
Net capital employed	**2 783**	3 200
Order intake	**3 212**	2 936
Order backlog	**1 718**	1 481
Employees (FTE)	**1 456**	1 738

The revenue for 2017 of NOK 3 030 million was down 15 percent from 2016, mainly impacted by weak new build market and low order intake the last few years. The Drilling Lifecycle Services business had revenues of NOK 1 676 million, a reduction of 9 percent from 2016, which can be explained by fewer rigs in operation and reduced overhaul related work. The number of active rigs with complete drilling package from MHWirth increased slightly to 53 rigs in 2017. The EBITDA increased from NOK 71 million in 2016 to NOK 118 million in 2017. This includes NOK 77 million of restructuring costs, NOK 311 million of impairment of inventory, as well as a positive effect of NOK 225 million from settlement agreement of three projects.

The offshore drilling market has continued to be challenging in 2017, which has impacted both number of rigs in operation as well as new build orders. In October, MHWirth signed the first contract for a complete drilling package in several years, to be delivered to the West White Rose Project offshore Canada. This had a positive effect on the order intake for the year, which ended on NOK 3.2 billion. The order backlog increased from NOK 1.5 billion to NOK 1.7 billion during 2017.

In response to the market slowdown the last years, MHWirth has worked systematically to adjust the cost base to a lower level than in previous years. During 2017, the workforce has been reduced from 1 738 to 1 456 employees. Total restructuring costs of NOK 77 million were booked during 2017 for these capacity adjustments. Going forward, focus will still be to reduce the costs of the products and ensure efficiency in all parts of the organization, but it is not expected further major redundancies in 2018.

Since the down turn started in 2014, there has been a lot of focus from the customers on making the drilling equipment more efficient and reducing the service costs of the equipment, for example by condition based rather than time based lifecycle services. MHWirth is committed to assist its customers on this journey and is working closely with several clients on different types of initiatives. In October, MHWirth signed a 10 year agreement with Transocean concerning maintenance and repair of MHWirth produced drilling equipment on nine semisubmersible offshore rigs and deepwater drillships. The agreement is based on a new service model with strong incentives for both parties to reduce the service costs and increase operational time of the equipment.

AKOFS Offshore

AKOFS Offshore is a provider of vessel-based subsea well installation and intervention services to the oil and gas industry. The company operates three specialized offshore vessels, Skandi Santos, Aker Wayfarer and AKOFS Seafarer, and employs 180 people at the end of 2017.

Key Figures

Amounts in NOK million	**2017**	2016
Operating revenue and Other income	**778**	835
EBITDA	**213**	316
EBIT	**(121)**	(134)
CAPEX and R&D capitalization	**40**	108
NCOA	**186**	121
Net capital employed	**4 154**	4 378
Order intake	**22**	106
Order backlog	**4 917**	5 900
Employees (FTE)	**180**	113

The company's revenue decreased by 7 percent to NOK 778 million, and EBITDA decreased by NOK 103 million to NOK 213 million in 2017. The reduction in revenue and earnings is due to the sale of the Skandi Santos topside equipment to the joint venture Avium Subsea AS, which had a positive effect on the financials in 2016.

During 2016, the company created a 50/50 joint venture, Avium Subsea AS, 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. In October 2017, a Memorandum of Understanding was signed between the parties to expand the partnership to include AKOFS Offshore. Mitsui will invest in AKOFS Offshore by purchasing 50 percent of the shares in the company for USD 142 million.

Skandi Santos continued in its third 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.

During 2017, Aker Wayfarer has been stand-by with a reduced day-rate preparing for commencement of the 5+5 year contract with Petrobras in Brazil. The vessel started operations in Brazil on January 1, 2018, doing similar type of subsea installation work as Skandi Santos.

The third vessel in the AKOFS Offshore portfolio, AKOFS Seafarer, was idle throughout the whole year 2017. The vessel is currently stacked in Norway, being marketed for work in the subsea construction and service market as well as for Light Well Intervention.

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 15.2 percent economic interest of NES Global Talent. In addition, this segment includes corporate functions and several long term office lease contracts that remained in Akastor after the demerger from Aker Solutions in 2014.

Key Figures

Amounts in NOK million	**2017**	2016
Operating revenue and Other income	**596**	674
EBITDA	**(38)**	(296)
EBIT	**(127)**	(385)
CAPEX and R&D capitalization	**9**	5
NCOA	**(138)**	(258)
Net capital employed	**628**	104
Order intake	**626**	621
Order backlog	**231**	224
Employees (FTE)	**379**	393

Total EBITDA for Other Holdings for the year was a loss of NOK 38 million. The three businesses Step Oiltools, First Geo and Cool Sorption delivered an EBITDA of negative NOK 1 million in 2017. Reversal of onerous lease provisions of NOK 52 million due to subletting during 2017 had a positive effect on the EBITDA, while the remaining negative EBITDA in this segment can be explained by corporate overhead costs and some legacy costs.

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 and management of all 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 has a net profit of NOK 664 million in 2017, including income of NOK 800 million from investments in subsidiaries.

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:	664
Total allocated:	664

Risk Management

Akastor and 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.

Akastor's risk management model is designed on the basis that Akastor is an investment company with an overall objective of securing its shareholders' investments and developing the group's assets in order to provide the shareholders with a solid return. Akastor's current investment portfolio is focused on the oilfield services industry. This focus is mainly driven by the company's experience, expertise and track-record within this industry. Although Akastor has a flexible mandate, it has traditionally not sought to spread risk by investing in different industries. Instead, Akastor has focused on mitigating its vulnerability to the risk environment inherent to the oilfield services industry through sound risk management systems.

Although the oil price has seen a partial recovery in 2017, the market situation for the oilfield services industry remains challenging, with modest level of activity and capital spending. The 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). Akastor's main strategy for mitigating adverse effects of challenging market conditions is continuous monitoring and focus on rightsizing with a view to maintaining a robust balance sheet with headroom for contingencies (see also the description of financial risks below).

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. The overall responsibility for ensuring sound internal control and an appropriate framework for risk management in Akastor lies with its board of directors. A risk review is presented to and reviewed by the audit committee and the board of directors of Akastor on an annual basis.

Financial Risks
Akastor is exposed to a variety of financial market risks such as 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 employees must complete a yearly Code of Conduct training program. In addition, all Akastor managers and office-based staff are required to conduct integrity e-learning training and participate in classroom courses. For employees in specific functions, where chance of facing integrity risk is considered higher than normal, additional training has been tailored for their role and responsibilities. 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 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 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 also focuses on 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.

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. Akastor is continuously monitoring the 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 each portfolio company's corporate responsibility work, including their HSE work, refer to the Akastor Corporate Responsibility Report for 2017. The full report is available on our website www.akastor.com.

Research, Innovation and Technology Development

NOK 27 million was capitalized in 2017, compared to NOK 49 million in 2016, related to development activities. In addition, research and development costs of NOK 16 million were expensed during the year because the criteria for capitalization were not met (NOK 62 million in 2016).

All research, innovation and development initiatives are performed by the Akastor portfolio companies. Akastor ASA and Akastor AS performed no such activity in 2017.

People and teams

Akastor is committed to equal opportunity and non-discrimination. This commitment is described in Akastor's 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 2010 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 2 015 employees as of December 31, 2017. The male/female ratio (excluding hired-ins) in the major portfolio companies and Akastor Group were as follows:

	MHWirth	AKOFS Offshore	Akastor Group
Female	18%	10%	18%
Male	82%	90%	82%

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 three out of five shareholder elected directors are women.

Aggregated sick leave in Akastor was 3.0 percent in 2017. There were no fatal injuries in any of the portfolio companies, and the total recordable incident frequency was low. See figures below for details.

	MHWirth	AKOFS Offshore	Akastor Group
Lost time incident Frequency (LTIF) *	1.1	-	0.8
Total Recordable Incident Frequency *	1.4	2.5	1.3
Fatalities incl subcontractors	-	-	-
Sick leave (percent)	3.8	1.1	3.0

** 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 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 designed to secure the shareholders' investment through value creation and to ensure good control with the portfolio companies. The corporate governance principles are included in this annual report and available on the company's website www.akastor.com.

Fornebu, March 9, 2018 I 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

Henning Jensen | Director

Asle Christian Halvorsen | Director

Stian Sjølund | Director

Karl Erik Kjelstad | CEO

02. 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, 2017. 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 2017 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 its parent company's assets, liabilities, profit and overall financial position as of December 31, 2017.
- 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 9, 2018 I 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	Henning Jensen | Director
Asle Christian Halvorsen | Director	Stian Sjølund | Director	Karl Erik Kjelstad | CEO

03. 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. [1)]

Governance Structure

Akastor is an oilfield services investment company with a portfolio of industrial holdings and other investments. The company has a flexible mandate for active ownership and long-term value creation. Completed transactions in 2017 include the combination of Frontica Advantage and NES Global Talent in January and the sale of KOP Surface Products to Weir in July. Akastor currently has an active investment portfolio within the oilfield services industry consisting of MHWirth, AKOFS Offshore, 76 percent of the shares in STEP Oiltools, Cool Sorption, First Geo and a 15.2 percent economic ownership position in NES Global Talent in addition to other holdings and investments (see below), with a total net capital employed of approximately NOK 7.6 billion. MHWirth is a global provider of drilling solutions, engineering, projects, equipment and services. AKOFS Offshore is a provider of subsea well installation and intervention services. NES Global Talent is a global technical and engineering staff provider. STEP Oiltools is a global provider of solids control and drilling waste management services. First Geo is an operation and wellsite geology services company. Cool Sorption is a provider of vapour recovery units and systems. Other investments mainly include 50 percent of DOF Deepwater, a subletting portfolio through Akastor Real Estate and an investment in Aker Pensjonskasse.

[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. In 2017, Akastor launched an updated version of the Code of Conduct with increased scope and four new chapters added.

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 and we believe our approach to corporate responsibility supports several of the UN Sustainable Development Goals.

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 2017.

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, 2017 is NOK 5 277 million, which represents an equity ratio of 51 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 authorizations for share capital increases, share buy-backs or similar shall be for defined purposes, such as share purchase programs and acquisitions of companies, and shall remain in effect until the next annual general meeting.

The company's annual general meeting on April 6, 2017 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 2018, however in no circumstances beyond June 30, 2018. No shares were bought by the company in 2017 pursuant to the authorizations to the board of directors. As of December 31, 2017, the company holds 2 776 376 own shares.

In addition, the annual general meeting in 2017 granted the board of directors the mandate to approve the distribution of dividends based on the company's annual accounts for 2016 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 2018.

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 2017.

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, 2017, Aker ASA holds 70 percent of the shares of Aker Kværner Holding AS which holds 40.27 percent of the shares of Akastor. As of 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 are established, the relevant board member will, as a ground rule, 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 approval 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. Gerhard Heiberg is elected up until the annual general meeting 2018, while Leif-Arne Langøy, Arild S. Frick and Georg Fr. Rabl are elected up until the annual general meeting 2019. 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, 2017, 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, 2017 will be set out in the «Management remunerations» note to the consolidated financial statements in the annual report for 2017. 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 and Sarah Ryan 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 2017.

The appointment of employee representatives to the board of directors is conducted as prescribed by the Public Limited Liability 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 in 2017. The aggregate attendance rate at the board meetings was 93.7 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. Endeavours are made to prepare and present matters 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 Henning Jensen. 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, 2017, there are no other board committees than the audit committee. The board does not envisage appointing any further board committees in 2018.

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
Akastor and its portfolio companies are exposed to a variety of market, operational and financial risks. 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.

Being an investment company, the main objective of Akastor is to create value for its shareholders. Potential impacts on the net asset value, share price or predictability of earnings are therefore key parameters in the board's risk evaluation. Sound risk management throughout the organization is recognized by Akastor as an invaluable tool in the process of achieving strategic, financial and operational goals while at the same time ensuring compliance with regulatory requirements and adherence to high integrity standards.

Risk evaluation is an integral part of all business activities and Akastor employs a decentralized 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 authorization 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 and through support and follow-up by the various Akastor corporate functions towards relevant functions in the portfolio companies.

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.

A key risk in one of the smaller portfolio companies may still be negligible on the group level, whereas important risks in the largest portfolio companies may have a serious impact on the group as a whole. Akastor's decentralized approach to operational risk management, as described above, raises a need for management to process and calibrate the insight obtained through various interfaces with the portfolio companies prior to the board's annual risk review. The objective of such exercise is to ensure that risks are reported in a format that allows the board to acquire a true and fair view of the overall risk environment of the Akastor group in an efficient manner and to focus its attention on risks that are material on an aggregated group level.

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 2017 financial year, clearing meetings with the portfolio companies were held in October 2017 and January 2018. 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 the «Management remunerations» note to the consolidated financial statements for the group in the annual report for 2017. 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 6, 2017. The board of directors' statement on the remuneration of executive personnel for 2018 will be a separate item on the agenda for the annual general meeting on April 6, 2018.

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 at 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.

The board of directors has not deemed it appropriate to adopt specific guidelines for take-over situations as long as the ownership cooperation context within Aker Kværner Holding AS remains intact and this company continues to be the dominant shareholder of Akastor ASA. This represents a deviation from the Code of Practice.

15. Auditors

The external auditor presents a plan for the performance of the audit work to the audit committee annually. In addition, the auditor provides the audit committee with an annual written confirmation to the effect that the independence requirement is met. 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 and are also reported to the general meeting. The auditor's fees relating to auditing are subject to approval by the general meeting.

04.a. FINANCIALS AND NOTES

AKASTOR GROUP

Akastor Group | Consolidated income statement
For the year ended December 31

Amounts in NOK million	*Note*	**2017**	2016 Restated *)
Operating revenue	*6, 7*	**4 296**	4 805
Other income	*6, 7*	**52**	170
Total revenue and other income		**4 348**	4 975
Materials, goods and services		**(1 865)**	(1 963)
Salaries, wages and social security costs	*8*	**(1 657)**	(2 156)
Other operating expenses	*9*	**(533)**	(765)
Operating expenses before depreciation, amortization and impairment		**(4 055)**	(4 884)
Operating profit before depreciation, amortization and impairment		**293**	91
Depreciation and amortization	*13, 14*	**(612)**	(688)
Impairment	*13, 14*	**(118)**	(473)
Operating profit (loss)		**(438)**	(1 071)
Finance income		**93**	13
Finance expenses		**(545)**	(684)
Profit (loss) on foreign currency forward contracts		**(111)**	(289)
Profit (loss) from equity-accounted investees	*16*	**(212)**	(214)
Net finance expenses	*10*	**(774)**	(1 174)
Profit (loss) before tax		**(1 212)**	(2 245)
Income tax benefit (expense)	*11*	**106**	293
Profit (loss) from continuing operations		**(1 106)**	(1 953)
Profit (loss) from discontinued operations (net of income tax)	*5*	**1 049**	670
Profit (loss) for the period		**(58)**	(1 282)
Profit (loss) for the period attributable to:			
Equity holders of the parent company		**(58)**	(1 282)
Basic/diluted earnings (loss) per share (NOK)	*12*	**(0.21)**	(4.73)
Basic/diluted earnings (loss) per share continuing operations (NOK)	*12*	**(4.08)**	(7.20)

*) *See note 5.*

Akastor Group | Consolidated statement of comprehensive income
For the year ended December 31

Amounts in NOK million	*Note*	**2017**	2016
Profit (loss) for the period		**(58)**	(1 282)
Other comprehensive income			
Cash flow hedges, effective portion of changes in fair value		**71**	180
Deferred tax of cash flow hedges, effective portion of changes in fair value		**(17)**	(44)
Cash flow hedges, reclassification to income statement		**15**	(537)
Deferred tax of cash flow hedges, reclassification to income statement		**(5)**	134
Total change in hedging reserve, net of tax		**64**	(267)
Total changes in fair value reserve, net of tax		**9**	-
Currency translation differences – foreign operations		**(60)**	(81)
Currency translation differences, reclassification to income statement upon disposal	*5*	**(227)**	(105)
Deferred tax of currency translation differences – foreign operations		**(13)**	(35)
Total items that may be reclassified subsequently to profit or loss, net of tax		**(227)**	(488)
Remeasurement gain (loss) net defined benefit liability	*26*	**(7)**	(40)
Deferred tax of remeasurement gain (loss) net defined benefit liability		**(11)**	4
Total items that will not be reclassified to profit or loss, net of tax		**(17)**	(36)
Total other comprehensive income, net of tax		**(245)**	(524)
Total comprehensive income (loss) for the period, net of tax		**(303)**	(1 806)
Attributable to:			
Equity holders of the parent company		**(303)**	(1 806)

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

Amounts in NOK million	*Note*	**2017**	2016
Assets			
Property, plant and equipment	*13*	**4 419**	5 198
Deferred tax assets	*11*	**661**	600
Intangible assets	*14*	**1 435**	1 731
Non-current interest-bearing receivables		**1**	51
Other non-current receivables	*17*	**100**	104
Equity-accounted investees	*16*	**10**	93
Other investments	*18*	**536**	121
Total non-current assets		**7 163**	7 897
Current tax assets		**21**	65
Inventories	*20*	**569**	1 086
Trade and other receivables	*21*	**2 263**	2 829
Derivative financial instruments	*31*	**94**	269
Current interest-bearing receivables		**-**	15
Other current assets		**51**	-
Cash and cash equivalents	*22*	**168**	487
Assets classified as held for sale	*5*	**-**	212
Total current assets		**3 165**	4 964
Total assets		**10 328**	12 861
Equity and liabilities			
Issued capital	*23*	**162**	162
Treasury shares	*23*	**(2)**	(2)
Other capital paid in		**1 534**	1 534
Reserves		**566**	811
Retained earnings		**3 017**	3 075
Total equity attributable to the equity holders of the parent company		**5 277**	5 580
Total equity		**5 277**	5 580
Non-current borrowings	*24*	**2 133**	1 494
Employee benefit obligations	*26*	**349**	380
Deferred tax liabilities	*11*	**10**	15
Other non-current liabilities	*25*	**110**	112
Provisions, non-current	*27*	**221**	333
Total non-current liabilities		**2 823**	2 334
Current borrowings	*24*	**399**	1 560
Current tax liabilities		**23**	63
Provisions, current	*27*	**293**	354
Trade and other payables	*28*	**1 493**	2 492
Derivative financial instruments	*31*	**20**	301
Liabilities classified as held for sale	*5*	**-**	177
Total current liabilities		**2 228**	4 947
Total liabilities		**5 051**	7 281
Total equity and liabilities		**10 328**	12 861

Fornebu, March 9, 2018 I 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

Henning Jensen | Director

Asle Christian Halvorsen | Director

Stian Sjølund | Director

Karl Erik Kjelstad | CEO

Akastor Group | Consolidated statement of changes in equity

Amounts in NOK million	Share capital	Treasury shares	Other capital paid in	Retained earnings	Hedging reserve [1]	Fair value reserve [1]	Currency translation reserve [1]	Remeasurement gain (loss) net defined benefit obligations	Total parent company equity holders	Total equity
2016										
Equity as of January 1, 2016	162	(2)	1 534	4 357	282	-	1 296	(243)	7 386	7 386
Profit 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**
2017										
Profit (loss) for the period	-	-	-	(58)	-	-	-	-	(58)	(58)
Other comprehensive income	-	-	-	-	64	9	(300)	(17)	(245)	(245)
Total comprehensive income	**-**	**-**	**-**	**(58)**	**64**	**9**	**(300)**	**(17)**	**(303)**	**(303)**
Equity as of December 31, 2017	**162**	**(2)**	**1 534**	**3 017**	**79**	**9**	**775**	**(296)**	**5 277**	**5 277**

[1] *See note 23 Capital and reserves for more information.*

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

Amounts in NOK million	*Note*	2017	2016
Cash flow from operating activities			
Profit (loss) for the period – continuing operations		**(1 106)**	(1 953)
Profit (loss) for the period – discontinued operations	*5*	**1 049**	670
Profit (loss) for the period		**(58)**	(1 282)
Adjustments for:			
Income tax expense (benefit)		**(74)**	(176)
Net interest cost and unrealized currency (income) loss		**394**	504
(Profit) loss on foreign currency forward contracts		**111**	289
Depreciation, amortization and impairment	*13, 14*	**752**	1 558
(Profit) loss on disposal of subsidiaries		**(1 088)**	(968)
(Profit) loss on disposal of assets		**(11)**	(170)
(Profit) loss from equity-accounted investees	*16*	**176**	210
Other non-cash effects		**(69)**	85
Profit (loss) for the period after adjustments		**134**	49
Changes in operating assets		**(376)**	508
Cash generated from operating activities		**(242)**	559
Interest paid		**(410)**	(599)
Interest received		**38**	32
Income taxes paid		**(59)**	(121)
Net cash from operating activities		**(673)**	(129)
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired		**-**	(7)
Acquisition of property, plant and equipment	*13*	**(70)**	(153)
Payments for capitalized development	*14*	**(27)**	(49)
Proceeds from sale of subsidiaries, net of cash	*5*	**868**	2 382
Proceeds from sale of property, plant and equipment		**4**	667
Acquisition of/capital contribution to equity-accounted investments		**(28)**	(231)
Proceeds from (acquisition of) other investments		**(9)**	112
Net cash from investing activities		**737**	2 720
Cash flow from financing activities			
Proceeds from borrowings		**647**	421
Repayment of borrowings		**(942)**	(3 045)
Payment of finance lease liabilities		**(95)**	-
Net cash from financing activities	*24*	**(391)**	(2 624)
Effect of exchange rate changes on cash and bank deposits		**(45)**	11
Net increase (decrease) in cash and bank deposits		**(371)**	(22)
Cash and cash equivalents at the beginning of the period		**540**	563
Cash and cash equivalents at the end of the period	*22*	**168**	540
Of which is classified as held-for-sale	*5*	**-**	53
Of which is restricted cash		**8**	9

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, 2017 were approved by the board of directors and CEO on March 9, 2018. The consolidated financial statements will be authorized by the Annual General Meeting on April 6, 2018.

The group is an oilfield 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 as adopted by the European Union (IFRS), their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Norwegian Accounting Act as of December 31, 2017.

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 29 Capital management.

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, 2017, with no implementation impact on the group's consolidated financial statements:

- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)
- Annual Improvement to IFRSs 2014-2016 Cycle – various standards (Amendments to IFRS 12)

Standards issued but not yet effective

At the date of authorization of the group's consolidated financial statements, a number of new standards and interpretations were issued but not yet effective. The group has not early adopted any new or amended standards for the financial statements as of December 31, 2017.

The group is required to adopt IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from January 1, 2018. The group has assessed the estimated impact of these two new standards. The estimated impact on the group's financial statements as of January 1, 2018 is summarized below. The actual impacts may deviate from the estimates.

Estimated impact of adoption of IFRS 15 and IFRS 9

Amounts in NOK million	Estimated adjustments to opening balance at January 1, 2018		
	IFRS 15	IFRS 9	**Total**
Deferred tax assets	8	13	**21**
Trade and other receivables	(34)	-	**(34)**
Derivative financial assets	-	(58)	**(58)**
Total assets	(26)	(45)	**(71)**
Reserves	-	(45)	**(45)**
Retained earnings	(26)	-	**(26)**
Total equity	(26)	(45)	**(71)**

IFRS 15 Revenue from Contracts with Customers (effective from January 1, 2018)
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 initiated an implementation process in 2016 to systematically analyze and evaluate the application impact and more detailed review of existing customer contracts have been carried out in 2017.

- *Construction contracts*
  The construction contracts currently in the scope of IAS 11 are reassessed according to IFRS 15 to evaluate whether the revenue from such contracts shall be recognized over time or at a point in time. Based on its assessment, the group does not expect the application of IFRS 15 to result in significant changes in the timing of revenue recognition for these contracts.

  For revenue that is to be recognized over time, the group is currently using the percentage of completion method. The group has assessed whether the current method of measuring progress is consistent with the requirements of measuring progress according to IFRS 15. Based on its assessment, the group plans to implement the input method (cost incurred to date compared to estimated total costs) to measure progress under IFRS 15. The changes in progress measurement will result in some changes in the revenue recognition of the construction contracts that are not completed as of January 1, 2018. The estimated impact is summarized in the table above.

- *Sale of goods*
  Revenue from the sale of goods is currently 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. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. Based on the group's assessment, the timing of the customers obtaining control of the goods is essentially similar to the timing when the goods are delivered to the customers. The group does not expect the application of IFRS 15 to result in significant impact on revenue recognition of these customer contracts.

- *Rending of services*
  Revenue from services rendered is currently recognized in the income statement in proportion to the stage of completion of the transaction or when the customer is invoiced based on hours performed at agreed rates. Based on its assessment, the group does not expect significant impact on revenue recognition of these services from the application of IFRS 15.

- *Constraint of variable considerations*
  To include variable considerations in the estimated contract revenue under IFRS 15, 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. Based on its assessment, the group does not anticipate significant changes in the measurement of revenue from the application of IFRS 15.

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.

- *Classification – Financial assets*
  IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The standard contains three principal classification categories: measured at amortized costs, Fair value to Other Comprehensive Income (FVOCI) and Fair value to Profit and Loss (FVTPL).

Based on its assessment, the group expects the current classifications of the financial instruments held as of December 31, 2017 (see note 32 Financial instruments) will be classified as the following under IFRS 9. The group does not expect the new classifications will have a significant impact on the consolidated financial statements as of January 1, 2018.

Currently under IAS 39		Under IFRS 9
Classifications	**Measurement**	**Classification and Measurement**
Loans and receivables	Amortized cost	Amortized cost
FVTPL	FVTPL	FVTPL
Available for sale	FVOCI	FVOCI
Fair value-hedging instrument	FVTPL	Fair value-hedging instrument

- *Impairment – Financial assets and contract assets*
  IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. The new impairment model will apply to financial assets measured at amortized costs or FVOCI and contract assets, except for equity instruments. Under IFRS 9, loss allowance will be measured based on either "12-month ECLs" or "lifetime ECLs". The group will apply the simplified approach and apply "lifetime ECLs" for all trade receivables and contract assets.

  Based on the group's assessment, no significant changes in loss allowance are deemed necessary in order to satisfy the impairment requirement under IFRS 9. The group does not expect significant impact on the consolidated financial statements from the adoption of the new impairment model.

- *Hedge accounting*
  The group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings, receivables, sales and inventory purchases. Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged transaction occurs and affects profit or loss. However, under IFRS 9, for cash flow hedges associated with forecast transactions that subsequently result in recognition of a non-financial asset, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve will instead be included directly in the initial cost of the non-financial asset when recognised. This change will result in a reduction of the carrying amounts of Hedge reserve and Derivative financial assets related to these cash flow hedges. The estimated impact is summarized in the table above.

  The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting as the standard introduces a more principles-based approach. The group has concluded that its current hedge relationships will qualify as hedges upon the adoption of IFRS 9.

The transition to IFRS 9 will generally be applied retrospectively, with the following exemptions:

- The group will adopt the exemption allowing it not to restate comparative information for prior years with respect to classification and measurement changes, including impairment measurement. Any impact from the adoption of IFRS 9 will be recognized as an adjustment to the opening balance of the equity as of January 1, 2018.

- The new hedge accounting requirements will be applied prospectively.

- IFRS 9 is not applied to financial assets or financial liabilities that have been derecognized at the initial application on January 1, 2018.

IFRS 16 Leases (effective from January 1, 2019, but not approved by the EU)
The standard 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. With regards to lessor accounting, the requirements remain similar to the 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 assessment of potential impact of implementation will be continued in 2018. The group plans to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings as of January 1, 2019, with no restatement of comparative information.

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 consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

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.

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 and associates

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

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. An associate is an entity in which there group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in joint ventures and associates 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 profit and loss 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 Net finance 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

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

Non-current assets and disposal groups classified as held for sale 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 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.

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 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 and debt investments 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.

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 include interest income and expense, 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 by reference to the stage of completion of a contract, referred as the percentage of completion method. The 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 customer.

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 customers, 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 when the customer 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 revenue
Lease revenue from time charters and bareboat charters is recognized daily over the term of the charter. The company does not recognize revenue during days when the vessel is off-hire. Lease revenue from other operating leases, mainly related to office leases, is recognized on a straight-line basis over the term of the relevant lease. Lease revenue 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 or disposal of a subsidiary 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 lease term. Any lease incentives received are recognized as an integral part of the total lease expense, over the lease term.

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 tax rates that have been enacted or substantively enacted at 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

Financial assets 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 non-financial assets, other than employee benefit assets, inventories, deferred tax assets 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 finance expense.

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 initial recognition, 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 it 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. The contracts with customers normally include procedures for issuing and approval of variation orders. There can 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 27 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. Key assumptions made by the management include 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 assts. 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 13 Property, plant and equipment and note 14 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 15 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 temporary differences between the assets' carrying amount for financial reporting purposes and their respective tax basis. 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. When tax authorities challenge income tax calculations, management is required to make estimates of the probability and amount of possible tax adjustments. Such estimates may change as additional information becomes known. Further details about income taxes are included in note 11 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 27 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 26 Employee benefits - pension.

Legal disputes and contingent liabilities

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 and disputes to the extent negative outcomes are likely and reliable estimates can be made. However, the final outcomes of these cases are subject to uncertainties, and resulting liabilities may exceed provisions recognized. The group follows the development of these disputes on case-by-case basis and makes assessment based on all available evidence as at the reporting date. Further information about the contingent liabilities is included in note 36 Contingencies.

Note 5 | Discontinued operations

Disposal of Frontica Advantage

On January 6, 2017, Akastor completed the transaction to sell Frontica's staffing business (Frontica Advantage) to NES Global Talent (NES) 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.

Akastor holds an initial 15.2% economic ownership interest in NES after the transaction, which is presented as Other investments and measured at fair value.

Disposal of KOP Surface Products

On July 27, 2017, Akastor completed the transaction to sell KOP Surface Products to the Weir Group PLC (Weir). KOP Surface Products employs about 450 people and is a provider of wellheads, surface trees, valves, actuators and aftermarket services for the oil and gas industry. The business is headquartered in Singapore and has a manufacturing facility in Batam, Indonesia.

Frontica Advantage and KOP Surface Products are classified as discontinued operations and the comparative consolidated income statement has been restated to show the discontinued operations separately from continuing operations.

In 2016, Akastor completed the transactions to divest several portfolio companies: Managed Pressure Operations (MPO), Frontica Business Solutions and Fjords Processing. In addition, Frontica Advantage was classified as held for sale as of December, 31, 2016. MPO, Frontica and Fjords Processing were classified as discontinued operations in 2016.

Results of discontinued operations

Amounts in NOK million	**2017**	2016 Restated
Revenue	**215**	4 951
Expenses	**(223)**	(5 130)
Net financial items	**-**	(3)
Profit (loss) before tax	**(7)**	(181)
Income tax	**(13)**	(45)
Profit (loss) from operating activities, net of tax	**(20)**	(226)
Gain (loss) on sale of discontinued operations [1]	**1 088**	968
Income tax on gain (loss) on sale of discontinued operations	**(19)**	(71)
Net profit (loss) from discontinued operations	**1 049**	670
Basic/diluted earnings (loss) per share from discontinued operations (NOK)	**3.87**	2.47

[1] *Includes currency translation differences of NOK 227 million that were reclassified from Other Comprehensive Income to the income statement upon disposal in 2017 (NOK 105 million in 2016).*

Gain before tax from the disposal in 2017 was NOK 383 million for Frontica Advantage and NOK 728 million for KOP Surface Products. In 2016, gain before tax was NOK 507 million for Frontica Business Solutions and NOK 654 million for Fjords Processing, and a loss of NOK 127 million for MPO. In addition, the net gain before tax in both 2017 and 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	**2017**	2016
Net cash from operating activities	**(43)**	(31)
Net cash from investing activities	**918**	2 328
Net cash flow from discontinued operations	**876**	2 297

Effect of disposal on the financial position of the group

Amounts in NOK million	**2017**	2016
Deferred tax assets	**(54)**	(171)
Property, plant and equipment	**(90)**	(218)
Intangible assets	**(193)**	(640)
Other non-current assets	**-**	(24)
Inventories	**(103)**	(114)
Trade and other receivables	**(165)**	(1 163)
Cash and cash equivalents	**(86)**	(262)
Other current assets	**(46)**	(111)
Deferred tax liabilities	**29**	-
Pension liabilities	**23**	89
Trade and other payables	**62**	197
Other current liabilities	**148**	758
Currency translation reserve	**227**	105
Net assets and liabilities	**(250)**	(1 554)
Total consideration at fair value	**1 362**	2 587
Portion of consideration received in cash, net of transaction costs	**984**	2 644
Cash and cash equivalents disposed of	**(86)**	(262)
Cash inflows from disposal, net of cash disposed of [1]	**898**	2 382

[1] *Net cash flows from disposal in 2017 exclude the net cash outflow of NOK 30 million related to divestments made in prior years.*

Assets and liabilities held for sale

Amounts in NOK million	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

Note 6 | Operating segments

Basis for segmentation

As of December 31, 2017, Akastor has two 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.

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, 15.2 percent economic interest in NES Global Talent, and 93 percent of Aker Pensjonskasse. These are included in "Other holdings".

As a result of KOP Surface Products being classified as discontinued operations, the segment reporting has been reassessed in 2017 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 5 million to EBITDA (loss of NOK 10 million in 2016) and a loss under financial items of NOK 111 million (loss of NOK 289 million in 2016). This is recognized as group adjustment under Other holdings.

Information about reportable segments

Amounts in NOK million	*Note*	**MHWirth**	**AKOFS Offshore**	**Other holdings**	**Eliminations**	**Total segments**
2017						
Income statement						
External revenue and other income		3 000	778	570	-	4 348
Inter-segment revenue		30	-	26	(56)	-
Total operating revenue and other income		**3 030**	**778**	**596**	**(56)**	**4 348**
Operating profit before depreciation, amortization and impairment (EBITDA)		**118**	**213**	**(38)**	**-**	**293**
Depreciation and amortization	*13, 14*	(189)	(334)	(89)	-	(612)
Impairment	*13, 14*	(118)	-	-	-	(118)
Operating profit (loss) (EBIT)		**(189)**	**(121)**	**(127)**	**-**	**(438)**
Assets						
Current operating assets		2 238	301	315	-	2 854
Non-current operating assets		2 093	3 986	1 133	-	7 213
Operating segment assets		**4 332**	**4 287**	**1 448**	**-**	**10 067**
Liabilities						
Current operating liabilities		1 244	115	452	-	1 811
Non-current operating liabilities		304	18	367	-	690
Operating segment liabilities		**1 548**	**133**	**819**	**-**	**2 501**
Net current operating assets		995	186	(138)	-	1 043
Net capital employed		2 783	4 154	628	-	7 566
Capital expenditure and R&D capitalization		46	40	9	-	95
Cash flow from operating activities		(82)	(322)	(226)	-	(630)

Amounts in NOK million	*Note*	MHWirth	AKOFS Offshore	Other holdings	Eliminations	Total segments
2016 (Restated)						
Income statement						
External revenue and other income		3 510	836	629	-	4 975
Inter-segment revenue		38	-	44	(82)	-
Total operating revenue and other income		**3 548**	**835**	**674**	**(82)**	**4 975**
Operating profit before depreciation, amortization and impairment (EBITDA)		**71**	**316**	**(296)**	**-**	**91**
Depreciation and amortization	*13, 14*	(269)	(331)	(88)	-	(688)
Impairment	*13, 14*	(353)	(118)	(2)	-	(473)
Operating profit (loss) (EBIT)		**(552)**	**(134)**	**(385)**	**-**	**(1 071)**
Assets						
Current operating assets		3 060	277	425	-	3 763
Non-current operating assets		2 448	4 315	785	-	7 548
Operating segment assets		**5 509**	**4 593**	**1 210**	**-**	**11 311**
Liabilities						
Current operating liabilities		1 970	156	683	-	2 809
Non-current operating liabilities		339	58	422	-	820
Operating segment liabilities		**2 309**	**214**	**1 106**	**-**	**3 629**
Net current operating assets		1 091	121	(258)	-	954
Net capital employed		3 200	4 378	104	-	7 682
Capital expenditure and R&D capitalization		36	108	5	-	150
Cash flow from operating activities		280	(234)	(144)	-	(98)

Reconciliations of information on reportable segments to IFRS measures

Amounts in NOK million	*Note*	2017	2016 Restated
Assets			
Total segment assets		**10 067**	11 311
Derivative financial instruments	*31*	**94**	269
Cash and cash equivalents	*22*	**168**	487
Current interest-bearing receivables		**-**	15
Non-current interest-bearing receivables		**1**	51
Assets classified as held for sale	*5*	**-**	212
Operating assets related to discontinued operations		**-**	526
Elimination of intra-group assets		**(2)**	(10)
Consolidated assets		**10 328**	12 861
Liabilities			
Total segment liabilities		**2 501**	3 629
Derivative financial instruments	*31*	**20**	301
Current borrowings	*24*	**399**	1 560
Non-current borrowings	*24*	**2 133**	1 494
Liabilities classified as held for sale	*5*	**-**	177
Operating liabilities related to discontinued operations		**-**	130
Elimination of intra-group liabilities		**(2)**	(10)
Consolidated liabilities		**5 051**	7 281

Major customer

Revenue from one customer in AKOFS Offshore represents approximately NOK 730 million (NOK 600 million in 2016) 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.

Amounts in NOK million	Operating revenue and other income 2017	Restated 2016	Non-current assets excluding deferred tax assets and financial instruments 2017	2016
Norway	**2 406**	2 963	**4 195**	4 853
Brazil	**328**	270	**366**	406
Singapore	**316**	297	**61**	228
Germany	**299**	357	**751**	821
United States	**263**	322	**289**	337
Other Asia	**330**	334	**84**	229
Other Europe	**188**	198	**64**	81
Middle East	**109**	129	**25**	36
Australia	**92**	89	**17**	22
Other countries	**17**	15	**14**	9
Total	**4 348**	4 975	**5 865**	7 022

Note 7 | Operating revenue and other income

Amounts in NOK million	*Note*	2017	2016 Restated
Construction revenue	*19*	**1 164**	1 426
Service revenue		**2 105**	2 108
Product revenue		**679**	903
Other operating revenue		**348**	368
Total operating revenue		**4 296**	4 805
Gain on disposal of subsidiaries		**5**	-
Profit (loss) from equity-accounted investees	*16*	**36**	(1)
Gain on disposals of assets		**11**	170
Total other income		**52**	170

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

Amounts in NOK million	*Note*	2017	2016 Restated
Salaries and wages including holiday allowance		**1 341**	1 719
Social security tax/ national insurance contribution		**186**	249
Pension cost	*26*	**72**	88
Other employee costs		**58**	100
Salaries, wages and social security costs		**1 657**	2 156

Note 9 | Other operating expenses

Amounts in NOK million	**2017**	2016 Restated
Rental and other costs for buildings and premises	**181**	258
External consultants and hired-ins inclusive audit fees	**189**	229
Office supplies	**34**	21
Travel expenses	**58**	58
Insurance	**21**	29
Other	**50**	171
Total other operating expenses	**533**	765

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 2017 and 2016.

	Akastor ASA		**Subsidiaries**		**Total**	
Amounts in NOK million	**2017**	2016	**2017**	2016	**2017**	2016
Audit	**3**	3	**7**	10	**10**	13
Other assurance services	**-**	-	**4**	3	**4**	3
Tax services	**-**	-	**-**	1	**-**	1
Other non-audit services	**-**	-	**-**	1	**-**	1
Total	**3**	3	**11**	15	**14**	18

Note 10 | Net finance expenses

Amounts in NOK million	*Note*	**2017**	2016 Restated
Profit (loss) on foreign currency forward contracts		**(111)**	(289)
Profit (loss) from equity-accounted investees	*16*	**(212)**	(214)
Interest income on bank deposits measured at amortized cost		**15**	10
Net foreign exchange gain		**-**	28
Gain (loss) on available for sale financial assets		**21**	(26)
Other finance income		**57**	1
Finance income		**93**	13
Interest expense on financial liabilities measured at amortized cost		**(122)**	(246)
Finance charges under finance leases [1)]		**(265)**	(292)
Interest expense on financial liabilities measured at fair value		**(22)**	(21)
Net foreign exchange loss		**(92)**	-
Impairment loss on external receivables [2)]		**(9)**	(94)
Other financial expenses		**(36)**	(31)
Financial expenses		**(545)**	(684)
Net finance expenses recognized in profit and loss		**(774)**	(1 174)

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

[2)] *Impairment loss on external receivables was triggered by insolvency of certain customers as well as unrecoverability of interest-bearing receivables.*

See note 32 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 losses in 2017 and 2016 were 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 31 Derivative financial instruments.

Note 11 | Income tax

Income tax expense

Amounts in NOK million	**2017**	2016 Restated
Current tax expense		
Current year	**(56)**	(26)
Adjustments for prior years	**11**	(35)
Total current tax expense	**(45)**	(61)
Deferred tax expense		
Origination and reversal of temporary differences	**330**	549
Change in tax rate	**(18)**	(18)
Write down of tax loss and deferred tax assets	**(162)**	(177)
Total deferred tax income (expense)	**150**	354
Total tax income (expense)	**106**	293

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	**2017**		2016 Restated	
Profit (loss) before tax, continuing operations	**(1 212)**		(2 245)	
Tax income (expense) using the company's domestic tax rate	**291**	**24.0%**	561	25.0%
Tax effects of:				
Difference between local tax rate and Norwegian tax rate	**35**	**2.9%**	44	2.0%
Permanent differences [1]	**(57)**	**(4.7%)**	(80)	(3.6%)
Prior year adjustments (current tax)	**11**	**0.9%**	(35)	(1.5%)
Prior year adjustments (deferred tax)	**7**	**0.6%**	12	0.5%
Write down of tax loss or deferred tax assets [2]	**(162)**	**(13.3%)**	(177)	(7.9%)
Change in tax rates [3]	**(18)**	**(1.5%)**	(18)	(0.8%)
Effect of functional currency different from currency in tax reporting [4]	**26**	**2.1%**	(2)	(0.1%)
Other	**(28)**	**(2.3%)**	(12)	(0.6%)
Total tax income (expenses)	**106**	**8.8%**	293	13.0%

1) *Relates mainly to net profit and loss after tax from equity-accounted investees and profit and loss recognized on various tax-exempted investments.*

2) *The impairment relates mainly to the MHWirth entities in USA and Brazil as well as Step Oiltools. In 2016, an impairment of deferred tax asset of NOK 85 million was recognized due to disallowance of tax loss carry-forward incurred in relation to the liquidation of AKOFS Singapore in 2014.*

3) *Relates mainly to changes in corporate income tax rate in Norway. The tax rate is changed from 24 percent to 23 percent effective as of January 1, 2018. In 2016, the tax rate was changed from 25 percent to 24 percent effective as of January 1, 2017.*

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 2017	Assets 2016	Liabilities 2017	Liabilities 2016	Net 2017	Net 2016
Property, plant and equipment	**55**	135	**(109)**	(207)	**(54)**	(72)
Intangible assets	**1**	1	**(19)**	(42)	**(17)**	(41)
Projects under construction	**-**	-	**(212)**	(326)	**(212)**	(326)
Pensions	**76**	95	**-**	-	**76**	95
Provisions	**73**	158	**-**	(1)	**73**	158
Derivatives	**10**	32	**(64)**	(102)	**(54)**	(70)
Other items	**182**	152	**(16)**	(91)	**166**	61
Tax loss carry-forwards	**672**	782	**-**	-	**672**	782
Total before set offs	**1 070**	1 355	**(421)**	(770)	**650**	586
Set-off of tax	**(409)**	(756)	**409**	756	**-**	-
Total deferred tax assets (liabilities)	**661**	600	**(10)**	(15)	**650**	586

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)

Amounts in NOK million	Property, plant and equipment	Intan-gible assets	Projects under construction	Pensions	Provisions	Derivatives	Other items	Tax loss carry-forwards	Total
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 (restated)	58	1	132	(7)	20	15	91	42	354
Recognized in other comprehensive income	-	-	-	4	-	90	(35)	-	60
Discontinued operations	17	14	-	(9)	(8)	-	(25)	22	11
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**
Disposal of subsidiaries as of January 1, 2017	**9**	**-**	**-**	**(4)**	**(6)**	**-**	**-**	**(21)**	**(22)**
Recognized in profit and loss	**3**	**24**	**115**	**(5)**	**(78)**	**53**	**56**	**(17)**	**150**
Recognized in other comprehensive income	**-**	**-**	**-**	**(11)**	**-**	**(36)**	**-**	**-**	**(46)**
Effect of group contributions	**-**	**-**	**-**	**-**	**-**	**-**	**53**	**(53)**	**-**
Currency translation differences	**5**	**(1)**	**(1)**	**2**	**-**	**(1)**	**(4)**	**(19)**	**(19)**
Balance as of December 31, 2017	**(54)**	**(17)**	**(212)**	**76**	**73**	**(54)**	**166**	**672**	**650**

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.

In 2016, Akastor ASA claimed tax deduction for a loss of NOK 951 million related to internal loans to a former subsidiary. The deduction is currently being subject to inquiries from Norwegian Tax Authorities. Deferred tax assets for this loss will not be recognized until the inquiries have been concluded.

Expiry date of unrecognized tax loss carry-forwards

Amounts in NOK million	**2017**	2016
Expiry in 2020	**-**	12
Expiry in 2021 and later	**541**	487
Indefinite	**1 228**	687
Total	**1 768**	1 187

Unrecognized other deductible temporary differences are NOK 338 million in 2017 (NOK 287 million in 2016).

Note 12 | Earnings per share

Akastor ASA holds 2 776 376 treasury shares at year end 2017 (2 776 376 in 2016). Treasury shares are not included in the weighted average number of ordinary shares.

Amounts in NOK million	**2017**	2016 Restated
Profit (loss) attributable to ordinary shares	**(58)**	(1 282)
Profit (loss) attributable to ordinary shares from continuing operations	**(1 106)**	(1 953)

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.

	2017	2016 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**	271 223 624
Basic/diluted earnings (loss) per share (NOK)	**(0.21)**	(4.73)
Basic/diluted earnings (loss) per share for continuing operations (NOK)	**(4.08)**	(7.20)

Note 13 | Property, plant and equipment

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

Amounts in NOK million	Note	Buildings and land	Vessels	Machinery, equipment, software	Under construction	Total
Historical cost						
Balance as of January 1, 2016		661	7 444	3 399	872	12 376
Additions [1]		1	-	45	107	153
Reclassifications [2]		-	(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		(7)	-	(1 092)	(7)	(1 106)
Currency translation differences		(43)	(171)	62	19	(133)
Balance as of December 31, 2016		**1 042**	**7 384**	**2 202**	**105**	**10 733**
Additions		**1**	**-**	**12**	**57**	**70**
Reclassifications		**20**	**(62)**	**41**	**-**	**-**
Transfer from assets under construction		**4**	**40**	**39**	**(83)**	**-**
Disposals and scrapping		**(3)**	**-**	**(48)**	**(5)**	**(57)**
Disposal of subsidiaries	5	**(77)**	**-**	**(350)**	**-**	**(427)**
Currency translation differences		**(36)**	**(321)**	**(35)**	**(3)**	**(396)**
Balance as of December 31, 2017		**951**	**7 040**	**1 861**	**70**	**9 922**
Accumulated depreciation and impairment						
Balance as of January 1, 2016		(200)	(3 490)	(2 190)	(16)	(5 896)
Depreciation for the year [3]		(48)	(320)	(359)	-	(727)
Impairment [4]		(283)	(118)	(110)	-	(511)
Disposals and scrapping		2	304	320	-	626
Disposal of subsidiaries		2	-	887	-	889
Currency translation differences		34	62	(11)	-	85
Balance as of December 31, 2016		**(494)**	**(3 562)**	**(1 463)**	**(16)**	**(5 535)**
Reclassifications		**-**	**43**	**(43)**	**-**	**-**
Depreciation for the year [3]		**(27)**	**(303)**	**(174)**	**-**	**(505)**
Impairment		**-**	**-**	**(47)**	**-**	**(47)**
Disposals and scrapping		**2**	**-**	**46**	**5**	**54**
Disposal of subsidiaries	5	**40**	**-**	**298**	**-**	**337**
Currency translation differences		**21**	**155**	**17**	**-**	**194**
Balance as of December 31, 2017		**(458)**	**(3 668)**	**(1 366)**	**(11)**	**(5 502)**
Book value as of December 31, 2016		**548**	**3 822**	**739**	**89**	**5 198**
Book value as of December 31, 2017		**493**	**3 373**	**495**	**59**	**4 419**
Of which finance lease as of December 31, 2016		-	1 618	-	-	1 618
Of which finance lease as of December 31, 2017		-	1 448	-	-	1 448

[1] *Includes additions of NOK 22 million related to discontinued operations in 2016.*
[2] *Includes reclassifications from Other non-current operating assets (related to Aker Wayfarer vessel) and Intangible assets.*
[3] *Includes depreciation of NOK 16 million from discontinued operations in 2017 (NOK 126 million in 2016).*
[4] *Includes impairment of NOK 93 million from discontinued operations in 2016.*

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, 2017, Akastor entered into contractual commitments for the acquisition of property, plant and equipment amounting to NOK 11 million (NOK 11 million in 2016), mainly related to the Macae plant in MHWirth.

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	80–30 years
Land	No depreciation

Impairment

Impairment in MHWirth

In 2017, an impairment loss of NOK 47 million was recognized mainly related to the testing facilities in Germany that is not expected to be utilized in full capacity. The recoverable amount of NOK 11 million was determined based on value in use.

In 2016, an impairment loss of NOK 241 million was recognized 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.

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 (discount rate of 10.0%). No further impairment loss of AKOFS Seafarer was recognized in 2017. However, the estimated recoverable amount of AKOFS Seafarer is approximately the same as the carrying amount and hence, any adverse change in key assumptions may result in further impairment. 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 15 Impairment testing of goodwill for more information about the discount rate and key assumptions.

Security

The AKOFS Seafarer vessel, with carrying amount of NOK 1.9 billion as of December 31, 2017, is pledged as security for borrowings in the group.

Note 14 | Intangible assets

Amounts in NOK million	*Note*	Development costs	Goodwill	Other	Total
Historical cost					
Balance as of January 1, 2016		923	2 542	652	4 117
Reclassification		(9)	-	9	-
Capitalized development [1]		47	-	2	49
Disposal and scrapping		(103)	-	-	(103)
Disposal of subsidiaries		(228)	(648)	(403)	(1 278)
Reclassification to asset held for sale		-	(48)	-	(48)
Currency translation differences		(13)	(129)	(25)	(168)
Balance as of December 31, 2016		**618**	**1 718**	**235**	**2 570**
Reclassification		**(7)**	**-**	**7**	**-**
Capitalized development [1]		**27**	**-**	**-**	**27**
Disposal and scrapping		**(64)**	**-**	**-**	**(64)**
Disposal of subsidiaries [4]	5	**(117)**	**(100)**	**-**	**(218)**
Currency translation differences		**-**	**29**	**6**	**35**
Balance as of December 31, 2017		**456**	**1 646**	**248**	**2 351**
Accumulated amortization and impairment					
Balance as of January 1, 2016		(281)	(653)	(397)	(1 331)
Amortization for the year [2]		(143)	-	(30)	(173)
Impairment for the year [3]		(49)	-	(97)	(146)
Disposal and scrapping		103	-	-	103
Disposal of subsidiaries		65	211	363	638
Currency translation differences		2	54	14	70
Balance as of December 31, 2016		**(304)**	**(388)**	**(147)**	**(839)**
Amortization for the year [2]		**(100)**	**-**	**(29)**	**(129)**
Impairment for the year		**(62)**	**-**	**(8)**	**(70)**
Disposal and scrapping		**64**	**-**	**-**	**64**
Disposal of subsidiaries	5	**73**	**-**	**-**	**73**
Currency translation differences		**(2)**	**(6)**	**(6)**	**(14)**
Balance as of December 31, 2017		**(331)**	**(394)**	**(190)**	**(915)**
Book value as of December 31, 2016		**314**	**1 330**	**88**	**1 731**
Book value as of December 31, 2017		**125**	**1 252**	**58**	**1 435**

1) Includes capitalized development costs of NOK 2 million from discontinued operations (NOK 20 million in 2016).
2) Includes amortization of NOK 5 million from discontinued operations in 2017 (NOK 28 million in 2016).
3) Includes impairment of NOK 91 million from discontinued operations in 2016.
4) Does not include the disposal of goodwill which was classified as held-for-sale in 2016.

Impairment loss of other intangible assets than goodwill

In 2017, an impairment loss of NOK 70 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 2016 was NOK 54 million. The impairment loss of other intangible assets from discontinued operations was related to Managed Pressure Operations in MHWirth in 2016.

Research and development costs

NOK 27 million has been capitalized in 2017 (NOK 49 million in 2016) related to development activities. In addition, research and development costs of NOK 16 million were expensed during the year because the criteria for capitalization are not met (NOK 62 million in 2016).

Amortization

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

Note 15 | 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.

Amounts in NOK million	**2017**	2016
MHWirth	**1 089**	1 063
AKOFS Offshore	**145**	145
KOP Surface Products [1)]	**-**	103
First Geo [2)]	**18**	18
Total goodwill	**1 252**	1 330

[1)] *Sold in 2017.*
[2)] *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 2018-2022. Beyond the explicit forecast period of five years, the cash flows are extrapolated using a constant growth rate. For AKOFS Offshore, goodwill is supported by the sum of value in use for the vessels in the portfolio company. The cash flow projections are made for the periods equal to estimated useful life of the vessels and the cash flows from the ultimate disposal 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 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 most recent charter agreements, or at expected market levels. For vessels on firm contracts, it is assumed that the vessels are employed on the specific rates until the expiry of the firm contracts including options, and that rate and utilization levels thereafter are based on expected market levels. For the AKOFS Seafarer vessel that is not on firm contract, the estimated cash flows are based on different probability weighted scenarios. Assumptions are made regarding variations in day rates and utilization as well as probabilities of different scenarios based on market conditions at the reporting date, which requires a high degree of judgement.

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 after tax		**Discount rate pre tax**	
Discount rate assumptions used in impairment testing	**2017**	2016	**2017**	2016
MHWirth	**9.3%**	9.2%	**11.2%**	11.4%
AKOFS Offshore [1)]	**10.1%**	10.0%	**10.1%**	10.0%

[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 2017. 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 loss of NOK 118 million was recognized related to AKOFS Seafarer in 2016, see also note 13 Property, plant and equipment for more information. No impairment was recognized related to AKOFS Seafarer in 2017. However, the estimated recoverable amount of AKOFS Seafarer is approximately the same as the carrying amount and hence, any adverse change in key assumptions may result in further impairment in AKOFS Seafarer. As the sensitivity to impairment is related to the carrying value of the AKOFS Seafarer vessel, the group believes that no reasonably possible change in any of the key assumptions used for impairment testing would cause the total carrying amount of the portfolio company AKOFS Offshore to exceed its recoverable amount and trigger an impairment of goodwill in 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.

Note 16 | Equity-accounted investees

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

Amounts in NOK million	**DOF Deepwater AS [1]**	**Avium Subsea AS [2]**	**Electrical Subsea & Drilling AS [3]**	**Total**
2017				
Business office	**Storebø, Norway**	**Oslo, Norway**	**Straume, Norway**	
Percentage of voting rights and ownership	**50%**	**50%**	**20%**	
Share of profit (loss) reported in Other income	**-**	**36**	**-**	**36**
Share of profit (loss) reported in Financial items	**(212)**	**-**	**-**	**(212)**
Carrying amount of investments	**-**	**-**	**10**	**10**

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

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

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

[3] *In September 2017, MHWirth became a shareholder in Electrical Subsea & Drilling AS (ESD) with 20% ownership by transferring certain work-in-progress technologies for new well barrier for BOP. ESD is a privately owned Norwegian company and working on the development and qualification of two drilling technologies; all electric control of Blow Out Preventers (BOP) and a Rotating Control Device for Managed Pressure Drilling.*

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

	DOF Deepwater AS		Avium Subsea AS	
Amounts in NOK million	**2017**	2016	**2017**	2016
Current assets	**147**	195	**52**	56
– Cash and cash equivalents	**47**	101	**49**	28
Non-current assets	**857**	1 221	**1 475**	1 602
Current liabilities	**(117)**	(108)	**(163)**	(165)
– Current financial liabilities (excluding trade and other payables and provisions)	**(29)**	(30)	**(141)**	(140)
Non-current liabilities	**(987)**	(1 122)	**(1 060)**	(1 256)
– Non-current financial liabilities (excluding trade and other payables and provisions)	**(987)**	(1 122)	**(1 060)**	(1 256)
Net assets (100%)	**(100)**	186	**304**	237
Akastor's share of net assets (50%)	**(50)**	93	**152**	118
Recognized against non-current receivables and liability [1]	**50**	-	**-**	-
Recognized against deferred gain related to joint venture [2]	**-**	-	**(152)**	(118)
Akastor's carrying amount of the investment	**-**	93	**-**	-
Revenue	**149**	204	**241**	26
Depreciation, amortization and impairment	**(403)**	(405)	**(66)**	(15)
Interest expense	**(49)**	(61)	**(91)**	(10)
Income tax expense	**3**	(2)	**(5)**	(4)
Profit (loss) for the year	**(424)**	(427)	**72**	(1)
Total comprehensive income (loss) for the year	**(424)**	(427)	**72**	(1)

[1] *Akastor's share of losses from DOF Deepwater AS is recognized against the carrying amount of its interest including non-current receivables. Further losses were recognized as a liability as the group has provided guarantees for the funding of the vessels in the company. See also note 25 and note 35.*

[2] *See note 25 Other non-current liabilities and note 35 related parties for more information about the liability and deferred gain related to joint ventures.*

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

Note 17 | Other non-current assets

Amounts in NOK million	*Note*	**2017**	2016
Deferred and contingent considerations	*32*	**99**	103
Other assets		**1**	-
Total other non-current assets		**100**	104

Deferred and contingent considerations relate to contingent considerations arising from divestments of subsidiaries and are measured at fair value.

Note 18 | Other investments

Amounts in NOK million	*Note*	**2017**	2016
Aker Pensjonskasse	*35*	**128**	120
NES investment [1]	*5*	**405**	-
Other equity securities		**2**	1
Available-for-sale investments	*32*	**536**	121
Total other investments		**536**	121

[1] *On January 6, 2017, Akastor completed the transaction to sell Frontica Advantage to NES Global Talent (NES) in exchange for 15.2% economic ownership interest in NES. See note 5 for more information about the divestment.*

Available-for-sale investments are measured at fair value.

Note 19 | Construction contracts

Amounts in NOK million	*Note*	2017	2016 Restated
Construction revenue in the period	*7*	**1 164**	1 426
Amounts due from customers for construction work	*21*	**246**	262
Amounts due to customers for construction work [1]	*28*	**(738)**	(1 226)
Construction contracts in progress, net position		**(492)**	(964)

Construction contracts in progress at the end of the reporting period

Amounts in NOK million	2017	2016
Aggregate amount of cost incurred and recognized profits (less losses) to date	**5 805**	8 472
Progress billings	**(6 296)**	(9 436)
Advances from customers [1]	**178**	364

[1] *Advances are presented as part of Amounts due to customers for construction work.*

Note 20 | Inventories

Amounts in NOK million	2017	2016 Restated
Stock of raw materials	**178**	507
Goods under production	**95**	74
Finished goods	**296**	506
Total inventories	**569**	1 086
Inventories expensed in the period	**(1 347)**	(1 171)
Write-down of inventories in the period	**(336)**	(150)

Note 21 | Trade and other receivables

Amounts in NOK million	*Note*	2017	2016
Trade receivables [1]		**1 319**	1 652
Less provision for impairment of receivables		**(71)**	(107)
Trade receivables, net of provision		**1 248**	1 545
Other receivables		**210**	444
Trade and other receivables	*32*	**1 457**	1 989
Advances to suppliers		**81**	163
Amount due from customers for construction work	*19*	**246**	262
Prepaid expenses		**218**	112
Accrued revenue		**147**	178
Public duty and tax refund		**113**	124
Total		**2 263**	2 829

[1] *Trade receivables are financial instruments and an impairment loss of NOK 5 million was recognized as operating expenses in 2017. In 2016, the impairment loss was NOK 39 million, of which NOK 29 million was related to discontinued operations.*

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

Aging of trade receivables

Amounts in NOK million	**2017**	2016
Not overdue	**485**	786
Past due 0–30 days	**79**	92
Past due 31–90 days	**54**	63
Past due more than 90 days	**700**	711
Total trade receivables	**1 319**	1 652

A majority of the trade receivables past due is related to major customers. These outstanding receivables are monitored regularly and impairment analysis is performed on an individual basis for major customers. As of December 31, 2017, trade receivables of an initial value of NOK 71 million (NOK 107 million in 2016) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables.

Amounts in NOK million	**2017**	2016
Balance as of January 1	**107**	120
New provisions	**5**	39
Utilized	**(3)**	(7)
Unused amounts reversed	**(3)**	(29)
Disposal of subsidiaries	**(33)**	(1)
Currency translation differences	**(2)**	15
Balance as of December 31	**71**	107

Note 22 | Cash and cash equivalents

Amounts in NOK million	**2017**	2016
Restricted cash	**8**	9
Cash pool	**-**	135
Interest-bearing deposits	**160**	343
Total cash and cash equivalents	**168**	487

Additional undrawn committed current bank revolving credit facilities amount to NOK 1.4 billion, that together with cash and cash equivalents gives a total liquidity reserve of NOK 1.6 billion as of December 31, 2017. See also note 24 Borrowings.

Note 23 | 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 2016). All issued shares are fully paid.

Treasury shares

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. The group purchases treasury shares to meet the obligation under employee share purchase programs. No programs were initiated in 2017 or 2016 and there is no purchase or sale of treasury shares in 2017 or 2016. As of December 31, 2017, Akastor ASA holds 2 776 376 treasury shares (2 776 376 treasury shares in 2016), representing 1.01 percent of total outstanding shares.

The Board of Directors has proposed no dividends for 2017 or 2016.

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 10 Net finance expenses and note 31 Derivative financial instruments.

Fair value reserve

The fair value reserve comprises the cumulative net changes in the fair value of available-for-sale financial assets until these assets are impaired or derecognized.

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 2017 and 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 26 million in 2017 (loss of NOK 71 million in 2016). Accumulated loss on net investment hedges as of 2017 is NOK 15 million (loss of NOK 70 million in 2016). The net investment hedge as of December 31, 2017 relates to investments in the United States and Cyprus.

Note 24 | Borrowings

Below are contractual terms of the 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 30 Financial risk management and exposures. For more information related to the finance 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
2017								
Revolving credit facility (NOK 1 005 million)	NOK	350	**348**	0.76%	2.25%	3.01%	July 2019 [2]	NIBOR + margin [1]
Revolving credit facility (USD 147 million)	USD	58	**478**	1.49%	2.25%	3.74%	July 2019 [2]	USD LIBOR + margin [1]
BNDES loan (Brazil)	BRL	74	**183**	6.75%	1.40%	8.15%	May 2022	TJLP + fixed margin [3]
Finance lease obligation	USD [4]		**1 494**					
Overdraft facility			**30**					
Total borrowings			**2 533**					
Current borrowings			**399**					
Non-current borrowings			**2 133**					
Total borrowings			**2 533**					

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 [3]
Finance lease obligation	USD/NOK		1 622					
Total borrowings			3 054					
Current borrowings			1 560					
Non-current borrowings			1 494					
Total borrowings			3 054					

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.*

3) *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.*

4) *All future payments under the finance lease starting from January 1, 2018 were converted to USD.*

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.

For information about financial covenants, see note 29 Capital management.

Finance lease obligation

A finance 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, 2017:

Amounts in NOK million	Present value of minimum lease payments	Interest	Future minimum lease payments
Less than one year	296	30	326
Between one and five years	721	400	1 122
More than five years	476	1 148	1 625
Total	**1 494**	**1 578**	**3 072**

Financial liabilities and the period in which they mature

Amounts in NOK million	Carrying amount	Total undiscounted cash flow [1]	6 months and less	6–12 months	1–2 years	2–5 years	More than 5 years
2017							
Revolving credit facility (NOK 1 005 million)	**348**	**365**	7	5	353	-	-
Revolving credit facility (USD 147 million)	**478**	**505**	9	9	487	-	-
BNDES loan (Brazil)	**183**	**212**	27	26	50	109	-
Finance lease obligation	**1 494**	**3 072**	163	163	328	793	1 625
Overdraft facility	**30**	**30**	30	-	-	-	-
Total borrowings	**2 533**	**4 183**	**236**	**203**	**1 218**	**902**	**1 625**
2016							
Revolving credit facility (USD 313 million) [2]	1 195	1 209	1 209	-	-	-	-
BNDES loan (Brazil)	237	282	30	29	56	149	19
Finance 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

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

[2] *Maturity of the term loan in the 2016 table reflects that this loan was reclassified to current borrowings due to breach of covenant as of 31 December 2016. The facilities were not terminated as a new agreement was reached with the Bank Syndicate in March 2017.*

Reconciliation of liabilities arising from financing activities

Amounts in NOK million	Balance as of December 31, 2016	Cash flows	Foreign exchange movements	Capitalized borrowing costs	Accrued interest	Balance as of December 31, 2017
Revolving credit facility (NOK 1 005 million)	-	348	-	-	-	348
Revolving credit facility (USD 147 million)	1 195	(629)	(89)	3	(2)	478
BNDES loan (Brazil)	237	(41)	(13)	-	-	183
Finance lease obligation	1 622	(95)	(59)	-	26	1 494
Overdraft facility	-	26	4	-	-	30
Total liabilities arising from financing activities	**3 054**	**(391)**	**(157)**	**3**	**24**	**2 533**

Note 25 | Other non-current liabilities

Amounts in NOK million	*Note*	2017	2016
Deferred settlement obligations	32	**9**	9
Deferred gain related to joint venture		**14**	55
Guarantee obligation related to joint venture		**39**	-
Other liabilities		**48**	48
Total other non-current liabilities		**110**	112

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". The deferred gain was reduced by Akastor's share of net profit from Avium Subsea AS in 2017. See note 16 Equity-accounted investees and note 35 Related parties for more information about the transaction with joint venture.

Guarantee obligation related to joint venture

Akastor's share of losses from DOF Deepwater AS in excess of the carrying amount of Akastor's investment interest in the joint venture is recognized as a liability as the group has provided guarantees for the funding of the vessels in the company. See also note 16 Equity-accounted investees and note 35 Related parties for more information.

Other liabilities

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

Note 26 | 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 44 million (NOK 53 million in 2016). The estimated contributions expected to be paid in 2018 amount to NOK 41 million.

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 2018 amount to NOK 17 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. The estimated contributions expected to be paid in 2018 amount to NOK 12 million.

Pension plans outside Norway

Pension plans outside Norway are predominately defined contribution plans.

Pension cost

Amounts in NOK million	*Note*	**2017**	2016 Restated
Defined benefit plans		**11**	14
Defined contribution plans including AFP		**61**	74
Total pension cost	*8*	**72**	88

Net employee defined benefit obligations

Amounts in NOK million	**2017**	2016
Defined benefit plans Norway	**187**	195
Defined benefit plans Germany	**113**	103
Defined benefit plans US	**47**	63
Defined benefit plans Indonesia	**-**	18
Defined benefit plans other countries	**2**	2
Total employee benefit obligations	**349**	380

Movement in net defined benefit (asset) liability

	Pension obligation		Pension asset		Net pension obligation	
Amounts in NOK million	**2017**	2016	**2017**	2016	**2017**	2016
Balance as of January 1	**669**	814	**(288)**	(380)	**380**	434
Adjustment for discontinued operations as of January 1	**(18)**	(126)	**-**	81	**(18)**	(46)
Included in profit or loss						
Service cost	**11**	18	**-**	-	**11**	18
Interest cost (income)	**10**	13	**(3)**	(3)	**7**	10
	22	31	**(3)**	(3)	**19**	28
Included in OCI						
Remeasurements (loss) gain:						
Actuarial loss (gain) arising from:						
– demographic assumptions	**5**	37	**-**	-	**5**	37
– financial assumptions	**12**	(11)	**(2)**	(4)	**10**	(15)
– experience adjustments	**(3)**	18	**-**	-	**(3)**	18
Return on plan assets excluding interest income	**-**	-	**(7)**	-	**(7)**	-
Changes in asset ceiling	**-**	-	**2**	-	**2**	-
Effect of movements in exchange rates	**5**	(16)	**3**	4	**8**	(12)
	20	28	**(5)**	-	**15**	28
Other						
Benefits paid by the plan	**(69)**	(78)	**45**	34	**(24)**	(44)
Contributions paid into the plan	**-**	-	**(23)**	(20)	**(23)**	(20)
	(69)	(78)	**22**	14	**(47)**	(65)
Balance as of December 31	**623**	669	**(275)**	(288)	**349**	380

Plan assets

Amounts in NOK million	**2017**	2016
Plan assets at fair value Norwegian plan		
Equity securities	**4**	5
Government	**1**	2
Finance	**19**	26
Private and Government enterprise	**33**	30
Municipalities	**73**	77
Bonds	**127**	136
Fund/private equity	**20**	11
Total plan assets Norway at fair value	**150**	152
Equity securities	**42**	43
Debt securities	**56**	67
Total plan assets US at fair value	**98**	110
Total plan assets Germany at fair value	**27**	26
Total plan assets at fair value	**275**	288

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.

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 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 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	
	2017	2016	**2017**	2016	**2017**	2016
Discount rate	**2.40%**	2.50%	**3.68%**	4.01%	**3.29%**	3.64%
Asset return	**2.40%**	2.50%	**3.68%**	4.01%	**3.29%**	3.64%
Salary progression	**2.50%**	2.25%	**n/a**	n/a	**n/a**	n/a
Pension indexation	**0-2.25%**	0-2.25%	**1.75%**	1.75%	**n/a**	n/a
Mortality table	**K2013**	K2013	**RT 2005 G**	RT 2005 G	**RP-2014 Adjusted to 2006 Total Dataset with Scale MP-2017**	RP-2014 Adjusted to 2006 Total Dataset with Scale MP-2016

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

The discount rates and other assumptions in 2017 and 2016 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.

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.

Years	**2017**	2016
Life expectancy of male pensioners	**22.2**	22.1
Life expectancy of female pensioners	**25.5**	25.4

As of December 31, 2017, the weighted-average duration of the defined benefit obligation was 10.9 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, 2017 by the amounts shown below.

Amounts in NOK million	**Increase**	**Decrease**
Discount rate (1% movement)	(41)	33
Future salary growth (1% movement)	1	(1)
Future pension growth (1% movement)	27	(32)

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 27 | Provisions

Amounts in NOK million	**2017**	2016
Provision, current	**293**	354
Provision, non-current	**221**	333
Total provisions	**514**	686

Development of significant provisions

Amounts in NOK million	**Warranties**	**Restructuring**	**Onerous lease provision**	**Other**	**Total**
Balance as of January 1, 2017	106	101	436	44	**686**
Reclassification from other liabilities	-	-	-	29	**29**
New provisions	27	91	31	26	**175**
Provisions utilized	(21)	(100)	(141)	(9)	**(271)**
Provisions reversed	(26)	(14)	(83)	(2)	**(125)**
Unwind of discount	-	-	26	-	**26**
Disposal of subsidiaries	-	-	-	(8)	**(8)**
Currency translation differences	1	-	-	1	**2**
Balance as of December 31, 2017	**86**	**77**	**269**	**81**	**514**
Expected timing of payment					
Within the next twelve months	73	48	78	81	**280**
After the next twelve months	13	29	192	-	**233**
Total	**86**	**77**	**269**	**81**	**514**

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. Warranty provision is presented as current as it is expected to be settled in the group's normal operating cycle. See note 4 Significant accounting estimates and judgments for further descriptions.

Restructuring

Restructuring mainly relates to significant workforce reduction and reorganization in MHWirth due to the 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 28 | Trade and other payables

Amounts in NOK million	*Note*	**2017**	2016
Trade creditors [1]		**239**	315
Accrued operating costs		**334**	694
Trade and other payables	*32*	**573**	1 009
Public duty and tax payables		**77**	122
Amount due to customers for construction work and advances	*19*	**738**	1 226
Deferred settlement obligations	*32*	**75**	107
Other		**30**	28
Total		**1 493**	2 492

[1] *Trade creditors are due within one year.*

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

Note 29 | 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 2017 of NOK 1.6 billion, composed of an undrawn committed credit facility of NOK 1.4 billion and cash and cash equivalents of NOK 0.2 billion.

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/Covenants

Akastor monitors capital on the basis of a gearing ratio (net debt/equity) and interest coverage ratio (ICR) based on EBITDA/net interest costs. These ratios are similar to covenants as defined in loan agreements for the revolving credit facilities (see note 24 Borrowings for details about these loans) which are shown below.

- The company's minimum consolidated EBITDA shall not be lower than NOK 225 million in Q4 2017, NOK 325 million in Q1 2018 and NOK 425 million in Q2 2018.
- The ICR shall not be lower than 4.0 from Q3 2018 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 500 million on consolidated level.

The ratios are calculated based on net debt including cash and borrowings as shown in note 32 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.

The covenants are monitored on a regular basis by the Akastor Treasury department to ensure compliance with the loan agreements, and are tested and reported on a quarterly basis. Akastor was not in breach with any covenants as of 31 December 2017, and on the basis of the covenants and its forecasts, management believes that the risk of covenant being breached is low and that the group will continue as a going concern for the foreseeable future.

Other borrowings in the group have no covenants.

Note 30 | 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 and BRL but also several other currencies. Akastor's policy requires business units to mitigate currency exposure in any project. Akastor manages 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. Most of the currency hedge contracts 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 31 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, 2017, 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.

	2017			2016		
Amounts in million	**USD**	**EUR**	**BRL**	USD	EUR	BRL
Bank	**(151)**	**(35)**	**-**	(68)	(21)	-
Intercompany loans	**200**	**33**	**114**	178	(9)	148
External loans	**(58)**	**-**	**-**	(139)	-	-
Balance sheet exposure	**(9)**	**(2)**	**114**	(29)	(29)	148
Estimated forecast receipts from customers	**244**	**1**	**-**	382	4	169
Estimated forecast payments to vendors	**(135)**	**(12)**	**-**	(171)	(12)	-
Cash flow exposure	**109**	**(12)**	**-**	212	(8)	169
Forward exchange contracts	**(108)**	**15**	**-**	(271)	38	(169)
Net exposure	**(8)**	**2**	**114**	(88)	1	148

Sensitivity analysis

A strengthening of EUR, USD 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	**2017** Profit (loss) before tax	**2017** Equity Increase (decrease)	2016 Profit (loss) before tax	2016 Equity Increase (decrease)
USD (15 percent weakening of NOK)	**(23)**	**(21)**	(278)	(209)
EUR (15 percent weakening of NOK)	**2**	**21**	-	15
BRL (15 percent weakening of NOK)	**75**	**75**	(24)	(24)

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 2017 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

Amounts in NOK million	**2017**	2016
Cash and cash equivalents	**3**	4
Non-current interest-bearing receivables	**-**	1
Current interest-bearing receivables	**-**	1
Borrowings	**(15)**	(38)
Cash flow sensitivity (net)	**(12)**	(31)

A decrease of 100 basis points in interest rates during 2017 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, 2017 (all obligations are per date of issue):

- Financial guarantees related to project performance on behalf of group companies are NOK 0 billion (NOK 16.2 billion in 2016).
- Financial parent company indemnity guarantees for fulfillment of lease obligations are NOK 4.7 billion (NOK 5.4 billion in 2016).
- Financial guarantees including counter guarantees for bank/ surety bonds and guarantees for pension obligations to employees are NOK 1 billion (NOK 2.4 billion in 2016).

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 71 million in 2017 (NOK 107 million in 2016). 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 32 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 a centrally managed cash pooling arrangement. 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
2017								
Borrowings excl. finance lease [2]	*24*	**1 039**	**1 112**	73	40	890	109	-
Finance lease	*24*	**1 494**	**3 072**	163	163	328	793	1 625
Other non-current liabilities	*25*	**96**	**96**	-	-	39	33	24
Net derivative financial instruments	*31*	**(74)**	**(74)**	(54)	(20)	-	-	-
Trade and other payables	*28*	**573**	**573**	449	125	-	-	-
Total financial liabilities		**3 127**	**4 778**	**630**	**307**	**1 256**	**935**	**1 649**
Financial guarantees [3]			**5 626**	244	52	403	1 141	3 786
2016								
Borrowings excl. finance lease [2]	*24*	1 433	1 491	1 239	29	56	149	19
Finance lease	*24*	1 622	3 155	173	175	702	861	1 244
Other non-current liabilities	*25*	57	57	-	-	29	16	12
Net derivative financial instruments	*31*	32	32	93	(34)	(26)	-	-
Trade and other payables	*28*	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

1) *Nominal currency value including interest.*

2) *Maturity of the term loans in the table reflects that loans were reclassified to current borrowings due to covenant breach in 2016. See note 24 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 31 | 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 30 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 Construction contracts 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, 2017, 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]
2017					
Assets					
Cash flow hedges	**12**	**12**	12	-	-
Embedded derivatives in ordinary commercial contracts	**29**	**29**	6	23	-
Not hedge accounted	**19**	**19**	19	-	-
Fair value adjustments to hedged assets [3]	**35**	**35**	35	-	-
Total forward foreign exchange contracts, assets	**94**	**94**	**71**	**23**	**-**
Liabilities					
Cash flow hedges	**(7)**	**(7)**	(7)	-	-
Not hedge accounted	**(20)**	**(20)**	(17)	(3)	-
Fair value adjustments to hedged liabilities [3]	**6**	**6**	6	-	-
Total forward foreign exchange contracts, liabilities	**(20)**	**(20)**	**(17)**	**(3)**	**-**
2016					
Assets					
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
Liabilities					
Cash flow hedges	(127)	(127)	(123)	(2)	(2)
Not hedge accounted	(8)	(8)	(8)	-	-
Fair value adjustments to hedged liabilities [3]	(166)	(166)	(167)	1	-
Total forward foreign exchange contracts, liabilities	(301)	(301)	(298)	(1)	(2)

[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 2 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. A significant portion of the exposure to foreign exchange variations in future cash flows are have 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)

Amounts in NOK million	**2017**	2016
Fair value of all hedging instruments	**5**	(67)
Recognized in profit and loss	**2**	5
Deferred in equity (the hedge reserve)	**3**	(72)

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 2 million (NOK 5 million in 2016) 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 NOK 3 million (negative NOK 72 million in 2016) that are currently recorded directly in the hedging reserve, will be reclassified to income statement over the next years.

Note 32 | 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.

Amounts in NOK million	*Note*	Book value	Financial instruments measured at fair value	Level in fair value hierarchy
2017				
Loans and receivables				
Cash and cash equivalents	*22*	168		
Trade and other receivables	*21*	1 457		
Non-current interest-bearing receivables		1		
Available for sale				
Other investments [1]	*18*	536	536	Level 3
Mutual fund		12	12	Level 1
Fair value – hedging instruments				
Derivative financial instruments	*31*	94	94	Level 2
Fair value through P&L				
Deferred and contingent considerations	*17*	99	99	Level 3
Financial assets		**2 368**	**741**	
Other financial liabilities				
Credit facilities and other non-current borrowings [2]	*24*	(2 133)	(2 138)	Level 2
Current borrowings [2]	*24*	(399)	(399)	Level 2
Other non-current liabilities	*25*	(87)		
Trade and other payables	*28*	(573)		
Fair value – hedging instruments				
Derivative financial instruments	*31*	(20)	(20)	Level 2
Fair value through P&L				
Deferred settlement obligations	*25, 28*	(84)	(84)	Level 3
Financial liabilities		**(3 296)**	**(2 641)**	

Amounts in NOK million	*Note*	Book value	Financial instruments measured at fair value	Level in fair value hierarchy
2016				
Loans and receivables				
Cash and cash equivalents	*22*	487		
Current interest-bearing receivables		15		
Trade and other receivables	*21*	1 989		
Non-current interest-bearing receivables		51		
Available for sale				
Other investments – equity securities [1]	*18*	121	121	Level 3
Fair value – hedging instruments				
Derivative financial instruments	*31*	269	269	Level 2
Fair value through P&L				
Deferred and contingent consideration	*17*	103	103	Level 3
Financial assets		3 034	493	
Other financial liabilities				
Non-current borrowings [2]	*24*	(1 494)	(1 494)	Level 2
Credit facility and other current borrowings [2]	*24*	(1 560)	(1 567)	Level 2
Other non-current liabilities	*25*	(48)		
Trade and other payables	*28*	(1 009)		
Fair value – hedging instruments				
Derivative financial instruments	*31*	(301)	(301)	Level 2
Fair value through P&L				
Deferred settlement obligations	*25, 28*	(116)	(116)	Level 3
Financial liabilities		(4 528)	(3 378)	

[1] *Investments in level 3 in the hierarchy relate to equity securities and debt securities with no active market. These investments are measured at the best estimate of fair value. All available for sale investments are designated as such upon initial recognition.*

[2] *For credit facilities and other 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 financial assets and financial liabilities

Amounts in NOK million	Assets	Liabilities
Balance as of January 1, 2016	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)**
Additions	**411**	**(30)**
Settlements	**-**	**60**
Net gain (loss) in the income statement [1]	**9**	**-**
Fair value through OCI	**6**	
Currency translation difference	**(14)**	**2**
Balance as of December 31, 2017	**634**	**(84)**

[1] *Negative NOK 50 million in discontinued operations and NOK 59 million in financial items.*

Other investment

Investments in NES Global Talent (as part of Other investments) are classified as available-for-sale financial assets measured at fair value. The valuation model considers the present value of the expected cash flows from the ultimate disposal of the investments weighted with different probabilities. The expected disposal value is determined by forecast EBITDA at the time of disposal and market multiples, adjusted by forecast net debt of the investee. The estimated fair value would increase (decrease) if:

- The forecast EBITDA were higher (lower);
- The market multiples applied were higher (lower); or
- The net debt of the investees at the date of disposal were lower (higher).

Contingent considerations and deferred settlement obligations

These assets and liabilities relate to contingent considerations and obligations 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 33 | Operating leases

Group as lessee

Future minimum commitments under non-cancellable operating leases

Amounts in NOK million	**2017**	2016
Due within one year	**516**	568
Due in one to five years	**892**	1 287
Due in more than five years	**324**	443
Total	**1 732**	2 298

Minimum sublease income to be received in the future amounts to NOK 6 million (NOK 26 million in 2016) and relates mainly to sublease of office buildings.

Lease and sublease payments recognized in the income statement

Amounts in NOK million	**2017**	2016 Restated
Minimum lease payments	**493**	522
Sublease income	**(9)**	(9)
Total	**483**	514

The group has operating lease costs for buildings on a large number of locations worldwide. The leases typically run for a period of 3-10 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 Offshore 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	**2017**	2016
Due within one year	**902**	726
Due in one to five years	**3 862**	4 223
Due in more than five years	**36**	581
Total	**4 801**	5 530

Lease income recognized in the income statement

Operating lease income relates mainly to the vessels Skandi Santos and Aker Wayfarer, offices leases and the rental business in Step Oiltools. Operating lease income of NOK 747 million is recognized in the income statement in 2017 (NOK 691 million in 2016).

Note 34 | Group companies

This note gives an overview of subsidiaries of Akastor ASA. For information about other investments in the group, refer to note 16 Equity-accounted investees and note 18 Other investments. If not stated otherwise, ownership equals share of voting rights.

Group companies as of December 31

			Ownership (%)	
Company	**Location**	**Country**	**2017**	**2016**
Akastor ASA	Fornebu	Norway		
MHWirth				
MHWirth Pty Ltd	Argenton	Australia	100	100
MHWirth do Brasil Equipamentos Ltda [1)]	Rio de Janeiro	Brazil	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 1 AS [1)]	Kristiansand	Norway	100	-
MHWirth Singapore Engineering Management Pte Ltd	Singapore	Singapore	100	100
MHWirth (Singapore) Pte Ltd	Singapore	Singapore	100	100
MHWirth UK Ltd	Aberdeen	UK	100	100
MHWirth Inc	Houston	USA	100	100
MHWirth FZE	Dubai	UAE	100	100
MHWirth Gas & Oil- Field Equipment & Services LLC	Abu Dhabi	UAE	100	49
AKOFS Offshore				
AK Operações do Brasil Ltda	Rio de Janeiro	Brazil	100	100
AKOFS Brazil Operations AS [1)]	Oslo	Norway	100	-
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 Angola Limited	Luanda	Angola	100	100
Step Oiltools [2)]				
Step Oiltools (Australia) Pty Ltd	Perth	Australia	76	76
Step Oiltools Limited [3)]	Grand Cayman	Cayman Islands	-	76
Step Oiltools GmbH	Bad Fallingbostel	Germany	76	76
PT Step Oiltools	Jakarta	Indonesia	76	76
Step Oiltools LLP	Aktau	Kazakhstan	76	76
Step Oiltools (M) Sdn Bhd	Kuala Lumpur	Malaysia	76	76
Step Oiltools (Myanmar) Ltd	Yangon	Myanmar	76	76
Step Oiltools BV	Amsterdam	Netherlands	76	76
Step Oiltools AS	Stavanger	Norway	76	76
Step Oiltools Services LLC	Muscat	Oman	51	51
Step Oiltools LLC	Moscow	Russia	76	76
Step Oiltools Pte Ltd	Singapore	Singapore	76	76
Step Oiltools (Thailand) Ltd	Bangkok	Thailand	76	76

Company	Location	Country	Ownership (%) 2017	2016
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
Aker Cool Sorption (Beijing) Technology Co Ltd	Beijing	China	100	100
Frontica Global Employment Ltd	Limassol	Cyprus	100	100
Cool Sorption A/S	Glostrup	Denmark	100	100
Akastor Mauritius Ltd [3]	Port Louis	Mauritius	-	100
Zoetermeer Process BV	Zoetermeer	Netherlands	100	100
Well Systems Servicing Ltd [4]	Ikoyi - Lagos	Nigeria	100	100
AKA SPH AS [1]	Fornebu	Norway	100	-
Akastor AS	Fornebu	Norway	100	100
Akastor Real Estate AS	Fornebu	Norway	100	100
BTA Technology AS	Fornebu	Norway	100	100
First Geo AS	Stavanger	Norway	100	100
Fjords Processing AS	Fornebu	Norway	100	100
Frontica Group AS	Fornebu	Norway	100	100
KOP Surface Products Singapore Pte Ltd	Singapore	Singapore	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 Wilfab Inc	Williamsport	USA	100	100
Disposed Entities [5]				
Frontica Advantage Pty Ltd	Melbourne	Australia	-	100
Frontica Advantage AS	Bergen	Norway	-	100
Frontica Advantage Group AS	Fornebu	Norway	-	100
Frontica Advantage Ltd	London	UK	-	100
Frontica DC Trustees Ltd	London	UK	-	100
Frontica Advantage Inc	Houston	USA	-	100
PT KOP Surface Products	Jakarta	Indonesia	-	100
KOP Surface Products Sdn Bhd	Kuala Lumpur	Malaysia	-	100
KOP Surface Products (Services) Pte Ltd	Singapore	Singapore	-	100
KOP Surface Products (Services) UK Ltd	Aberdeen	UK	-	100

[1] *New companies in 2017*

[2] *No non-controlling interest is recognized due to applying the anticipated acquisition method.*

[3] *Liquidated in 2017*

[4] *Changed name from KOP Surface Products Nigeria Ltd*

[5] *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 to Akastor have been based on arm's length terms.

Akastor ASA is a parent company with control of around 60 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 and associates are consolidated using the equity method, see note 16 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 37 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 through TRG Holding AS and The Resource Group TRG AS. Aker ASA also holds 8.5 percent of the shares in Akastor ASA directly. All subsidiaries and associates of Aker ASA, including Kvaerner, Aker Solutions and Aker BP, are considered related parties to Akastor, referred as "Aker entities" in the table below. The entities controlled directly by Kjell Inge Røkke through TRG Holding AS and The Resource Group TRG AS, are referred as "Related parties to Aker ASA".

Summary of transactions and balances with significant related parties

	2017			2016		
Amounts in NOK million	**Aker entities**	**Joint ventures and associates**	**Total**	Aker entities	Joint ventures	Total
Income statement						
Operating revenues	**137**	**3**	**140**	219	-	219
Other income	**-**	**-**	**-**	-	172	172
Operating costs	**(55)**	**(241)**	**(295)**	(41)	-	(41)
Net financial items	**(265)**	**2**	**(262)**	(292)	7	(285)
Included in Net profit from discontinued operations [1]						
– Operating revenues	**3**	**-**	**3**	2 495	-	2 495
– Operating costs	**(1)**	**-**	**(1)**	(22)	-	(22)
Assets (liabilities)						
Trade receivables	**29**	**1**	**29**	29	-	29
Prepaid expenses	**-**	**21**	**21**	-	-	-
Interest-bearing receivables	**-**	**-**	**-**	-	50	50
PPE under finance lease (Aker Wayfarer)	**1 448**	**-**	**1 448**	1 618	-	1 618
Assets held for sale	**-**	**-**	**-**	6		6
Trade payables	**(45)**	**-**	**(45)**	(16)	-	(16)
Finance lease liability (Aker Wayfarer)	**(1 494)**	**-**	**(1 494)**	(1 622)	-	(1 622)
Liabilities held for sale	**-**		**-**	(1)	-	(1)

[1] *See note 5 for information about discontinued operations.*

Below are descriptions of significant related party agreements.

Related party transactions with Aker entities

Aker Solutions

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

- Various lease agreements from Akastor Real Estate AS and other Akastor companies to subsidiaries of Aker Solutions.
- 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 of Aker Solutions in 2014. Aker Solutions is liable to indemnity Akastor for any rightful claim such parent company guarantees and to pay a guarantee commission to Akastor.
- Several of the agreements addressing various separation issues between Akastor and Aker Solutions are still valid after the demerger in 2014, including secondary joint liability for obligations existing in Aker Solutions at the time of the demerger, yet limited in amount to the net value allocated to Akastor 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 expired as of December 31, 2017 (NOK 5.5 billion in 2016).

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, 2017 amounts to NOK 1 494 million, of which NOK 326 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 1 448 million as of December 31, 2017.

Aker BP
In 2017, Akastor Real Estate AS entered into agreement to sublease offices in Stavanger, Norway, to Aker BP.

Agreements with related parties to Aker ASA
The Resource Group TRG AS (previously Aker Maritime Finance AS)
MHWirth AS, a wholly owned subsidiary of Akastor, entered into long-term lease agreements in 2015 with subsidiaries of previously Aker Maritime Finance AS, for properties in Kristiansand in Norway. Aker Maritime Finance AS was merged with The Resource Group TRG AS in 2017. 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 The Resource Group TRG AS sponsoring the US pension plan named the Kvaerner Consolidated Retirement Plan. Akastor holds one third of the liability of the sponsors for the underfunded element of the plan and The Resource Group TRG AS holds two thirds of the ultimate liability. Aker ASA guarantees for The Resource Group TRG AS' liability and covers for all its expenses related to the pension plan.

Fornebuporten AS
Akastor leases its headquarter offices at Fornebu from Fornebuporten AS, an associated company of The Resource Group TRG AS. The contract term is 10 years starting August 31, 2015, with two additional five-year options.

Related party transactions with joint ventures and associates
DOF Deepwater AS
During 2017, the shareholder's loan to DOF Deepwater AS was increased by NOK 28 million and NOK 69 million of the loan was converted to the equity of the company. The ownership of the joint venture remains unchanged. As of December 31, 2017, the balance of the shareholder's loan from Akastor to DOF Deepwater AS is NOK 11 million (NIBOR 6 months+ 3.6 percent). The carrying amount of the receivable is reduced to zero due to recognition of Akastor's share of losses in 2017.

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 502 million as of December 31, 2017 (NOK 533 million in 2016).

Avium Subsea AS
AKOFS Offshore has a lease agreement with Avium Subsea AS for the Skandi Santos vessel corresponding to the remaining Skandi Santos contract duration between AKOFS Offshore and Petrobras.

In 2016, Avium Subsea AS acquired the Skandi Santos topside equipment from AKOFS Offshore, which resulted in an accounting gain of NOK 172 million, representing 50 percent of the total gain on sale.

Akastor AS has issued a financial parent company indemnity guarantee of NOK 713 million and a financial guarantee of NOK 28 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 128 million at the end of 2017 (NOK 120 million in 2016). Akastor's premium paid to Aker Pensjonskasse amounts to NOK 8 million in 2017 (NOK 13 million in 2016).

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 2017 was NOK 510 000 (NOK 510 000 in 2016).

Note 36 | Contingencies

In November 2017, the South Korea Branch of MHWirth AS received a Pre-assessment Notice from the Seoul Regional Tax Office (SRTO), claiming Valued Added Tax (VAT) of KRW 26 billion (approximately USD 24 million) including penalties and interests. The tax authorities have claimed that eight Derrick Equipment Packages delivered to the client outside Korea are subject to VAT in Korea. MHWirth AS disputes SRTO's position and has filed an application for review of the Pre-assessment Notice. It is the management's judgment, based on all available evidence as at the reporting date, that it is more likely than not that the final outcome will be in favour of MHWirth's position. Hence, no provision has been recognized.

Note 37 | Management remunerations

Board of directors

The board of directors did not receive any other fees than those listed in the table below, except for employee representatives who has 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 expenses recognized in the income statement based on assumptions about fees to be approved at the general assembly rather than actual payments made in the year.

	2017		2016	
Amounts in NOK	**Audit Committee**	**Board fees**	**Audit Committee**	**Board fees**
Frank O. Reite	**-**	**600 000**	-	600 000
Øyvind Eriksen	**-**	**340 000**	-	340 000
Lone Fønss Schrøder	**205 000**	**440 000**	205 000	440 000
Kathryn Baker	**115 000**	**340 000**	115 000	340 000
Sarah Ryan [1]	**-**	**432 536**	-	434 800
Stian Sjølund	**-**	**170 000**	-	21 250
Jannicke Sommer-Ekelund	**-**	**85 000**	-	170 000
Asbjørn Michailoff Pettersen	**57 500**	**85 000**	115 000	170 000
Henning Jensen	**57 500**	**85 000**	-	-
Asle Christian Halvorsen	**-**	**85 000**	-	-
Stig Faraas	**-**	**-**	-	63 750
Siv K. Hestad	**-**	**-**	-	85 000
Total	**435 000**	**2 662 536**	435 000	2 664 800

[1] *Board fees 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 Frank O. Reite and Øyvind Eriksen were paid to Aker ASA.

Audit Committee

Akastor has an audit committee comprising three of the directors, which held 6 meetings in 2017. As of December 31, 2017, the audit committee comprises Lone Fønss Schrøder (chairperson), Kathryn M. Baker and Henning Jensen.

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

As of December 31, 2017, the executive management of Akastor comprised the company's CEO Kristian Monsen Røkke, CFO Leif Borge, Investment Director Paal E. Johnsen and Investment Director Karl Erik Kjelstad. Effective from January 1, 2018, Karl Erik Kjelstad was appointed CEO of the company, succeeding Kristian Monsen Røkke as Mr. Røkke assumed the position as Chief Investment Officer of Aker ASA. The company practices standard employment contracts and standard terms and conditions regarding notice period and severance pay for the Akastor management. Karl Erik Kjelstad and Leif Borge both have a six months' notice period as part of their employment contracts, while Paal E. Johnsen has a three months' notice period.

The main purpose of the executive remuneration is to encourage a strong and sustainable performance-based culture, which supports growth in shareholder value. 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 [1]	Other benefits [2]	Total taxable remuneration	Pension benefit earned/ cost to company [3]
2017						
Kristian Monsen Røkke	CEO	3 715 309	2 669 856	9 625	6 394 790	88 280
Leif Borge	CFO	3 617 375	3 151 128	32 191	6 800 694	149 515
Karl Erik Kjelstad	Investment director	3 757 822	3 273 929	40 541	7 072 293	142 411
Paal E. Johnsen	Investment director	2 971 861	2 595 046	17 922	5 584 829	89 489
Total		**14 062 368**	**11 689 959**	**100 279**	**25 852 605**	**469 695**
2016						
Kristian Monsen Røkke	CEO	3 531 868	4 037 600	9 992	7 579 460	84 260
Leif 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

[1] *See below for further description of principles for performance based remuneration.*

[2] *Other benefits include insurance agreements, such as membership in the standard employee scheme and an additional executive group life and disability insurance.*

[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.*

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 statement.

Performance based remuneration

In addition to the fixed compensation set out above, the executive management (as well as other members of the corporate organization) 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, operational and strategic targets for Akastor
- Delivery of personal performance objectives during the year

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 2016 or 2017.

The CEO and CFO also participate in a long-term incentive bonus plan, under which the maximum bonus amount is capped at two times of annual salary. Payments under the bonus scheme are determined based on delivery of certain key strategic targets for the company and/or development of Akastor ASA's share price for a time period of four years.

Share purchase program for Akastor's executive management team

The company had no regular share purchase program in 2017. Should the board of directors decide to launch a share purchase program in 2018, the executive management will be invited to participate. Shares purchased under any such programs will be subject to a three year lock-up period during which the acquired shares may not be sold or otherwise disposed of.

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	2017	2016
Kristian Monsen Røkke	CEO	**200 000**	200 000
Leif Borge	CFO	**250 000**	250 000
Karl Erik Kjelstad	Investment Director	**123 074**	123 074
Paal E. Johnsen	Investment Director	**-**	-
Frank O. Reite	Chairman	**200 000**	200 000
Lone Fønss Schrøder	Deputy chairman	**4 400**	4 400
Kathryn Baker	Director	**45 683**	45 683
Sarah Ryan	Director	**5 000**	5 000
Jannicke Sommer-Ekelund	Director	**-**	839
Asbjørn Michailoff Pettersen	Director	**-**	3 050
Øyvind Eriksen	Director	**-**	-
Henning Jensen	Director	**-**	-
Asle Christian Halvorsen	Director	**-**	-
Stian Sjølund	Director	**-**	-

The overview includes only direct ownership of Akastor shares and does not include Frank O. Reite and Øyvind Eriksen's indirect ownership through ownership in Aker ASA.

04.b. FINANCIALS AND NOTES

AKASTOR ASA

Akastor ASA | Income statement
For the year ended December 31

Amounts in NOK million	*Note*	**2017**	2016
Operating revenue	*2*	**27**	15
Operating expenses	*2*	**(47)**	(64)
Operating profit (loss)		**(21)**	(49)
Net financial items	*3*	**726**	868
Profit (loss) before tax		**706**	819
Income tax benefit (expense)	*4*	**(42)**	(29)
Profit (loss) for the period		**664**	790
Profit (loss) for the period distributed as follows			
Other equity		**664**	790
Profit (loss) for the period		**664**	790

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

Amounts in NOK million	*Note*	**2017**	2016
Assets			
Deferred tax asset	*4*	**-**	4
Investments in group companies	*5*	**5 298**	5 396
Non-current interest-bearing receivables on group companies	*7*	**3 156**	2 951
Other non-current interest-bearing receivables		**2**	2
Total non-current assets		**8 456**	8 353
Current interest-bearing receivables on group companies	*7*	**81**	300
Other receivables on group companies	*7*	**800**	1 004
Derivative financial instruments	*10*	**76**	453
Other current receivables		**14**	-
Cash in cash pool system	*7*	**-**	135
Total current assets		**971**	1 892
Total assets		**9 427**	10 245
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		**531**	(133)
Total equity	*6*	**4 695**	4 031
Non-current borrowings, external	*8*	**824**	1 191
Deferred tax liability	*4*	**19**	-
Total non-current liabilities		**843**	1 191
Current borrowings, external	*8*	**2**	4
Current borrowings from group companies	*7*	**3 728**	4 499
Current tax liabilities	*4*	**18**	-
Other liabilities to group companies		**45**	61
Derivative financial instruments	*10*	**68**	430
Other current liabilities		**28**	29
Total current liabilities		**3 889**	5 023
Total liabilities		**4 733**	6 214
Total equity and liabilities		**9 427**	10 245

Fornebu, March 9, 2018 I 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

Henning Jensen | Director

Asle Christian Halvorsen | Director

Stian Sjølund | Director

Karl Erik Kjelstad | CEO

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

Amounts in NOK million	*Note*	**2017**	2016
Profit (loss) before tax		**706**	819
Adjustments for non-cash effects			
Impairment of receivables		**195**	356
Group contribution		**(800)**	(1 000)
Changes in other net operating assets		**-**	(262)
Net cash from operating activities		**101**	(88)
Payment related to increase in interest-bearing receivables		**-**	(114)
Net cash from investing activities		**-**	(114)
Proceeds from borrowings		**620**	421
Repayment of borrowings		**(901)**	(2 853)
Changes in borrowings from group companies		**(1 899)**	514
Changes in borrowings to group companies		**52**	1 986
Proceeds from employees share purchase program		**-**	2
Change in overdraft cash pool		**931**	-
Payment of group contribution		**1 000**	(42)
Net cash from financing activities		**(197)**	27
Effect of exchange rate changes on cash and cash deposits		**(40)**	115
Net increase (decrease) in cash and bank deposits		**(135)**	(60)
Cash in cash pool system at the beginning of the period		**135**	195
Cash in cash pool system at the end of the period [1)]	7	**-**	135

[1)] *Unused credit facilities amounted to NOK 1.4 billion as of December 31, 2017 (NOK 2.6 billion in 2016).*

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 23 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 25 million in income from parent company guarantees (NOK 12 million in 2016) and NOK 2 million in insurance commissions from group companies (NOK 3 million in 2016). Income from parent company guarantees includes NOK 12 million from external companies and related parties (NOK 1 million in 2016).

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

Amounts in NOK million	**2017**	2016
Audit	**3**	3
Total	**3**	3

No services other than audit services were provided in the period.

Note 3 | Net financial items

Amounts in NOK million	*Note*	**2017**	2016
Interest income from group companies		**223**	293
Interest expense to group companies		**(4)**	(8)
Net interest group companies		**219**	285
Interest income from related parties		**-**	7
Net interest related parties		**-**	7
Interest income		**12**	15
Interest expense		**(117)**	(237)
Net interest external		**(105)**	(221)
Income on investment in subsidiary (group contribution)		**800**	1 000
Impairment on receivables to group companies	7	**(98)**	(292)
Impairment of receivables on related parties		**-**	(64)
Impairment of shares		**(98)**	-
Other financial income		**-**	72
Other financial expense		**-**	(4)
Foreign exchange gain		**52**	214
Foreign exchange loss		**(43)**	(129)
Net other financial items		**612**	797
Net financial items		**726**	868

Note 4 | Tax

Amounts in NOK million	**2017**	2016
Calculation of taxable income		
Profit (loss) before tax	**706**	819
Impairment of internal loans and shares	**195**	292
Permanent differences	**(1)**	(3)
Changes in timing differences	**8**	(119)
Group contribution without tax effect	**(800)**	(1 000)
Generated (utilized) tax loss	**(107)**	-
Taxable income	**-**	(11)
Taxable (deductible) temporary differences		
Unrealized gain (loss) on forward exchange contracts	**8**	23
Other temporary differences	**(20)**	(27)
Tax loss carry-forward [1]	**96**	(11)
Basis for deferred tax	**84**	(15)
Tax rate	**23%**	24%
Deferred tax assets (liability)	**(19)**	4
Tax expense		
Origination and reversal of temporary differences in income statement	**(23)**	(27)
Withholding tax paid	**(19)**	(2)
Income tax benefit (expense)	**(42)**	(29)

[1] *In 2016, Akastor ASA claimed tax deduction for a loss of NOK 951 million related to internal loans to a former subsidiary. The deduction is currently being subject to inquiries from Norwegian Tax Authorities. Akastor ASA will not recognize a deferred tax asset for this tax loss until the inquiries have been concluded. In the tax calculation, it is assumed that taxable profit in 2017 is offset against parts of this tax loss. This results in a negative deferred tax position for tax loss carry-forwards in 2017.*

Note 5 | Investments in group companies

Amounts in NOK million	Registered office	Share capital	Number of shares held	Percentage owner- / voting share	**2017**	2016
Akastor AS	Fornebu, Norway	1 004	1	100.00%	**4 191**	4 191
AKOFS Offshore AS [1]	Oslo, Norway	733	27 129 519	55.49%	**1 107**	1 205
Total					**5 298**	5 396

[1] *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, 2016	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**
Profit (loss) for the period	-	-	-	-	664	664
Equity as of December 31, 2017	**162**	**(2)**	**2 000**	**2 003**	**531**	**4 695**

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 12 Shareholders.

The number of treasury shares held by the end of 2017 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

Amounts in NOK million	**2017**	2016
Group companies deposits in the cash pool system	**3 653**	2 702
Group companies borrowings in the cash pool system	**(31)**	(13)
Akastor ASA's net borrowings in the cash pool system	**(3 622)**	(2 554)
Cash in cash pool system	**-**	135
Current interest-bearing receivables on group companies	**81**	300
Non-current interest-bearing receivables on group companies	**3 156**	2 951
Current borrowings from group companies	**(3 728)**	(4 499)
Net interest-bearing receivables on group companies	**(491)**	(1 248)
Group contribution receivable	**800**	1000
Other receivables on group companies	**-**	4
Total other receivables on group companies	**800**	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 2017, an impairment of NOK 98 million (NOK 292 billion in 2016) is recognized related to interest-bearing receivables on group companies. The impairment is mainly related to receivables on Step Oiltools.

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. 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. Hence, a debit balance represents a claim on Akastor ASA and a credit balance a borrowing from Akastor ASA.

The cash pool systems were showing a net cash balance of NOK 0 million as of December 31, 2017 (NOK 135 million in 2016). 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 | Borrowings

Amounts in million	Currency	Nominal currency value	Carrying amount (NOK)	Interest rate	Interest margin	Interest coupon	Maturity	Interest terms
2017								
Revolving credit facility (NOK 1 005 million)	NOK	350	**348**	0.76%	2.25%	3.01%	July 2019 [2]	NIBOR + margin [1]
Revolving credit facility (USD 147 million)	USD	58	**478**	1.49%	2.25%	3.74%	July 2019 [2]	USD LIBOR + margin [1]
Total borrowings			**826**					
Current borrowings			**2**					
Non-current borrowings			**824**					
Total			**826**					
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					

[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.*

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, a minimum consolidated EBITDA, 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.

- The company's minimum consolidated EBITDA shall not be lower than NOK 225 million in Q4 2017, NOK 325 million in Q1 2018 and NOK 425 in Q2 2018. 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 ICR shall not be lower than 4.0 from Q3 2018 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 net total borrowings to the consolidated equity.
- Minimum liquidity amount shall exceed NOK 500 million on consolidated level.

The covenants are monitored on a regular basis by the Akastor Treasury department to ensure compliance with the loan agreements, and are tested and reported on a quarterly basis. Akastor was not in breach with any covenants as of December 31, 2017, and on the basis of the covenants and its forecasts, management believes that the risk of covenant being breached is low and that the group will continue as a going concern for the foreseeable future. See more information in note 29 Capital management in the Akastor Group consolidated accounts.

Financial liabilities and the period in which they mature

Amounts in NOK million	Carrying amount	Total undiscounted cash flow [1]	6 months and less	6–12 months	1–2 years	2–5 years [2]
2017						
Revolving credit facility (NOK 1 005 million)	**348**	**365**	7	5	353	-
Revolving credit facility (USD 147 million)	**478**	**505**	9	9	487	-
Total borrowings	**826**	**870**	**16**	**14**	**840**	**-**
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

[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 9 | 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):

Amounts in NOK million	**2017**	2016
Parent Company Guarantees to group companies [1]	**3 940**	13 719
Guarantees on behalf of Kværner companies	**-**	5 455
Counter guarantees for bank/surety bonds [2]	**973**	2 425
Guarantees on behalf of companies sold [3]	**-**	501
Total guarantee liabilities	**4 913**	22 100
Maturity of guarantee liabilities:		
6 months and less	**244**	6 596
6–12 months	**52**	2 534
1–2 years	**403**	6 543
2–5 years	**428**	2 216
5 years and more	**3 786**	4 211

[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; within Cognizant Oil and Gas Consulting Services group (former Frontica Business Solutions group) 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 10 | Financial risk management and financial instruments

Akastor ASA has entered into forward exchange contracts with subsidiaries in 2017. Large contracts are hedged back-to-back with external banks, while minor contracts are hedged based on internal matching principles. All instruments are measured at fair value as of December 31.

	2017		2016	
Amounts in NOK million	**Assets**	**Liabilities**	Assets	Liabilities
Forward exchange contracts with group companies	**57**	**(20)**	367	(139)
Forward exchange contracts with external counterparts	**19**	**(48)**	86	(291)
Total	**76**	**(68)**	453	(430)

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 98 million was impaired in 2017 (NOK 292 million in 2016), 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 is 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 11 | 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
Guarantees	Note 9
Foreign exchange contracts	Note 10

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.

All transactions with related parties are carried out at market terms and in accordance with the arm's lengths principle.

Note 12 | Shareholders

Shareholders with more than 1 percent shareholding

Company	*Note*	**Nominee**	**Number of shares held**	**Ownership**
2017				
Aker Kværner Holding AS			110 333 615	40.27%
Goldman Sachs & Co		Nominee	44 283 961	16.16%
Aker ASA			23 331 762	8.52%
Morgan Stanley & Co. LLC		Nominee	12 000 000	4.38%
Euroclear Bank S.A./N.V.('BA')		Nominee	11 685 711	4.26%
Jefferies LLC SP. RES. A/C FBO CUS		Nominee	9 693 000	3.54%
ODIN Norge			7 840 060	2.86%
Skandinaviska Enskil SEB STO, SFMA1			3 227 697	1.18%
Akastor ASA	*6*		2 776 376	1.01%

Company	*Note*	**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			9 930 418	3.62%
ODIN Norge		Nominee	7 840 060	2.86%
Credit Suisse Securities (USA) LLC		Nominee	3 638 779	1.33%
Akastor ASA	*6*		2 776 376	1.01%

05. AUDITOR'S REPORT

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To the Annual Shareholders' Meeting of Akastor ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Akastor ASA. The financial statements comprise:

- The financial statements of the parent company Akastor ASA (the "Company"), which comprise the statement of financial position as at 31 December 2017, and the income statement and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Akastor ASA and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway ("NGAAP").
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Auditor's Report - 2017
Akastor ASA

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 32 Financial instruments, and the Board of Directors report.

The key audit matter	*How the matter was addressed in our audit*
The profit after tax recognised during the year from discontinued operations is NOK 1 049 million. Included in this amount are gains on sale from the disposals of Frontica Advantage in January 2017 and KOP Surface Products in July 2017. 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 Frontica Advantage disposal involved significant judgment and applied valuation techniques in relation to determination of the consideration. 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. IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* required the operations 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. In Q4 2017 the Group announced the status of discussions regarding the disposal of a major line of business, AKOFS Offshore. There is judgement involved in the assessment of the held for sale classification, including whether the status of the potential transaction meets the criteria to be disclosed as a disposal group and if the sale is considered highly probable as at 31 December 2017.	Our audit procedures in this area included, among others: • We read the sale and purchase agreements for the transactions and analysed the rights and obligations of the Group in the transactions; • 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 fair value of the considerations received, particularly the valuation of deferred consideration relating to revenue forecasts of the buyer; • 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 assessed the reasonableness of management's judgement regarding the held for sale classification and assessed the status of the planned disposal at 31 December 2017 against the criteria set out in IFRS 5, specifically the assessment of the sale being highly probable or not; • 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. 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.

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2. 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 13 Property, plant and equipment, Note 14 Intangible assets, Note 15 Impairment testing of goodwill, and the Board of Directors Report.

The key audit matter	*How the matter was addressed in our audit*
The impairment assessment of property, plant and equipment and other intangible assets, with carrying values of NOK 4 419 million and NOK 183 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 the judgmental nature of the recoverable amount. 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. For the AKOFS Offshore Seafarer vessel which is not on contract, assumptions are made regarding variations in day rates and utilization as well as probabilities of different scenarios based on market conditions at the reporting date, which requires a high degree of judgement. The Group has recognised impairment charges in respect of items of property, plant and equipment and other intangible assets during the year of NOK 118 million.	Our audit procedures in this area included, among others: • 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 as well as assumptions used in the impairment test in relation to forecast vessel-specific day rates, cash flow growth rates and revenue forecasts, and the timing of the cash flows; • 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. 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.

3. Construction contract accounting estimates

Reference is made to Note 3 Significant accounting policies, Note 4 Significant accounting estimates and judgements, and Note 19 Construction contracts

The key audit matter	*How the matter was addressed in our audit*
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	Our audit procedures in this area included, among others: • We analysed preliminary rulings or other relevant pronouncements for items in arbitration and historical outcomes of negotiations with customers and other proceedings;

customers. 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. As such, these contract accounting estimates also require significant attention during the audit and are subject to a high degree of auditor judgment.	• 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 a selection of correspondence between the Group and the customer and the Group's legal advisors; and • We considered events subsequent to reporting date and challenged management on their impact to the estimates made at year-end. From the audit evidence obtained, we consider construction contract accounting estimates to be consistent with the requirements under the relevant accounting standards.

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 in accordance with law and regulations, including 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 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 and the Group'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 and the Group 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 to 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.

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Akastor ASA

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 statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss 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 *(ISAE) 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, 14 March 2018
KPMG AS

Vegard Tangerud
State Authorised Public Accountant

06. ALTERNATIVE PERFORMANCE MEASURES

Akastor discloses alternative performance measures as a supplement to the consolidated financial statements prepared in accordance with IFRS. Such performance measures are used to provide an enhanced insight into the operating performance, financing abilities and future prospects of the group. These measures are calculated in a consistent and transparent manner and are intended to provide enhanced comparability of the performance from period to period. It is Akastor's experience that these measures are frequently used by securities analysts, investors and other interested parties.

The definitions of these measures are as follows:

EBITDA – earnings before interest, tax, depreciation and amortization, corresponding to "Operating profit before depreciation, amortization and impairment" in the consolidated income statement.

EBIT – earnings before interest and tax, corresponding to "Operating profit (loss)" in the consolidated income statement.

Capex and R&D capitalization – a measure of expenditure on PPE or intangible assets that qualify for capitalization.

Net current operating assets (NCOA) – a measure of working capital. It is calculated by current operating assets minus current operating liabilities, excluding financial assets or financial liabilities related to hedging activities.

Net capital employed - a measure 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 – a measure of investment leverage, calculated as total equity divided by total assets at the reporting date.

Liquidity reserve – comprises cash and cash equivalents and undrawn committed credit facilities.

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)

Amounts in NOK million	**2017**	2016
Current tax assets	**21**	65
Inventories	**569**	1 086
Trade and other receivables	**2 263**	2 829
Current operating assets	**2 853**	3 980
Current tax liabilities	**(23)**	(63)
Provisions, current	**(293)**	(354)
Trade and other payables	**(1 493)**	(2 492)
Current operating liabilities	**(1 809)**	(2 909)
Adjusted by NCOA related to discontinued operations	**-**	(117)
Net current operating assets (NCOA) (continuing operations)	**1 043**	954

Net capital employed (NCE)

Amounts in NOK million	**2017**	2016
Total non-current assets	**7 163**	7 897
Net current operating assets (NCOA)	**1 043**	954
Other current assets	**51**	-
Non-current interest-bearing receivables	**(1)**	(51)
Deferred tax liabilities	**(10)**	(15)
Employee benefit obligations	**(349)**	(380)
Other non-current liabilities	**(110)**	(112)
Non-current provisions	**(221)**	(333)
Adjusted by NCE related to discontinued operations	**-**	(278)
Net capital employed (NCE) (continuing operations)	**7 566**	**7 682**

Gross debt/Net debt/NIBD

Amounts in NOK million	**2017**	2016
Non-current borrowings	**2 133**	1 494
Current borrowings	**399**	1 560
Gross debt	**2 533**	3 054
Less:		
Cash and cash equivalents	**168**	487
Net debt	**2 364**	2 567
Less:		
Non-current interest-bearing receivables	**1**	51
Current interest-bearing receivables	**-**	15
Net interest-bearing debt (NIBD)	**2 363**	2 501

Equity ratio

Amounts in NOK million	**2017**	2016
Total equity	**5 277**	5 580
Divided by Total assets	**10 328**	12 861
Equity ratio	**51%**	43%

Liquidity reserve

Amounts in NOK million	**2017**	2016
Cash and cash equivalents	**168**	487
Undrawn committed credit facilities	**1 400**	2 600
Liquidity reserve	**1 568**	3 087

07. 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. Mr. Reite also has experience from banking and served as Operating Director at Paine & Partners, a New York-based private equity firm. Mr. Reite has different board positions within Aker and is currently chairman of Ocean Yield ASA and Akastor ASA.

As of December 31, 2017, Mr. Reite holds 200 000 shares in Akastor ASA and 64 781 shares in Aker ASA, and has no stock options. Mr. Reite is a Norwegian citizen and has been elected for the period 2017–2019.

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 Executive Director of Geely Financials Denmark, Director and Chairperson for the audit committee at Volvo Cars and Valmet Oy, and Director of Ikea Group. Ms. Fønss Schrøder has a fintech portfolio of her own.

Ms. Fønss Schrøder has a law degree from the University of Copenhagen and of economics from Copenhagen Business School. As of December 31, 2017, she holds 4 400 shares in the company and has 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 December 31, 2017, Mr. Eriksen holds no shares or stock options in Akastor directly; he has an ownership interest through his holding of 219 027 shares in Aker ASA. He also holds, through a privately owned company, 0.2 percent of the B-shares 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 over 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 the risk and investment committees. Other current board positions include Chairman of Catena Media Plc and Navamedic ASA, and board member of Sevan Marine and DOF. Ms. Baker also serves on the European Advisory Board of the Tuck School of Business 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 & 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

Dr. Sarah Ryan has 30 years of experience in the global oil&gas and oilfield services industries. She currently serves as Non-Executive Director of Woodside Petroleum, where she is also a member of the audit and risk and sustainability committees. Other current board positions include Central Petroleum and Kinetic Energy Services, and previous board positions include Aker Solutions and Vautron. Dr Ryan also serves as chair of the Advisory Board of Unearthed Solutions and is a Fellow of the Australian Academy of Technological Sciences and Engineering.

Dr. Ryan was energy advisor, Investment director and equity analyst at Earnest Partners, a US-based investment management firm. Prior to that, she 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, 2017, 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.

Henning Jensen | Director

Henning Jensen currently works as a specialist engineer in project control department at MHWirth AS. Mr. Jensen joined MHWirth in 2005. He has since then held various positions in the company.

Mr. Jensen holds a bachelor degree in Marine Technology and a Master in Industrial Economy and Technology from Agder University College in Grimstad.

As of December 31, 2017, Mr. Jensen holds no shares or stock options in the company. Mr. Jensen is a Norwegian citizen and has been elected for the period 2017–2019.

Asle Christian Halvorsen | Director

Asle Christian Halvorsen currently works as Senior Engineer in Mud Products dept at MHWirth AS. He began his career with the Aker group in 2011 when he joined STEP Offshore. Mr. Halvorsen holds a BS c in mechanical engineering from Sør-Trøndelag University College. As of December 31, 2017, he holds no shares or stock options in the company.

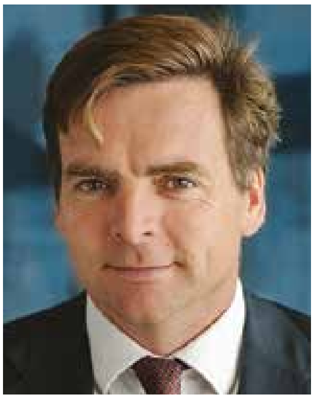
Mr. Halvorsen is a Norwegian citizen. He has been elected for the period 2017–2019.

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, 2017, Mr. Sjølund holds no shares or stock options in the company. Mr. Sjølund is a Norwegian citizen and has been elected for the period 2017–2019.

08. MANAGEMENT



Karl Erik Kjelstad | Chief Executive Officer

Karl Erik Kjelstad joined the Aker group in 1998 and has held various CEO and executive positions throughout the Aker group, including EVP of Aker Solutions, Aker ASA and CEO of Aker Yards. Mr. Kjelstad holds an MSc in marine engineering from the Norwegian University of Science and Technology (NTNU) and an AMP from Harvard Business School. As of December 31, 2017, he holds, through a privately-owned company, 123 074 shares in the company and had no stock options. Mr. Kjelstad is a Norwegian citizen.

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, 2017, Mr. Borge holds, directly and through a privately owned company, 250 000 shares in the company, and had no stock options.

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 December 31, 2017, he holds no shares in the company and had no stock options. Mr. Johnsen is a Norwegian citizen.

09. 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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