Q2

AKASTOR

SECOND QUARTER AND
HALF YEAR RESULTS 2018

HIGHLIGHTS

- Revenue of NOK 873 million with growth of 25 percent from previous year (revenue of NOK 1 153 million inclusive AKOFS Offshore)
- EBITDA from continuing operations of NOK 78 million (EBITDA of NOK 193 million inclusive AKOFS Offshore)
- Order intake of NOK 4.6 billion
- Signed definitive agreements to form joint venture of AKOFS Offshore with Mitsui & Co., Ltd. and Mitsui O.S.K. Lines, Ltd.
- AKOFS Offshore entered into 5 years contract with Equinor for the AKOFS Seafarer vessel
- Invested USD 75 million preferred equity in Odfjell Drilling

KEY FIGURES

Akastor Group

NOK million	Q2 18	Q2 17	2018	2017
Operating revenue and Other income *)	873	697	1 754	1 461
EBITDA *)	78	(7)	141	19
EBIT *)	31	(101)	47	(143)
CAPEX and R&D capitalization	8	15	25	30
NCOA	834	1 228	834	1 228
Net capital employed	7 461	8 250	7 461	8 250
Order intake	4 570	746	5 612	1 389
Order backlog	9 540	7 112	9 540	7 112
Net bank debt	1 307	1 691	1 307	1 691
Employees	1 970	2 067	1 970	2 067

**) Includes continuing operations only. Following agreements to divest Akastor's 50 percent ownership in AKOFS Offshore, this portfolio company is classified as discontinued operations and held for sale in the consolidated accounts, except for the existing joint venture Avium Subsea AS (EBITDA of NOK 8 million in Q2 2018).*

Portfolio Companies Q2 18

NOK million	MHWirth	AKOFS Offshore*)	Other Holdings
Operating revenue and Other income	681	289	197
EBITDA	68	123	2
Order backlog	2 504	6 633	404
Employees	1 412	186	372

**) AKOFS Offshore is classified as discontinued operations in the consolidated accounts (except for the existing joint venture Avium Subsea AS), following agreements to divest Akastor's 50 percent ownership. Revenues and EBITDA from portfolio companies will therefore not add up to Revenues and EBITDA from continuing operations. Please refer to note 5 Discontinued operations and note 6 Operating segments for more information.*

01. PERFORMANCE SUMMARY Q2 2018

- Total revenues from continuing operations were NOK 873 million, compared to revenues of NOK 697 million in the same quarter previous year.
- EBITDA from continuing operations was NOK 78 million compared to negative EBITDA of NOK 7 million in the same quarter last year. EBITDA from AKOFS Offshore was NOK 123 million in the quarter, of which NOK 115 million presented as discontinued operations.
- Working capital reduced by NOK 91 million to NOK 834 million in the quarter.
- Net bank debt increased by NOK 477 million to NOK 1 307 million in the quarter, mainly due to investment of USD 75 million of preference shares in Odfjell Drilling.
- Order intake in the quarter was NOK 4.6 billion, including MHWirth drilling equipment contract with Keppel FELS and AKOFS Offshore contract with Equinor.
- Order backlog was NOK 9.5 billion at the end of the quarter.
- An impairment of NOK 322 million was made on the AKOFS Seafarer vessel (discontinued operations) as a consequence of the long term contract with Equinor.

02. PORTFOLIO COMPANIES

MHWIRTH

MHWirth reported revenues of NOK 681 million in the second quarter, up 24 percent from second quarter 2017. Revenues for the first half year were NOK 1 412 million, an increase of 20 percent from 2017.

EBITDA was NOK 68 million in the quarter, giving an EBITDA margin of 10 percent, compared with NOK 0 million (including restructuring costs of NOK 52 million) in the second quarter 2017. For the first six months of the year, EBITDA ended at NOK 137 million, compared with NOK 55 million in 2017.

The working capital level (NCOA) of MHWirth decreased by NOK 111 million during the quarter to NOK 671 million, mainly due to customer payments on projects.

Order intake in the second quarter was NOK 1 466 million, while for the first six months of the year order intake was NOK 2 191 million. The most significant contract in the quarter was the contract with Keppel FELS for delivery of one drilling equipment package for a new semisubmersible drilling rig for harsh environment, with options for further three packages. The end client is Awilco Drilling and contract value is approximately USD 100 million.

The drilling market remains challenging with low utilization and many idle drilling rigs, impacting the rig rates negatively. However, there are some positive development in certain niches such as the market for harsh environment rigs in the North Sea.

As per Q2 2018, MHWirth had 1 412 employees.

AKOFS Offshore

AKOFS Offshore reported revenues of NOK 289 million in the second quarter, compared with NOK 187 million in the second quarter 2017. EBITDA was NOK 123 million in the quarter, with a margin of 43 percent.

Skandi Santos operated at near full utilization during the quarter, following a somewhat weak first quarter. The vessel will be out of operation a few days in July for ordinary maintenance work.

Aker Wayfarer commenced operations on January 1, 2018 for the 5+5 year contract with Petrobras in Brazil. The vessel had nearly full utilization in the second quarter, conducting numerous operations including installation of subsea manifolds, installation, removal and inspection of x-mas trees, and subsea/platform support operations.

AKOFS Seafarer remained idle during the quarter. In June, AKOFS Offshore signed a contract with Equinor for provision of year round light well intervention services on the Norwegian continental shelf for a period of five years, with an option for further three years. The contract value for the first five years amounts to approximately USD 370 million. The work will be performed by AKOFS Seafarer with a scheduled commencement in the first half of 2020. As a consequence of the contract, the vessel and the workover system will be upgraded in order to be able to operate on the Norwegian continental shelf and perform riser-less well intervention services. This includes modification of the vessel, modification of the work over system, 5 years classing of the vessel and mobilization cost.

The cash flow forecast from the AKOFS Seafarer vessel has been reassessed as a result of the long term contract with Equinor. As a consequence, an impairment of NOK 322 million was made in the second quarter.

The order backlog, including the order intake from the new contract, ended at NOK 6.6 billion. The company had 186 employees at the end of the quarter.

In June, Akastor signed a Share Purchase Agreement with Mitsui & Co., Ltd.("Mitsui") and Mitsui O.S.K. Lines, Ltd. ("MOL") for transfer of 50 percent of the shares in AKOFS Offshore in order to form a joint venture ownership. The initial cash release at the time of transfer of Akastor's shareholding will be USD 142.5 million plus 4 percent interest during 2018 until closing, and closing of the transaction is expected to take place in the third quarter 2018.

The AKOFS Offshore operations, exclusive the existing joint venture Avium Subsea AS between Akastor, Mitsui and MOL, are classified as discontinued operations and as held-for-sale at the end of the second quarter. Following closing of the transaction, AKOFS Offshore will be restructured to include 100 percent ownership of Avium Subsea AS. AKOFS Offshore will then be classified as a joint venture for Akastor and consolidated using equity method.

Other Holdings

Other Holdings reported revenues of NOK 197 million in the second quarter compared with NOK 151 million in the same quarter previous year. EBITDA was NOK 2 million in the quarter. Step Oiltools, Cool Sorption and First Geo delivered a total EBITDA of NOK 14 million in the quarter.

At the end of May, USD 75 million was invested in a preferred equity instrument in Odfjell Drilling. The instrument will yield a 5 percent cash dividend plus a 5 percent payment-in-kind (PIK) dividend p.a., to be increased after six years. In addition, warrants have been issued with the right to receive up to 5 925 000 shares in Odfjell Drilling during the next 6 years, depending on the share price development of the company.

In January 2017, Akastor received 15.2 percent economic interest in NES Global Talent as compensation for merging Frontica Advantage into NES Global Talent. The transaction included options for further economic interest in NES Global Talent, depending on the growth of Frontica Advantage. In July 2018, Akastor's economic interest in NES Global Talent was increased with around 2 percent as a consequence of this earn-out structure.

03. AKASTOR GROUP

Performance

Akastor group's revenues from continuing operations in the second quarter were NOK 873 million, while EBITDA in the second quarter was NOK 78 million. Revenues for the first half year were NOK 1 754 million compared with NOK 1 461 million in the previous year. EBITDA was NOK 141 million for the first half year, an increase of NOK 122 million from the same period in 2017.

Depreciation, amortization and impairment from continuing operations amounted to NOK 47 million in the quarter and NOK 94 million for the first half year.

Net financial income was NOK 103 million for the quarter and NOK 54 million for the first half year. Net financial items were positively impacted in the second quarter by a fee from the Odfjell Drilling investment of USD 5.7 million, dividend from the same investment, unrealized gain on shares in Awilco Drilling, as well as foreign exchange effects on several investments in USD.

Net tax expenses were NOK 14 million in the second quarter and NOK 15 million for the first half year. The effective tax rates are influenced by various non-taxable items, not-recognized deferred tax assets, and mix of revenue generated in jurisdictions with various tax rates.

The result for the second quarter was a profit of NOK 121 million from continuing operations. Net loss from discontinued operations was NOK 372 million in the quarter which was primarily impacted by impairment of NOK 322 million in AKOFS Offshore. For the first half year of 2018, the result from continuing operations was positive NOK 86 million, and net loss for the group was NOK 271 million.

Financial Position

Net bank debt was NOK 1 307 million at the end of the period, which excludes finance lease liabilities of NOK 1 426 million in AKOFS Offshore.

The liquidity reserve at the end of the quarter was approximately NOK 1.0 billion, with cash and bank deposits of NOK 356 million and undrawn committed credit facilities of NOK 0.7 billion.

Net current operating assets were NOK 834 million at the end of June, a decrease of NOK 94 million since previous quarter and a reduction of NOK 209 million since year-end 2017.

Net cash flow from operations was positive NOK 219 million in the quarter and NOK 300 million for the first half year. The cash flow from investing activities was negative NOK 695 million for the first half year, mainly explained by investment of USD 75 million of preference shares in Odfjell Drilling and USD 10 million of shares in Awilco Drilling.

The equity ratio was 44 percent at the end of June 2018. Gross debt was NOK 1 663 million at the end of the period.

Related Party Transactions

Please see note 10 for a summary of significant related party transactions that occurred in the first half year of 2018.

Principle Risks and Uncertainty

Akastor and each of its portfolio companies are exposed to various forms of market, operational and financial risks. The market situation for the oil services segments in which Akastor operates, remains challenging with low activity and weak market conditions. On the operational side, sound project execution by the portfolio companies without cost overruns as well as securing new orders are substantial factors to the companies' financial performance. Results also depend on costs, both the portfolio companies' own costs and those charged by suppliers, as well as interest expenses, exchange rates and customers' ability to pay. Akastor and its portfolio companies are exposed to financial market risks including changes in currency rates and hedge activities, interest rates, tax, credit and counterparty risks, as well as risks associated with access to and terms of financing.

In addition, these companies, through their business activities within their respective sectors and countries, are also exposed to legal/compliance and regulatory/political risks, e.g. political decisions on international sanctions that impact supply and demand of the services offered by the portfolio companies, as well as environmental regulations. As an investment company, Akastor and its portfolio companies from time to time engage in mergers and acquisitions and other transactions that could expose the companies to financial and other non-operational risks, such as warranty and indemnity claims and price adjustment mechanisms.

To manage and mitigate risks within Akastor, risk evaluation is an integral part of all business activities. As owner, Akastor actively supervises risk management in its portfolio companies through participation on board 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. Akastor's Annual Report 2017 provides more information on risks and uncertainties.

The Akastor Share

The company had a market capitalization of NOK 4 751 billion on July 12, 2018. The company owned 2 776 376 own shares at the end of the quarter.

Fornebu, July 12, 2018
The Board of Directors and CEO of Akastor ASA

04. DECLARATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and the CEO have today considered and approved the consolidated condensed financial statements for the six months ended June 30, 2018, with comparatives for the corresponding period of 2017 for Akastor Group.

The Board has based this declaration on reports and statements from the group's CEO, the results of the group's activities, and other information that is essential to assess the group's position.

To the best of our knowledge:

- The consolidated condensed financial statements for the six months ended June 30, 2018 have been prepared in accordance with IAS 34 - Interim Financial Reporting and additional disclosure requirements under the Norwegian Securities Trading Act.
- The information provided in the financial statements gives a true and fair portrayal of Akastor Group's assets, liabilities, profit and overall financial position as of June 30, 2018.
- The information provided in the report for the first half 2018 provides a true and fair overview of the development, performance, financial position, important events and significant related party transactions in the accounting period as well as the most significant risks and uncertainties facing Akastor Group.

Fornebu, July 12, 2018
The Board of Directors and CEO of Akastor ASA

Kristian M. Røkke | CEO

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 I CEO

AKASTOR GROUP INTERIM FINANCIAL STATEMENTS SECOND QUARTER AND HALF YEAR 2018

CONDENSED CONSOLIDATED INCOME STATEMENT

NOK million	note	Second quarter 2018	Second quarter 2017 (Restated)	First half 2018	First half 2017 (Restated)	Full year 2017 (Restated)
Operating revenues and other income	7	**873**	697	**1 754**	1 461	3 606
Operating expenses		**(795)**	(705)	**(1 613)**	(1 443)	(3 490)
Operating profit before depreciation, amortization and impairment		**78**	(7)	**141**	19	116
Depreciation and amortization		**(47)**	(70)	**(94)**	(138)	(278)
Impairment		-	(24)	-	(24)	(118)
Operating profit (loss)		**31**	(101)	**47**	(143)	(280)
Net financial items	8	**103**	(185)	**54**	(251)	(406)
Profit (loss) before tax		**134**	(286)	**102**	(394)	(686)
Tax income (expense)		**(14)**	57	**(15)**	58	(20)
Profit (loss) from continuing operations		**121**	(229)	**86**	(336)	(706)
Net profit (loss) from discontinued operations	5	**(372)**	(92)	**(357)**	204	648
Profit (loss) for the period		**(251)**	(321)	**(271)**	(132)	(58)
Attributable to:						
Equity holders of Akastor ASA		**(251)**	(321)	**(271)**	(132)	(58)
Basic/diluted earnings (loss) per share (NOK)		**(0.93)**	(1.18)	**(1.00)**	(0.49)	(0.21)
Basic/diluted earnings (loss) per share continuing operations (NOK)		**0.44**	(0.85)	**0.32**	(1.24)	(2.60)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK million	Second quarter 2018	Second quarter 2017	First half 2018	First half 2017	Full year 2017
Net profit (loss) for the period	**(251)**	(321)	**(271)**	(132)	(58)
Other comprehensive income:					
Cash flow hedges, effective portion of changes in fair value	**-**	-	**-**	(7)	71
Cash flow hedges, reclassification to income statement	**(21)**	(33)	**(13)**	(19)	15
Change in fair value reserve	**(30)**	(14)	**(29)**	17	9
Currency translation differences	**19**	(6)	**(173)**	(22)	(60)
Currency translation differences, reclassification to income statement	**-**	-	**-**	(27)	(227)
Deferred tax effect	**5**	8	**3**	6	(35)
Net items that may be reclassified to profit or loss	**(27)**	(45)	**(212)**	(52)	(227)
Remeasurement gain (loss) net defined benefit liability	**-**	-	**-**	(1)	(7)
Deferred tax of remeasurement gain (loss) net defined benefit liability	**-**	-	**-**	-	(11)
Net items that will not be reclassified to profit or loss	**-**	-	**-**	(1)	(17)
Total comprehensive income (loss) for the period, net of tax	**(279)**	(366)	**(482)**	(185)	(303)
Attributable to:					
Equity holders of Akastor ASA	**(279)**	(366)	**(482)**	(185)	(303)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK million	*note*	June 30 2018	December 31 2017
Deferred tax assets		**410**	661
Intangible assets		**1 210**	1 435
Property, plant and equipment		**859**	4 419
Other non-current operating assets		**124**	99
Equity-accounted investees and other investments		**1 299**	546
Non-current interest-bearing receivables		**1**	1
Total non-current assets		**3 905**	7 163
Current operating assets	*11*	**2 879**	2 946
Other current assets		**11**	51
Cash and cash equivalents		**356**	168
Assets classified as held for sale	*5*	**3 685**	-
Total current assets		**6 931**	3 165
Total assets		**10 836**	10 328
Equity attributable to equity holders of Akastor ASA		**4 724**	5 277
Total equity		**4 724**	5 277
Deferred tax liabilities		**11**	10
Employee benefit obligations		**331**	349
Other non-current liabilities and provisions		**317**	330
Non-current borrowings		**1 628**	2 133
Total non-current liabilities		**2 287**	2 823
Current operating liabilities and provisions	*11*	**2 268**	1 829
Current borrowings		**35**	399
Liabilities classified as held for sale	*5*	**1 523**	-
Total current liabilities		**3 826**	2 228
Total equity and liabilities		**10 836**	10 328

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

		Second quarter		First half		Full year
NOK million	*note*	2018	2017	2018	2017	2017
Profit (loss) for the period		**(251)**	(321)	**(271)**	(132)	(58)
(Profit) loss for the period - discontinued operations		**372**	92	**357**	(204)	(648)
Depreciations, amortization and impairment continuing operations		**47**	94	**94**	162	396
Other adjustments for non-cash items and changes in operating assets and liabilities		**51**	(86)	**120**	(436)	(363)
Net cash from operating activities		**219**	(222)	**300**	(609)	(673)
Acquisition of property, plant and equipment		**(5)**	(7)	**(21)**	(20)	(70)
Payments for capitalized development		**(3)**	(9)	**(4)**	(12)	(27)
Proceeds (payments) related to sale of subsidiaries, net of cash		**1**	-	**(11)**	(41)	921
Cash flow from other investing activities		**(576)**	7	**(659)**	(59)	(33)
Net cash from investing activities		**(584)**	(8)	**(695)**	(132)	790
Changes in external borrowings		**622**	111	**600**	435	(391)
Net cash from financing activities		**622**	111	**600**	435	(391)
Effect of exchange rate changes on cash and cash equivalents		**(69)**	(6)	**(17)**	9	(45)
Net increase (decrease) in cash and cash equivalents		**188**	(125)	**188**	(298)	(319)
Cash and cash equivalents at the beginning of the period		**168**	315	**168**	487	487
Cash and cash equivalents at the end of the period		**356**	189	**356**	189	168

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK million	*note*	Contributed equity and retained earnings	Other reserves	Total equity attributable to the parent	Total equity
Equity as of December 31, 2017		4 711	566	5 277	5 277
Adjustment on initial application of IFRS 15 and IFRS 9	*4*	(26)	(45)	(71)	(71)
Equity as of January 1, 2018		**4 685**	**521**	**5 206**	**5 206**
Total comprehensive income		(271)	(212)	(482)	(482)
Equity as of June 30, 2018		**4 414**	**309**	**4 724**	**4 724**
Equity as of January 1, 2017		4 769	811	5 580	5 580
Total comprehensive income		(132)	(53)	(185)	(185)
Equity as of June 30, 2017		4 637	758	5 395	5 395

NOTES

NOTE 1 - GENERAL

Akastor (the group) consists of Akastor ASA and its subsidiaries. Akastor ASA is a limited liability company incorporated and domiciled in Norway and whose shares are publicly traded.

The group is an oil-services investment company with a portfolio of industrial holdings and other investments. Akastor is listed on the Oslo Stock Exchange under the ticker AKA. Please refer to note 34 *Group companies* in Akastor's Annual Report 2017 for more information on the group's structure.

Akastor's Annual Report for 2017 is available at www.akastor.com.

NOTE 2 - BASIS FOR PREPARATION

The condensed consolidated financial statements of Akastor comprise the group and the group's interests in equity-accounted investees. As a result of rounding differences, numbers or percentages may not add up to the total.

Akastor's condensed interim financial statements for the six months ended June 30, 2018 are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information and disclosures required for a complete set of annual consolidated financial statements, and should be read in conjunction with Akastor's Annual Report 2017. The accounting policies applied in these financial statements are the same as those applied in the group's consolidated financial statements as for the year ended December 31, 2017, except for changes in significant accounting policies related to the application of IFRS 15 and IFRS 9, which are described in note 4.

The condensed consolidated interim financial statements are unaudited.

NOTE 3 - JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the accounting policies, management makes judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates is recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of uncertainty in the estimates are consistent with those applied to the consolidated financial statements as for the period ended December 31, 2017.

NOTE 4 - Changes in significant accounting policies

Except for described below, the accounting policies applied in these interim financial statements are the same as those applied in Akastor's consolidated financial statements for the year ended December 31, 2017.

Akastor has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from January 1, 2018. The effects of initially applying these standards are described below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction contracts and the related interpretations. The standard introduces a new five-step model that applies to revenue arising from contracts with customers.

On transition to IFRS 15, the group has applied 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 standard has been applied retrospectively only to contracts that were not completed by January 1, 2018, and the comparable information presented for 2017 has not been restated.

The following table summarizes the impact of transition to IFRS 15 on the group's retained earnings as of January 1, 2018.

NOK million	Impact of adopting IFRS 15 at January 1, 2018
Deferred tax assets	8
Trade and other receivables	(34)
Total assets	**(26)**
Retained earnings	(26)
Total Equity	**(26)**

The following tables summarize the impact of adopting IFRS 15 on the group's interim financial statements as of June 30, 2018. There was no material impact on the group's interim statement of cash flows.

Impact on the condensed interim consolidated income statement

NOK million	As reported	Adjustments	Amounts without adoption of IFRS 15
Revenue	1 754	(8)	1 746
Operating expenses	(1 613)	3	(1 610)
Operating profit before depreciation, amortization and impairment	141	(5)	137
Operating profit (loss)	47	(5)	43
Profit (loss) before tax	102	(5)	97
Tax income (expense)	(15)	1	(14)
Profit (loss) from continuing operations	**86**	**(4)**	**83**
Profit (loss) for the period	**(271)**	**(4)**	**(274)**
Total comprehensive income for the period	**(482)**	**(4)**	**(486)**

Impact on the condensed interim consolidated statement of financial position

NOK million	As reported	Adjustments	Amounts without adoption of IFRS 15
Deferred tax assets	410	1	412
Current operating assets	2 879	(373)	2 506
Total assets	**10 836**	**(372)**	**10 465**
Total equity	4 724	(4)	4 720
Current operating liabilities	2 268	(368)	1 900
Total equity and liabilities	**10 836**	**(372)**	**10 465**

The details of the new significant accounting policies and the nature of significant changes to previous accounting policies for each of the major customer contract and revenue type are set out below.

Type of contract/revenue	Nature of performance obligations	Significant accounting policies
Construction revenue	Under construction contracts, specialized products are built to a customer's specifications and the assets have no alternative use to the group. If a construction contract is terminated by the customer, the group has an enforceable right to payment for the work completed to date. The contracts usually establish a milestone payment schedule. The group has assessed that these performance obligations are satisfied over time.	Under IFRS 15, revenue from these construction performance obligations is recognized according to progress. The progress is measured using an input method that best depicts the group's performance. The input method used to measure progress is determined by reference to the costs incurred to date relative to the total estimated contract costs. Variation considerations, such as incentive bonus or penalties, are included in construction revenue when it is highly probable that a significant revenue reversal will not occur. 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. Contract modifications, usually in form of variation orders, are only accounted for when they are approved by the customers. Changes in progress measurement from IAS 11 were identified for some construction contracts due to the implementation of input method under IFRS 15. The implementation impacts of these changes are shown in the tables above.
Sale of standard products	This revenue type involves sale of products or equipment that are of a standard nature, not made to the customer's specifications. Customers obtain control of these products usually when the goods are delivered to the customers according to the contract terms. Invoices are usually generated when the products are delivered. The group has assessed that these performance obligations are satisfied at a point of time.	Under IFRS 15, revenue from these performance obligations is recognized when the customers obtain control of the goods, which is essentially similar to the timing when the goods are delivered to the customers. The group has not identified any implementation effect or significant impact on accounting policies related to these revenues.
Service revenue	Service revenue is generated from rendering of services to customers. The customers simultaneously receive and consume the benefits provided by these services. The invoicing is usually based on the service provided at regular basis. Under some service contracts, the invoices are based on hours or days performed at agreed rates. The group has assessed that these performance obligations are satisfied over time.	Under IFRS 15, service revenue is recognized over time as the services are provided. The revenue is recognized according to progress, or using the invoiced amounts when the invoiced amounts directly correspond with the value of the services that are transferred to the customers. When measuring progress, the progress is normally measured using an input method, by the reference of costs incurred to date relative to the total estimated costs. The group has not identified any implementation effect or significant impact on accounting policies related to these revenues.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments Recognition and Measurement. The standard includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

The following table summarizes the impact of transition to IFRS 9 on the group's retained earnings as of January 1, 2018.

NOK million	Impact of adopting IFRS 9 at January 1, 2018
Deferred tax assets	13
Derivative financial assets	(58)
Total assets	**(45)**
Reserves	(45)
Total Equity	**(45)**

The details of the new significant accounting policies and the nature of significant changes to previous accounting policies are set out below.

- Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, the standard 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 cost, Fair value to Other Comprehensive Income (FVOCI) and Fair value to Profit and Loss (FVTPL).

The following table explains the original classification categories under IAS 39 and the new classification and measurement categories under IFRS 9 for each class of the group's financial assets as of January 1, 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at January 1, 2018 relates solely to the new hedging accounting requirements, as described further below. Please refer to note 32 in Akastor's Annual Report 2017 for more description of these financial assets.

NOK million	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	168	168
Trade and other receivables	Loans and receivables	Amortized cost	1 457	1 457
Non-current interest-bearing receivables	Loans and receivables	Amortized cost	1	1
Other investments - equity instrument	Available for sale	FVTPL	144	144
Other investments - debt instrument	Available for sale	FVOCI	392	392
Mutual fund	Available for sale	FVTPL	12	12
Derivative financial instruments	Fair value - hedging instruments	Fair value - hedging instruments	94	36
Deferred and contingent considerations	Fair value through P&L	FVTPL	99	99
Total financial assets			**2 368**	**2 310**

The following accounting policies apply to the initial and subsequent measurement of financial assets in the group.

Financial assets at amortized cost	These financial assets are initially recognized at fair value plus attributable transaction costs, except for trade and other receivables that are measured at the transaction price. Subsequently are these financial assets measured at amortized cost using the effective interest method less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss.
Financial assets at FVTPL	These financial assets are initially and subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at FVOCI	These financial assets are initially and subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

- Impairment of 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 applies to financial assets measured at amortized cost, FVOCI and contract assets.

Under IFRS 9, loss allowance are measured based on either "12-month ECLs" or "lifetime ECLs":
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting dates;
- life time ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, discounted at the effective interest rate of the financial asset. The group has elected to apply the simplified approach and apply "lifetime ECLs" for all trade receivables and contract assets.

Based on its assessment, the group has not identified significant impact on the consolidated financial statements from the adoption of the new impairment model.

- Hedge accounting

The group has elected to adopt the new general hedge accounting model in IFRS 9. The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. The group has concluded that all hedge relationships designated under IAS 39 as of December 31, 2017 met the criteria for hedge accounting under IFRS 9 as of January 1, 2018 and therefore regarded as continuing hedging relationships.

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. 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 are instead included directly in the initial cost of the non-financial asset when recognized.

This change has resulted in a reduction of the carrying amounts of Hedge reserve and Derivative financial assets related to these cash flow hedges, as shown in the table above.

- Transition

The group has adopted transition approach as described in Akastor's Annual Report 2017:

• The group has adopted the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement changes, including impairment measurement. Therefore, comparative periods are not restated and accordingly, the information presented for 2017 reflects the requirements of IAS 39.

• The new hedge accounting requirements are applied prospectively. The impacts from the adoption of IFRS 9 are recognized as an adjustment to the opening balance of the equity as of January 1, 2018.

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

NOTE 5 - Discontinued operations

On June 19, 2018, Akastor entered into a Share Purchase Agreement with MITSUI & CO., Ltd. ("Mitsui") and Mitsui O.S.K. Lines, Ltd. ("MOL") for divestment of 50 percent of its shares in AKOFS Offshore in order to form a joint venture. Following the Share Purchase Agreement, each of Mitsui and MOL will purchase 25 percent of the shares in AKOFS Offshore from Akastor, for a total consideration of USD 142.5 million. In addition, there are certain preferential rights in respect of the operations of AKOFS Seafarer, including guaranteed return to Mitsui and MOL and earn-out payments to Akastor in the first six years of operations. The transaction does not include the existing joint venture, Avium Subsea AS, between Akastor, Mitsui and MOL. The transaction is expected to be completed in the third quarter 2018, subject to approval from competition authorities and customary closing conditions.

Following closing of the transaction, AKOFS Offshore will be restructured to include 100 percent ownership of Avium Subsea AS. AKOFS Offshore will then be classified as a joint venture for Akastor and consolidated using equity method. The AKOFS Offshore operations, exclusive Avium Subsea AS, are classified as discontinued operations and as held-for-sale as of June 30, 2018. The comparative condensed consolidated income statement has been restated to show the discontinued operations separately from continuing operations.

Please refer to note 5 in Akastor's Annual Report 2017 for more information about the discontinued operations in 2017.

Results of discontinued operations

	Second quarter		First half		Full year
NOK million	2018	2017	2018	2017	2017
Revenue	**280**	273	**534**	527	957
Expenses	**(578)**	(328)	**(834)**	(642)	(1 122)
Net financial items	**(70)**	(72)	**(108)**	(141)	(368)
Profit (loss) before tax	**(368)**	(127)	**(408)**	(256)	(533)
Income tax	**(12)**	39	**23**	81	112
Net profit (loss) from operating activities	**(379)**	(88)	**(385)**	(175)	(420)
Gain (loss) on sale of discontinued operations	**7**	(4)	**28**	379	1 088
Income tax on gain (loss) of discontinued operations	**-**	-	**-**	-	(19)
Net profit (loss) from discontinued operations	**(372)**	(92)	**(357)**	204	648
Basic/diluted earnings (loss) per share from discontinued operations (NOK)	**(1.37)**	(0.34)	**(1.32)**	0.75	2.39

In June 2018, AKOFS Offshore signed a contract with Equinor for provision of year round light well intervention services on the Norwegian continental shelf for a period of five years, with an option for further three years. The work will be performed by AKOFS Seafarer with a scheduled commencement in the first half of 2020. The cash flow forecast from the AKOFS Seafarer vessel has been reassessed as a result of the long term contract. As a consequence, an impairment of NOK 322 million was made in the second quarter.

Cash flows from (used in) discontinued operations

	First half		Full year
NOK million	2018	2017	2017
Net cash from operating activities	**(2)**	(261)	(365)
Net cash from investing activities	**(21)**	(116)	876
Net cash flow from discontinued operations	**(22)**	(377)	512

Assets and liabilities held-for-sale

NOK million	June 30 2018
Deferred tax assets	286
Intangible assets	163
Property, plant and equipment	2 924
Other current assets	312
Assets held-for-sale	**3 685**
Employee benefit obligations	(4)
Finance lease liabilities	(1 426)
Other current liabilities	(93)
Liabilities held-for-sale	**(1 523)**
Net assets held-for-sale	**2 162**

NOTE 6 - OPERATING SEGMENTS

Akastor identifies its reportable segments and discloses segment information under IFRS 8 *Operating Segments*. See note 6 *Operating segments* in Akastor's Annual Report 2017 for descriptions of Akastor's management model and operating segments as well as accounting principles used for segment reporting.

AKOFS Offshore is presented as an operating segment while majority of the operations in AKOFS Offshore are presented as discontinued operations. Please see note 5 above for more information about the discontinued operations.

Q2 2018

NOK million	MHWirth	AKOFS Offshore	Other holdings	Elimination discontinued operations	Internal eliminations	Total Akastor
External revenue and other income	674	289	190	(280)	-	**873**
Internal revenue	7	-	7	-	(13)	**-**
Total revenue	**681**	**289**	**197**	**(280)**	**(13)**	**873**
Operating profit before depreciation, amortization and impairment (EBITDA)	68	123	2	(115)	-	**78**
Operating profit (loss) (EBIT)	36	(280)	(13)	288	-	**31**
Capital expenditure and R&D capitalization	8	-	1	-	-	**8**

Q2 2017 (Restated)

NOK million	MHWirth	AKOFS Offshore	Other holdings	Elimination discontinued operations	Internal eliminations	Total Akastor
External revenue and other income	541	187	145	(176)	-	**697**
Internal revenue	9	-	6	-	(15)	**-**
Total revenue	**550**	**187**	**151**	**(176)**	**(15)**	**697**
Operating profit before depreciation, amortization and impairment (EBITDA)	-	37	(19)	(26)	-	**(7)**
Operating profit (loss) (EBIT)	(71)	(46)	(41)	57	-	**(101)**
Capital expenditure and R&D capitalization	8	7	-	-	-	**15**

Half year 2018

NOK million	MHWirth	AKOFS Offshore	Other holdings	Elimination discontinued operations	Internal eliminations	Total Akastor
External revenue and other income	1 401	551	337	(534)	-	**1 754**
Internal revenue	11	-	8	-	(19)	**-**
Total revenue	**1 412**	**551**	**345**	**(534)**	**(19)**	**1 754**
Operating profit before depreciation, amortization and impairment (EBITDA)	137	209	(12)	(192)	-	**141**
Operating profit (loss) (EBIT)	72	(273)	(42)	289	-	**47**
Capital expenditure and R&D capitalization	11	10	4	-	-	**25**
Net current operating assets (NCOA)	671	217	(54)	-	-	**834**
Net capital employed	2 347	3 629	1 485	-	-	**7 461**

Half year 2017 (Restated)

NOK million	MHWirth	AKOFS Offshore	Other holdings	Elimination discontinued operations	Internal eliminations	Total Akastor
External revenue and other income	1 161	373	283	(355)	-	**1 461**
Internal revenue	17	-	11	-	(28)	**-**
Total revenue	**1 177**	**373**	**294**	**(355)**	**(28)**	**1 461**
Operating profit before depreciation, amortization and impairment (EBITDA)	55	70	(55)	(52)	-	**19**
Operating profit (loss) (EBIT)	(62)	(94)	(99)	112	-	**(143)**
Capital expenditure and R&D capitalization	11	18	-	-	-	**30**
Net current operating assets (NCOA)	1 119	221	(112)	-	-	**1 228**
Net capital employed	3 200	4 307	744	-	-	**8 250**

NOTE 7 - Revenue from contracts with customers

Revenue from contracts with customer in the scope of IFRS 15 is disaggregated in the following table by major contract and revenue types and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with revenue information as shown in note 6 Operating segments.

Half year 2018

NOK million	MHWirth	AKOFS Offshore	Other holdings	Elimination discontinued operations	Internal eliminations	Total Akastor
Major contract/revenue types						
Construction revenue	774	-	24	-	-	**798**
Sale of standard products	269	-	55	-	-	**323**
Service revenue	350	178	149	(178)	-	**500**
Total revenue from contracts with customers	**1 393**	**178**	**228**	**(178)**	**-**	**1 621**
Timing of revenue recognition						
Transferred over time	1 124	178	173	(178)	-	**1 298**
Transferred at point in time	269	-	55	-	-	**323**
Total revenue from contracts with customers	**1 393**	**178**	**228**	**(178)**	**-**	**1 621**
Internal revenue	11	-	8	-	(19)	-
Lease revenue and other income	8	373	109	(357)	-	**134**
Total revenue in segment reporting	**1 412**	**551**	**345**	**(534)**	**(19)**	**1 754**

Half year 2017

NOK million	MHWirth	AKOFS Offshore	Other holdings	Elimination discontinued operations	Internal eliminations	Total Akastor
Major contract/revenue types						
Construction revenue	613	-	16	-	-	**629**
Sale of standard products	178	-	52	-	-	**230**
Service revenue	369	96	103	(96)	-	**473**
Total revenue from contracts with customers	**1 160**	**96**	**172**	**(96)**	**-**	**1 333**
Timing of revenue recognition						
Transferred over time	983	96	120	(96)	-	**1 102**
Transferred at point in time	178	-	52	-	-	**230**
Total revenue from contracts with customers	**1 160**	**96**	**172**	**(96)**		**1 333**
Internal revenue	17	-	11	-	(28)	-
Lease revenue and other income	-	277	111	(259)	-	**129**
Total revenue in segment reporting	**1 177**	**373**	**294**	**(355)**	**(28)**	**1 461**

NOTE 8 - NET FINANCIAL ITEMS

NOK million	Second quarter 2018	2017 (Restated)	First half 2018	2017 (Restated)	Full year 2017 (Restated)
Net interest expenses on financial liabilities measured at amortized costs	**(18)**	(34)	**(35)**	(61)	(108)
Profit (loss) from equity accounted investees	**(24)**	(54)	**(50)**	(123)	(212)
Gain from disposal of external investments	**-**	1	**-**	1	21
Unrealized gain on financial instruments measured at fair value	**25**	-	**38**	-	-
Net foreign exchange gain (loss)	**31**	4	**8**	42	23
Profit (loss) on foreign currency forward contracts	**-**	(100)	**(2)**	(105)	(121)
Other financial income (expenses)	**88**	(3)	**95**	(4)	(8)
Net financial items	**103**	(185)	**54**	(251)	(406)

Loss from equity accounted investees mainly relates to impairment loss of the vessels in DOF Deepwater AS.

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified by the levels in the fair value hierarchy. See note 32 *Financial instruments* in Akastor's Annual Report 2017 for more information about valuation methodologies and the group's financial instruments. The estimated fair values of material financial instruments are as below:

NOK million	Fair value hierarchy	Fair value as of June 30, 2018	Fair value as of December 31, 2017
Financial assets			
- Other investments	Level 1	**120**	-
- Other investments	Level 3	**1 165**	536
- Forward foreign exchange contract	Level 2	**33**	94
- Deferred and contingent consideration	Level 3	**123**	99
Financial liabilities			
- Non-current borrowings	Level 2	**(1 628)**	(2 133)
- Current borrowings	Level 2	**(35)**	(399)
- Forward foreign exchange contract	Level 2	**(39)**	(20)
- Deferred settlement obligations	Level 3	**(70)**	(84)

In the first half year 2018, USD 10 million was invested in shares in Awilco Drilling and USD 75 million was invested in preference shares in Odfjell Drilling. The preference shares in Odfjell Drilling will yield a 5 percent cash dividend plus a 5 percent payment-in-kind (PIK) dividend p.a., to be increased after six years. These financial instruments are classified as Fair Value to Profit and Loss (FVTPL) and presented as part of "Other investments".

NOTE 10 - RELATED PARTIES

All transactions with related parties have been carried out based on arm's length terms. For detailed descriptions of related party transactions, please refer to note 35 Related parties in Akastor's Annual Report 2017.

Below is a summary of transactions and balances between Akastor and the subsidiaries and associates of Aker ASA - referred as "Aker Entities".

Income statement

		First half	
NOK million	*Note*	2018	2017
Operating revenue		**82**	41
Operating costs		**(19)**	(5)
Included in Net profit from discontinued operations	*5*		
- Operating revenue		**-**	3
- Net financial items		**(112)**	(137)

Financial position - Assets (Liabilities)

		June 30	December 31
NOK million	*Note*	2018	2017
Trade receivables		**27**	29
Property, plant and equipment under finance lease (Aker Wayfarer)		**-**	1 448
Trade payables		**(6)**	(45)
Finance lease liability (Aker Wayfarer)		**-**	(1 494)
Assets (liabilities) held for sale	*5*		
- PPE under finance lease (Aker Wayfarer)		**1 377**	-
- Finance lease liability (Aker Wayfarer)		**(1 426)**	-

NOTE 11 - CURRENT OPERATING ASSETS AND LIABILITIES

NOK million	June 30 2018	December 31 2017
Inventories	**509**	569
Trade receivables	**1 282**	1 248
Current tax assets	**10**	21
Derivative financial instruments, assets	**33**	94
Other receivables and assets	**1 044**	1 015
Total current operating assets	**2 879**	2 946
Trade payable	**201**	239
Provisions	**270**	293
Current tax liabilities	**10**	23
Derivative financial instruments, liabilities	**39**	20
Other payables and liabilities	**1 747**	1 253
Total current operating liabilities and provisions	**2 268**	1 829

ALTERNATIVE PERFORMANCE MEASURES

DEFINITIONS

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 company. These measures are calculated in a consistent and transparent manner and are intended to provide enhanced comparabilities 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.

Definitions

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

NCOA (Net current operating assets) - 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.

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 bank debt - Net debt minus liabilities related to financial lease

Net interesting bearing debt - Net debt minus 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 expected 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 that are already entered into or committed at the reporting date

Reconciliations

The tables below show reconciliations of alternative performance measures to the line items in the consolidated financial statements according to IFRS.

NOK million	June 30 2018	December 31 2017
Current operating assets	**2 879**	2 946
Less:		
Current operating liabilities	**2 268**	1 829
Net financial assets (liabilities)	**(6)**	74
Plus:		
NCOA related to discontinued operations	**217**	-
Net current operating assets	**834**	1 043

Net capital employed (NCE)

NOK million	June 30 2018	December 31 2017
Total non-current assets	**3 905**	7 163
Net current operating assets (NCOA)	**834**	1 043
Other current assets	**11**	51
Less:		
Non-current interest-bearing receivables	**1**	1
Deferred tax liabilities	**11**	10
Employee benefit obligations	**331**	349
Other non-current liabilities	**317**	330
Plus:		
NCE related to discontinued operations	**3 371**	-
Net capital employed	**7 461**	7 566

Gross/Net debt/Net bank debt/NIBD

NOK million	June 30 2018	December 31 2017
Non-current borrowings	**1 628**	2 133
Current borrowings	**35**	399
Gross debt	**1 663**	2 533
Less:		
Cash and cash equivalents	**356**	168
Net debt	**1 307**	2 364
Less:		
Financial lease liabilities	**-**	1 494
Net bank debt	**1 307**	871
Net debt	**1 307**	2 364
Less:		
Non-current interest-bearing receivables	**1**	1
Net interest-bearing debt (NIBD)	**1 306**	2 363

Equity ratio

NOK million	June 30 2018	December 31 2017
Total equity	**4 724**	5 277
divided by Total assets	**10 836**	10 328
Equity ratio	**44 %**	51 %

Liquidity reserve

NOK million	June 30 2018	December 31 2017
Cash and cash equivalents	**356**	168
Undrawn committed credit facilities	**700**	1 400
Liquidity reserve	**1 056**	1 568

Financial Calendar
Third quarter results 2018, October 31, 2018.

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