Q4

AKASTOR

FOURTH QUARTER AND PRELIMINARY ANNUAL RESULTS 2016

HIGHLIGHTS

- Several transactions were announced and concluded, releasing approximately NOK 2.6 billion in cash;
  - Creation of Mitsui/AKOFS Offshore joint venture; cash release of USD 66 million
  - Sale of Frontica Business Solutions to Cognizant for NOK 1 025 million
  - Sale of Fjords Processing to National Oilwell Varco (NOV) for NOK 1 200 million
  - Frontica Advantage joined NES Global Talent in January 2017
- EBITDA for continuing operations of NOK 166 million
- Net debt reduced by NOK 2.5 billion to NOK 2.6 billion
- Reduced working capital in continuing businesses by NOK 628 million to NOK 1.1 billion

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

Key Figures: Akastor Group (continuing)

NOK million	Q4 16	Q4 15	Full year 2016	Full year 2015
Operating revenue and other income	1 370	2 544	5 310	9 983
EBITDA	166	495	69	567
EBIT	(424)	160	(1 151)	(1 518)
CAPEX and R&D capitalization	17	111	162	1 548
NCOA	1 072	2 422	1 072	2 422
Net capital employed	8 078	10 718	8 078	10 718
Order intake	1 024	1 519	3 907	5 368
Order backlog	7 753	12 702	7 753	12 702
Employees ex discontinued	2 702	4 069	2 702	4 069

Q4 Key Figures: Portfolio Companies

NOK million	MHWirth	AKOFS Offshore	KOP Surface Products	Other Holdings
Revenue and other income	800	344	81	155
EBITDA	59	196	(27)	(63)
EBIT	(293)	(3)	(42)	(86)

01. OVERVIEW

During the fourth quarter, several transactions have been announced and concluded. In November, Akastor closed the agreement to create a joint venture with Mitsui to acquire Skandi Santos, with a cash gain of USD 66 million. During the quarter, both the sales of Frontica´s IT business to Cognizant for NOK 1 025 million and Fjords Processing to National Oilwell Varco (NOV) for NOK 1 200 million were closed. In December, Akastor announced that Frontica Advantage joined NES Global Talent to create a leading staffing service provider for the Oil and Gas sector, giving Akastor an initial economic ownership of 15.2 percent of the combined company. The sale of Frontica Advantage was closed in January 2017. Net cash impact from the transactions closed during Q4 was approximately NOK 2.6 billion.

During the fourth quarter, net debt was reduced by NOK 2 468 million to NOK 2 567 million, which represents a 49 percent reduction. Further, working capital was reduced to NOK 1 072 billion at quarter-end, a reduction of NOK 628 million compared to the end of the previous quarter. Akastor's liquidity reserve at the end of the quarter was approximately NOK 3.1 billion with cash and bank deposits of NOK 487 million, and undrawn committed credit facilities of NOK 2.6 billion.

Akastor's portfolio of companies experienced challenging market conditions in the fourth quarter, as was the situation throughout 2016. Revenues in the 2016 fourth quarter were NOK 1 370 million, compared with NOK 2 544 million in the 2015 fourth quarter, a decrease of 46 percent. The reduction in revenues in the fourth quarter was primarily due to reduced activity levels and weaker market conditions in the oil service industry and offshore drilling market. Revenues for the full year 2016 were NOK 5 310 million, compared with NOK 9 983 million in 2015, a decrease of 47 percent, and explained by the same factors. EBITDA in the 2016 fourth quarter was NOK 166 million, compared to an EBITDA of NOK 495 million in the 2015 fourth quarter. For the full year 2016, EBITDA was NOK 69 million, versus NOK 567 million in 2015.

The order intake for Akastor in the quarter was NOK 1 billion, resulting in an aggregate backlog of NOK 7.8 billion. Order intake for 2016 was NOK 3.9 billion.

02. PORTFOLIO COMPANIES

Akastor now has four reporting segments: MHWirth, AKOFS Offshore, KOP Surface Products and Other Holdings.

MHWirth - continuing operations

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

MHWirth reported revenues of NOK 800 million in the 2016 fourth quarter, a reduction of 48 percent compared to the 2015 fourth quarter. Revenues for the full year 2016 were NOK 3 548 million. The decrease in revenues from 2015 was primarily driven by reduced project related work as a result of low order intake since 2014. Due to fewer rigs with MHWirth equipment in operations and reduced upgrade and modification work, Drilling Lifecycle Services (DLS) experienced lower activity than in previous years.

The EBITDA for Q4 was NOK 89 million before restructuring charges, which gives an EBITDA margin before restructuring charges of 11.1 percent. A restructuring cost of NOK 30 million was booked in the quarter, mainly relating to planned close down of a plant in Asia. The reported EBITDA in the 2016 fourth quarter was NOK 59 million, compared to NOK 50 million in the 2015 fourth quarter. The quarterly result was impacted by the successful completion and closing of several projects with positive results. The focus on cost control and reducing indirect cost continued. During 2016, both indirect cost base and the total number of employees have been reduced by approximately 40 percent. EBITDA before restructuring for 2016 ended at NOK 290 million, and reported EBITDA for the full year 2016 was NOK 71 million.

Positive cash flow through collections from customers reduced the working capital level (NCOA) of MHWirth by NOK 302 million in the quarter to NOK 1.1 billion. Over the full year, the working capital level was reduced by NOK 1.0 billion.

Order intake in the 2016 fourth quarter was NOK 789 million compared to NOK 1 139 million in the 2015 fourth quarter. Order intake for the full year 2016 was NOK 2 936 million. Market conditions continue to be weak, with further decreases in both floater utilization levels and day rates observed during the quarter. In Q4, overall floater utilization was approximately 65 percent for the active fleet (source: Clarksons Platou Offshore Drilling Rig Monthly). Total backlog as of Q4 amounts to NOK 1 481 million, of which the four remaining drilling packages to Jurong Shipyard amount to approximately NOK 900 million.

As per Q4 2016, the total number of employees in MHWirth was approximately 1 700 people, a reduction of approximately 1 150 during 2016.

MHWirth sees a continued challenging market for 2017, driven by the reduced number of active rigs in operation affecting DLS revenues, and no significant newbuild activity. MHWirth will continue to respond to the changing activity levels by adjusting capacity and cost base.

Key Figures: MHWirth (continuing operations)

NOK million	Q4 16	Q4 15	Full year 2016	Full year 2015
Operating revenue and other income	800	1 533	3 548	6 527
EBITDA	59	50	71	18
EBIT	(293)	(66)	(552)	(349)
CAPEX and R&D capitalization	8	50	36	360
NCOA	1 091	2 133	1 091	2 133
Net capital employed	3 200	4 285	3 200	4 285
Order intake	789	1 139	2 936	3 475
Order backlog	1 481	5 654	1 481	5 654
Employees	1 738	2 894	1 738	2 894

AKOFS Offshore

On September 20th 2016, Akastor signed a Heads of Agreement with Mitsui to create a joint venture with 50/50 ownership between AKOFS Offshore and Mitsui.On November 23rd, 2016 the joint venture acquired both the Skandi Santos hull from DOF Subsea Rederi AS and the Skandi Santos topside from AKOFS Offshore. The joint venture then entered into a lease agreement with AKOFS Offshore corresponding to the remaining Skandi Santos contract duration between AKOFS Offshore and Petrobras.

DOF Subsea will continue to provide the ROV and marine services onboard the vessel as part of the Subsea Equipment Support Vessel Contract with Petrobras. As a result of the transaction, AKOFS Offshore realized a cash gain of USD 66 million, net of investments in the joint venture. The annual bareboat charter and related costs are increased by around USD 8.5 million per year over the remaining contract period as a consequence of these transactions. The contract with Petrobras for the operations in Brazil will remain in a 100 percent owned subsidiary of AKOFS Offshore and will continue to generate positive results over the contract period, despite the increased bareboat charter rate.

The transaction resulted in an accounting gain of approximately USD 20 million for Akastor. Remaining gain will be deferred as long as AKOFS Offshore holds 50 percent of the joint venture. AKOFS Offshore's share of net profit in the joint venture will be recognized in "Other income" going forward.

AKOFS Offshore reported revenues of NOK 344 million in the 2016 fourth quarter, compared with NOK 198 million in the 2015 fourth quarter. Revenues for the full year 2016 were NOK 835 million. EBITDA was NOK 196 million in the quarter including the gain described above, compared with NOK 45 million in the same period last year. EBITDA for the full year 2016 was NOK 316 million, versus NOK 104 million in 2015. The order backlog ended at NOK 5 900 million. The company had 113 employees at year end.

Skandi Santos operated at high utilization during the fourth quarter and nears the end of its second year of the five year option period which commenced in March 2015. AKOFS Seafarer remained idle during the fourth quarter with operating expenses continuing at less than USD 10 000 per day. In the fourth quarter, an impairment loss of NOK 118 million related to AKOFS Seafarer was recognized mainly as a result of increased discount rate used in the impairment testing. The vessel is currently being marketed for work in the subsea construction and service market as well as for Light Well Intervention.

Aker Wayfarer completed its conversion project according to plan, including the five-year special periodical survey in third quarter 2016 in preparation for the 5+5 year contract with Petrobras in Brazil. The vessel is currently on stand-by in Norway as per agreement with Petrobras. As previously announced, AKOFS Offshore has agreed with Petrobras on certain changes in its contracts. With regards to the 5+5 year contract for the Aker Wayfarer vessel, AKOFS Offshore reached an agreement with Petrobras for an extended contract period (approximately 1 year). The contract is effective with a reduced dayrate until commencement of operations, which is expected to take place in Q4 2017. The net effect of this agreement is an increase in backlog of approximate USD 17.5 million. AKOFS Offshore and Petrobras have further agreed to certain contract amendments for both the Aker Wayfarer contract and the Skandi Santos contract, including more robust downtime provisions. The contract rate and duration for Skandi Santos remains unchanged.

Key Figures: AKOFS Offshore

NOK million	Q4 16	Q4 15	2016	2015
Operating revenue and other income	344	198	835	781
EBITDA	196	45	316	104
EBIT	(3)	(41)	(134)	(1 288)
CAPEX and R&D capitalization	7	17	108	1 057
NCOA	121	69	121	69
Net capital employed	4 369	5 183	4 369	5 183
Order intake	28	12	106	305
Order backlog	5 900	6 430	5 900	6 430
Employees	113	91	113	91

KOP Surface Products

KOP Surface Products reported revenues in the period of NOK 81 million compared with NOK 214 million in the 2015 fourth quarter. Revenues for the full year 2016 were NOK 335 million, versus NOK 1 131 million for 2015. Market conditions for surface products in KOP's key regions continue to be challenging.

EBITDA was NOK -27 million in the quarter compared with NOK 52 million in the fourth quarter 2015. The EBITDA in fourth quarter was negatively impacted by write-offs of working capital items. EBITDA for the full year 2016 was NOK -22 million, versus NOK 242 million in 2015. Order intake in the quarter was NOK 87 million giving an order backlog of NOK 133 million at quarter-end. Order intake for the full year 2016 was NOK 321 million. The company had 488 employees at year end.

Key Figures: KOP Surface Products

NOK million	Q4 16	Q4 15	2016	2015
Operating revenue and other income	81	214	335	1 131
EBITDA	(27)	52	(22)	242
EBIT	(42)	28	(80)	177
CAPEX and R&D capitalization	2	16	13	31
NCOA	119	240	119	240
Net capital employed	396	555	396	555
Order intake	87	91	321	553
Order backlog	133	149	133	149
Employees	488	682	488	682

Other Holdings

Other Holdings reported revenues of NOK 155 million in the quarter, with EBITDA of NOK -63 million. Revenues for the full year 2016 were NOK 674 million, and EBITDA NOK -296 million. The two businesses Step Oiltools and First Geo delivered a total EBITDA of NOK -13 million in the quarter. Effect of hedges not qualifying for hedge accounting is included in EBITDA by NOK 1 million in fourth quarter. The relatively high corporate costs in the quarter can be explained by high M&A activities in the quarter.

In fourth quarter, an impairment of NOK 140 million was booked in financial items related to the shareholding in DOF Deepwater.

Key Figures: Other Holdings *(Restated)*

NOK million	Q4 16	Q4 15	2016	2015
Operating revenue and other income	155	706	674	1 769
EBITDA	(63)	348	(296)	203
EBIT	(86)	239	(385)	(57)
CAPEX and R&D capitalization	1	29	5	99
NCOA	(258)	(20)	(258)	(20)
Net capital employed	114	694	114	694
Order intake	129	448	621	1 270
Order backlog	224	448	224	448
Employees	363	402	363	402

03. AKASTOR GROUP

As mentioned above, following the agreements to divest MPO, Frontica Business Solutions, Frontica Advantage and Fjords Processing, these operations have been classified as discontinued operations. Details can be found in Note 5. The figures referred to in this section are related to continuing operations and historical comparative figures have been restated accordingly.

The Akastor group's revenues decreased by 46 percent in the fourth quarter compared to the same quarter last year, to NOK 1 370 million, primarily due to reduced activity levels and weaker market conditions in the oil service industry and offshore drilling market. Revenues for the full year 2016 were NOK 5 310 million, down 47 percent from NOK 9 983 million in 2015.

EBITDA was NOK 166 million for the fourth quarter, as compared to a restated EBITDA in the same period in 2015 of NOK 495 million. EBITDA for the full year 2016 was NOK 69 million, compared to NOK 567 million in 2015. Challenging market conditions for KOP Surface Products and MHWirth are the main factors impacting the results.

Depreciation, amortization and impairment amounted to NOK 590 million for Q4 2016, and NOK 1 220 million for the full year 2016. In Q4 impairments of NOK 407 million were made, mainly related to closing of a manufacturing plant in Asia for MHWirth, impairment of the new MHWirth plant in Brazil and impairment of the AKOFS Seafarer vessel.

Net financial expenses were NOK 430 million for the quarter, compared with NOK 166 million in Q4 2015. The increase is mainly explained by impairment in DOF Deepwater shareholding and write-offs of interest-bearing receivables as well as accounts receivables due to insolvency of certain customers. Financial items also include a negative effect of NOK 41 million from hedges not qualifying for hedge accounting.

Net tax expense was NOK 18 million in the fourth quarter. For the full year 2016, the tax income was NOK 307 million. The effective tax rate is explained by the mix of revenue the group earns in jurisdictions with various tax rates, impairment of deferred tax assets, as well as tax effects from fluctuations in currencies from entities that are taxable in other currencies than the functional currency.

Profit from discontinued operations amounts to NOK 948 million in the quarter and relates to net profit in Fjords Processing, Frontica Business Solutions and Frontica Advantage during the quarter, up to closing of the respective transactions, as well as sales gains and losses net of tax from the divestments. Full year profit from discontinued operations in 2016 was NOK 734 million, including the result of the MPO business as well.

The result for continuing operations for the fourth quarter was a loss of NOK 872 million and the total profit for the period was NOK 77 million. For the full year 2016, the result for continuing operations was a loss of NOK 2 017 million, and the total loss was NOK 1 282 million.

Please refer to note 5 for further information on discontinued operations.

Financial Position

Cash flow from operations was positive NOK 99 million for continuing operations in the fourth quarter. For the full year 2016 cash flow from operations was negative NOK 56 million

Net current operating assets for continuing operations were NOK 1 072 million at the end of December, a reduction of NOK 628 million since previous quarter.

Net cash flow from investing activities was positive at NOK 2 857 million in the quarter, mainly explained by cash from divestments. Net debt decreased from NOK 5 035 million in the third quarter of 2016 to NOK 2 567 million at the end of the period. The amount excludes cash held in Advantage of NOK 53 million which is classified assets held for sale in the balance sheet.

The liquidity reserve at the end of the quarter was around NOK 3.1 billion, with cash and bank deposits of NOK 487 million and undrawn committed credit facilities of NOK 2.6 billion.

The equity ratio was 43 percent at the end of the fourth quarter. Gross interest-bearing debt was NOK 3 054 million at the end of the quarter.

As of December 31, 2016, the interest covenant ratio (ICR) was below the minimum level of 1.5 as defined in the bank facility agreement dated March 11 2016. External borrowings of NOK 1.2 billion, with maturity in July 2019, were therefore reclassified from non-current to current borrowings. A wavier was agreed with the bank syndicate in January, see Subsequent events.

Subsequent events

The transaction where Frontica Advantage joined NES Global Talent was closed on January 6, 2017.

On January 20, 2017, Akastor reached an agreement with its bank syndicate to i) replace its ICR covenant with a nominal EBITDA amount until Q2 2018 and ii) to be allowed to use the existing RCF to make acquisitions for up to NOK 1.0 billion under certain conditions.

Related parties

Please see note 9 for a summary of significant related party transactions that occurred in the fourth quarter of 2016.

Principle risks and uncertainty

Akastor and each of its portfolio companies are exposed to various forms of market, operational and financial risks that may affect the performance of the portfolio companies, the ability for Akastor to meet strategic goals and the companies' reputation. The market situation for the oil services industry is very challenging with low activity and weak market conditions, and market developments may lead to further capacity adjustments and changes in the valuation of the Akastor portfolio's assets and liabilities (which could include further restructuring costs, onerous leases, impairments etc. and increased credit risk impacting the valuation of trade and interest-bearing receivables). On the operational side, sound project execution by the portfolio companies without cost overruns as well as securing new orders are 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 risk under performance guarantees and financial guarantees issued. Further, Akastor and its portfolio companies are also exposed to financial market risks including changes in currency rates and hedge activities, interest rates, tax, credit and counterparty risks, as well as risks associated with access to and terms of financing.

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

To manage and mitigate risks within Akastor, risk evaluation is an integral part of all business activities. As owner, Akastor actively supervises risk management in its portfolio companies through participation on the board of directors of each portfolio company, and by defining a clear set of risk management and mitigation processes and procedures that all portfolio companies must adhere to. Akastors' annual report for 2015 provides more information on risks and uncertainties..

The Akastor Share

The company had a market capitalization of NOK 4.1 billion on February 15, 2017. The company owned 2 776 376 own shares at the end of the quarter.

Fornebu, February 15, 2017
The Board of Directors and CEO of Akastor ASA

AKASTOR GROUP INTERIM FINANCIAL STATEMENTS FOURTH QUARTER 2016

CONDENSED CONSOLIDATED INCOME STATEMENT

NOK million	note	Fourth quarter 2016	Fourth quarter 2015 (Restated)	Full year 2016	Full year 2015 (Restated)
Operating revenues and other income		**1 370**	2 544	**5 310**	9 983
Operating expenses		**(1 203)**	(2 050)	**(5 241)**	(9 416)
Operating profit before depreciation, amortization and impairment (EBITDA)		**166**	495	**69**	567
Depreciation and amortization		**(182)**	(208)	**(746)**	(829)
Impairment		**(407)**	(126)	**(473)**	(1 256)
Operating profit (loss)		**(424)**	160	**(1 151)**	(1 518)
Net financial items	*7*	**(430)**	(166)	**(1 174)**	(678)
Profit (loss) before tax		**(853)**	(5)	**(2 324)**	(2 195)
Tax income (expense)		**(18)**	(117)	**307**	351
Profit (loss) from continuing operations		**(872)**	(122)	**(2 017)**	(1 844)
Net profit (loss) from discontinued operations	*5*	**948**	(539)	**734**	(743)
Profit (loss) for the period		**77**	(661)	**(1 282)**	(2 587)
Attributable to:					
Equity holders of Akastor ASA		**77**	(660)	**(1 282)**	(2 587)
Basic/diluted earnings (loss) per share (NOK)		**0.28**	(2.44)	**(4.73)**	(9.54)
Basic/diluted earnings (loss) per share continuing operations (NOK)		**(3.21)**	(0.45)	**(7.44)**	(6.80)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK million	Fourth quarter 2016	Fourth quarter 2015	Full year 2016	Full year 2015
Net profit (loss) for the period	**77**	(661)	**(1 282)**	(2 587)
Other comprehensive income:				
Cash flow hedges, effective portion of changes in fair value	**110**	124	**180**	(172)
Cash flow hedges, reclassification to income statement	**(117)**	(31)	**(537)**	58
Currency translation differences	**188**	21	**(81)**	640
Currency translation differences, reclassification to income statement	**(105)**	-	**(105)**	-
Deferred tax effect	**(14)**	(18)	**55**	49
Net items that may be reclassified to profit or loss	**62**	96	**(488)**	575
Remeasurement gain (loss) net defined benefit liability	**(38)**	27	**(40)**	25
Deferred tax of remeasurement gain (loss) net defined benefit liability	**3**	(9)	**4**	(8)
Net items that will not be reclassified to profit or loss	**(35)**	18	**(36)**	18
Total comprehensive income (loss) for the period, net of tax	**104**	(547)	**(1 806)**	(1 994)
Attributable to:				
Equity holders of Akastor ASA	**104**	(547)	**(1 806)**	(1 994)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK million	*note*	December 31 2016	December 31 2015
Deferred tax assets		**600**	468
Intangible assets		**1 731**	2 785
Property, plant and equipment		**5 198**	6 480
Other non-current operating assets		**104**	478
Equity-accounted investees and other investments		**213**	437
Non-current interest-bearing receivables		**51**	84
Total non-current assets		**7 897**	10 732
Current operating assets	*10*	**4 250**	9 171
Current interest-bearing receivables		**15**	72
Cash and cash equivalents		**487**	563
Assets classified as held for sale	*5*	**212**	-
Total current assets		**4 964**	9 805
Total assets		**12 861**	20 537
Equity attributable to equity holders of Akastor ASA		**5 580**	7 386
Total equity		**5 580**	7 386
Deferred tax liabilities		**15**	51
Employee benefit obligations		**380**	434
Other non-current liabilities and provisions		**445**	414
Non-current borrowings	*4*	**1 494**	1 583
Total non-current liabilities		**2 334**	2 483
Current operating liabilities and provisions	*10*	**3 209**	6 613
Current borrowings	*4*	**1 560**	4 054
Liabilities classified as held for sale	*5*	**177**	-
Total current liabilities		**4 947**	10 667
Total liabilities and equity		**12 861**	20 537

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK million	2016	2015
Profit (loss) for the period	**(1 282)**	(2 587)
(Profit) loss for the period - discontinued operations	**(734)**	743
Depreciations, amortization and impairment continuing operations	**1 220**	2 085
Other adjustments for non-cash items and changes in operating assets and liabilities	**668**	(844)
Net cash from operating activities	**(129)**	(603)
Acquisition of property, plant and equipment	**(153)**	(1 460)
Payments for capitalized development	**(49)**	(176)
Proceeds from sale of subsidiaries, net of cash	**2 382**	1 150
Acquisition of subsidiaries, net of cash acquired	**(7)**	(11)
Cash flow from other investing activities	**548**	281
Net cash from investing activities	**2 720**	(216)
Changes in external borrowings	**(2 624)**	185
Net cash from financing activities	**(2 624)**	185
Effect of exchange rate changes on cash and cash equivalents	**11**	121
Net increase (decrease) in cash and cash equivalents	**(23)**	(512)
Cash and cash equivalents at the beginning of the period	**563**	1 075
Cash and cash equivalents at the end of the period *)	**540**	563

*) of which NOK 53 million is classified as Assets held for sale, see note 5.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK million	Contributed equity and retained earnings	Other reserves	Total equity attributable to the parent	Total equity
Equity as of January 1, 2016	6 051	1 335	7 386	**7 386**
Total comprehensive income	(1 282)	(524)	(1 806)	**(1 806)**
Equity as of December 31, 2016	**4 769**	**811**	**5 580**	**5 580**
Equity as of January 1, 2015	8 636	742	9 378	9 378
Total comprehensive income	(2 587)	594	(1 994)	(1 994)
Treasury shares	2	-	2	2
Equity as of December 31, 2015	6 051	1 335	7 386	7 386

NOTES

NOTE 1 - GENERAL

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

The group is an oil-services investment company with a portfolio of industrial holdings and other investments. Akastor is listed on the Oslo Stock Exchange under the ticker AKA. Please refer to note 35 *Group companies* in Akastor's Annual Report 2015 for more information on the group's structure.

Akastor's Annual Report for 2015 is available at www.akastor.com.

NOTE 2 - BASIS FOR PREPARATION

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

Akastor's condensed interim financial statements for the year ended December 31, 2016 are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information and disclosures required for a complete set of annual consolidated financial statements, and should be read in conjunction with Akastor's Annual Report 2015. The accounting policies applied in these financial statements are the same as those applied in the group's consolidated financial statements as for the year ended December 31, 2015.

The condensed consolidated interim financial statements are unaudited.

NOTE 3 - JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

In preparing these interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of uncertainty in the estimates are consistent with those applied to the consolidated financial statements as for the period ended December 31, 2015.

NOTE 4 - SIGNIFICANT EVENTS

Transaction with Joint Venture Avium Subsea

In November 2016, AKOFS Offshore and Mitsui established a joint venture, Avium Subsea, with 50/50 ownership. The joint venture acquired both the Skandi Santos hull from DOF Subsea Rederi AS and the Skandi Santos topside equipment from AKOFS Offshore. The sale of topside equipment resulted in an accounting gain of NOK 172 mill (USD 20 million), representing 50% of the total gain on sale. The joint venture then entered into a lease agreement with AKOFS Offshore corresponding to the remaining Skandi Santos contract duration between AKOFS Offshore and Petrobras.

Restructuring

In 2016, a total restructuring cost of NOK 231 million was recognized as operating expenses, mainly related to workforce reductions in MHWirth.

Provision for onerous lease contracts

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

Impairment loss

MHWirth

Impairment losses of NOK 287 million were recognized in the fourth quarter of 2016 (NOK 353 million for the full year), mainly related to Macae plant in Brazil and the closing down of a manufacturing plant in Asia. The impairment was triggered by current weak market conditions for project related work which are expected to continue in the short to medium term.

AKOFS Offshore

An impairment loss of NOK 118 million (USD 14 million) related to the AKOFS Seafarer vessel was recognized in the fourth quarter. The impairment was mainly a result of increased discount rate used in the impairment test.

Tax

There is a tax dispute between the Central Tax Office (CTO) in Norway and AKOFS Offshore AS relating to the tax losses incurred in relation to the liquidation of AKOFS Singapore in 2014. An impairment of deferred tax asset of NOK 85 million was recognized in the fourth quarter due to the preliminary decision of disallowance of such tax loss carry-forward from CTO.

Borrowings

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

Akastor's existing financing agreement has a covenant that interest covenant ratio (ICR) should not be less than 1.5 calculated from the consolidated EBITDA to consolidated Net Finance Cost. As of December 31, 2016, the ICR was below the minimum level. Borrowings of NOK 1.2 billion, with maturity in 2019, were therefore reclassified from non-current to current borrowings. On January 20, 2017, Akastor reached an agreement with its bank syndicate to: i) replace its ICR covenant with a nominal EBITDA amount until Q2 2018; and ii) to be allowed to use the existing RCF to make acquisitions for up to NOK 1.0 billion under certain conditions.

NOTE 5 - DISCONTINUED OPERATIONS

In August 2016, MHWirth sold Managed Pressure Operations (MPO), following the decision of evaluating strategic alternatives for this operation. As of December 31, 2016, Akastor completed the transactions to sell Frontica's IT business line (Frontica Business Solutions) and Fjords Processing segment. Net gain before tax from these three transactions amounted to NOK 1 033 million. The net gain before tax on sale of discontinued operations recognized in the fourth quarter is negatively affected by lower earn-out expectations on divestments from prior years.

On January 6, 2017, Akastor completed the transaction to join Frontica's staffing business (Frontica Advantage) into NES Global Talent in exchange for a minority shareholding in the combined entity. See also note 11 for more information about the divestment of Frontica Advantage.

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

Results of discontinued operations

	Fourth quarter		Full year	
NOK million	2016	2015	2016	2015
Revenue	**975**	1 395	**4 616**	5 832
Expenses	**(915)**	(1 898)	**(4 715)**	(6 474)
Net financial items	**1**	(6)	**(4)**	(13)
Profit (loss) before tax	**60**	(508)	**(102)**	(655)
Income tax	**(7)**	(8)	**(58)**	(65)
Net profit (loss) from operating activities	**54**	(516)	**(160)**	(720)
Gain (loss) on sale of discontinued operations	**968**	(23)	**968**	(23)
Income tax on gain (loss) of discontinued operations	**(73)**	-	**(73)**	-
Net profit (loss) from discontinued operations	**948**	(539)	**734**	(743)
Basic/diluted earnings (loss) per share from discontinued operations (NOK)	**3.50**	(1.99)	**2.71**	(2.74)

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

Cash flows from (used in) discontinued operations

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

Assets and liabilities held-for-sale

	December 31
NOK million	2016
Deferred tax assets	33
Intangible assets	48
Current operating assets	78
Cash and cash equivalents	53
Deferred tax liabilities	(29)
Trade payables	(54)
Other current liabilities	(94)
Net assets held-for-sale	**35**

Effects of disposal of subsidiaries

The divestment of MPO, Fjords Processing and Frontica Business Solutions was completed during 2016. The table below shows the effects on the consolidated statement of financial position from disposal.

NOK million	December 31 2016
Deferred tax assets	(171)
Intangible assets	(640)
Property, plant and equipment	(218)
Other non-current assets	(24)
Inventories	(114)
Trade and other receivables	(1 163)
Cash and cash equivalents	(262)
Other current assets	(111)
Non-current liabilities	89
Trade and other payables	197
Other current liabilities	758
Currency translation reserve	105
Equity	**(1 554)**
Total consideration at fair value	2 587
Portion of consideration received in cash (after transaction costs)	2 644
Cash and cash equivalents disposed of	(262)
Net cash flow	**2 382**

NOTE 6 - OPERATING SEGMENTS

Akastor identifies its reportable segments and discloses segment information under IFRS 8 *Operating Segments*. See note 6 *Operating segments* in Akastor's Annual Report 2015 for descriptions of Akastor's management model and operating segments as well as accounting principles used for segment reporting.

As a result of Frontica and Fjords Processing being classified as discontinued operations, the segment reporting has been reassessed in Q4 2016 and Akastor identified three reportable segments in additional to "Other holdings". The historical comparative figures have been restated accordingly. See also note 5 for more information about the discontinued operations.

When contract revenues and contract costs are denominated in a foreign currency, the subsidiary hedges the exposure against Corporate Treasury and hedge accounting is applied independently of whether the hedge qualifies for hedge accounting in accordance with IFRS. The correction of the non-qualifying hedges is made as an adjustment at corporate level in order to secure that the consolidated financial statements are prepared in accordance with IFRS. This means that the group's segment reporting reflects all hedges as qualifying even though they may not qualify for hedge accounting in accordance with IFRS.

Hedge transactions not qualifying for hedge accounting represent in Q4 2016 an accounting gain to EBITDA of NOK 1 million (gain of NOK 53 million in Q4 2015) and a loss under financial items of NOK 41 million (loss of NOK 28 million in Q4 2015). Corresponding year-to-date figures are an accounting an accounting loss to EBITDA of NOK 10 million (gain of NOK 53 million in 2015) and a loss under financial items of NOK 289 million (gain of NOK 50 million in 2015).

Q4 2016

NOK million	MHWirth	AKOFS Offshore	KOP Surface Products	Other holdings	Eliminations	Total continuing operations
External revenue and other income	791	344	81	153	-	**1 370**
Internal revenue	9	-	-	2	(11)	**-**
Total revenue	**800**	**344**	**81**	**155**	**(11)**	**1 370**
Operating profit before depreciation, amortization and impairment (EBITDA)	59	196	(27)	(63)	-	**166**
Operating profit (loss) (EBIT)	(293)	(3)	(42)	(86)	-	**(424)**
Capital expenditure and R&D capitalization	8	7	2	1	-	**17**
Cash flow from operating activities	78	(48)	40	29	-	**99**

Q4 2015 (Restated)

NOK million	MHWirth	AKOFS Offshore	KOP Surface Products	Real estate & other holdings	Eliminations	Total continuing operations
External revenue and other income	1 527	198	214	605	-	**2 544**
Internal revenue	6	-	-	100	(107)	**-**
Total revenue	**1 533**	**198**	**214**	**706**	**(107)**	**2 544**
Operating profit before depreciation, amortization and impairment (EBITDA)	50	45	52	348	-	**495**
Operating profit (loss) (EBIT)	(66)	(41)	28	239	-	**160**
Capital expenditure and R&D capitalization [1)]	50	17	16	29	-	**111**
Cash flow from operating activities	678	38	242	(203)	-	**756**

Full year 2016

NOK million	MHWirth	AKOFS Offshore	KOP Surface Products	Other holdings	Eliminations	Total continuing operations
External revenue and other income	3 510	835	335	629	-	**5 310**
Internal revenue	38	-	-	44	(82)	**-**
Total revenue	**3 548**	**835**	**335**	**674**	**(82)**	**5 310**
Operating profit before depreciation, amortization and impairment (EBITDA)	71	316	(22)	(296)	-	**69**
Operating profit (loss) (EBIT)	(552)	(134)	(80)	(385)	-	**(1 151)**
Capital expenditure and R&D capitalization	36	108	13	5	-	**162**
Cash flow from operating activities	280	(234)	42	(144)	-	**(56)**
Net current operating assets (NCOA)	1 091	121	119	(258)	-	**1 072**
Net capital employed	3 200	4 369	396	114	-	**8 078**

Full year 2015 (Restated)

NOK million	MHWirth	AKOFS Offshore	KOP Surface Products	Real estate & other holdings	Eliminations	Total continuing operations
External revenue and other income	6 455	781	1 131	1 616	-	**9 983**
Internal revenue	72	-	-	153	(225)	**-**
Total revenue	**6 527**	**781**	**1 131**	**1 769**	**(226)**	**9 983**
Operating profit before depreciation, amortization and impairment (EBITDA)	18	104	242	203	-	**567**
Operating profit (loss) (EBIT)	(349)	(1 288)	177	(57)	-	**(1 518)**
Capital expenditure and R&D capitalization [1)]	360	1 057	31	99	-	**1 548**
Cash flow from operating activities	-	(193)	400	(496)	-	**(289)**
Net current operating assets (NCOA)	2 133	69	240	(20)	-	**2 422**
Net capital employed	4 285	5 183	555	694	-	**10 718**

1) Includes capitalized borrowing costs.

NOTE 7 - NET FINANCIAL ITEMS

NOK million	Fourth quarter 2016	Fourth quarter 2015 (Restated)	Full year 2016	Full year 2015 (Restated)
Net interest expenses on financial liabilities measured at amortized costs	**(50)**	(52)	**(236)**	(193)
Financial charges under finance leases	**(73)**	(65)	**(292)**	(279)
Impairment on available for sale assets	**-**	(22)	**-**	(202)
Impairment on external receivables	**(94)**	-	**(94)**	-
Loss from disposal of external investments	**-**	-	**(26)**	-
Net foreign exchange gain (loss)	**(11)**	62	**28**	49
Profit (loss) on foreign currency forward contracts	**(41)**	(28)	**(289)**	50
Profit (loss) from equity accounted investees	**(140)**	(46)	**(214)**	(73)
Other financial expenses	**(19)**	(14)	**(49)**	(30)
Net financial items	**(430)**	(166)	**(1 174)**	(678)

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

Impairment on external receivables in Q4 is triggered by insolvency of certain customers as well as unrecoverability of interest-bearing receivables.

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

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

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

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified by the levels in the fair value hierarchy. See note 34 *Financial instruments* in Akastor's Annual Report 2015 for more information about valuation methodologies and the group's financial instruments. The estimated fair values of material financial instruments are as below:

NOK million	Fair value hierarchy	Fair value as of December 31, 2016	Fair value as of December 31, 2015
Current operating assets			
- Forward foreign exchange contract	Level 2	**269**	1 746
Current operating liabilities			
- Forward foreign exchange contract	Level 2	**(301)**	(1 528)
Non-current liabilities			
- Non-current borrowings	Level 2	**(1 494)**	(1 583)
Current liabilities			
- Current borrowings	Level 2	**(1 567)**	(4 076)

NOTE 9 - RELATED PARTIES

All transactions with related parties have been carried out based on arm's length terms. For detailed descriptions of related party transactions, please refer to note 36 Related parties in Akastor's Annual Report 2015.

Related party transactions with Aker entities

Below is a summary of transactions and balances between Akastor and entities controlled by Aker ASA, referred as "Aker entities".

Income statement

		Fourth quarter		Full year	
NOK million	*note*	2016	2015	2016	2015
Operating revenue		**32**	67	**229**	371
Gain of disposal of business		**-**	310	**-**	310
Operating costs		**(13)**	(70)	**(41)**	(200)
Net financial items		**(73)**	(65)	**(292)**	(279)
Included in Net profit from discontinued operations	*5*				
- Operating revenue		**474**	871	**2 484**	3 851
- Operating costs		**(3)**	(20)	**(22)**	(87)

Financial position - Assets (Liabilities)

		December 31	December 31
NOK million	*note*	2016	2015
Trade receivables		**29**	154
Property, plant and equipment under finance lease (Aker Wayfarer)		**1 618**	1 313
Other non-current assets under finance lease (Aker Wayfarer)		**-**	410
Assets held-for-sale	*5*	**6**	-
Trade payables		**(16)**	(51)
Finance lease liability (Aker Wayfarer)		**(1 622)**	(1 645)
Liabilities held-for-sale	*5*	**(1)**	-

Related party transactions with joint venture

During the first half year of 2016, the shareholder's loan to DOF Deepwater AS, a joint venture with DOF ASA, was increased by NOK 110 million. As of December 31, 2016, The carrying amount of the interest-bearing receivables from DOF Deepwater AS is NOK 50 million (NIBOR 6 months+ 3.6 percent) after NOK 150 million of the receivables was converted to the equity of the company. The ownership of the joint venture remains unchanged.

In November 2016, AKOFS Offshore and Mitsui established a joint venture, Avium Subsea, with 50/50 ownership. The joint venture acquired the Skandi Santos topside equipment from AKOFS Offshore and an accounting gain of NOK 172 mill (USD 20 million) was recognized, representing 50% of the total gain on sale. See also note 5 for more information.

NOTE 10 - CURRENT OPERATING ASSETS AND LIABILITIES

NOK million	December 31 2016	December 31 2015
Inventories	**1 086**	1 464
Trade receivables	**1 545**	3 015
Amounts due from customers for construction work	**262**	1 402
Advances to suppliers	**163**	203
Accrued operating revenue	**176**	377
Current tax assets	**65**	2
Hedge adjustments, assets	**269**	1 746
Other receivables	**682**	962
Total current operating assets	**4 250**	**9 171**
Trade payables	**315**	898
Amounts due to customers for construction work, including advances	**1 251**	510
Provisions	**354**	553
Current tax liabilities	**63**	89
Hedge adjustments, liabilities	**301**	1 528
Accrued operating expenses and other liabilities	**925**	3 034
Total current operating liabilities	**3 209**	**6 613**

NOTE 11 - EVENTS AFTER REPORTING DATE

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

On January 20, 2017, Akastor reached an agreement with its bank syndicate to: i) replace its ICR covenant with a nominal EBITDA amount until Q2 2018; and ii) to be allowed to use the existing RCF to make acquisitions for up to NOK 1.0 billion under certain conditions.

ALTERNATIVE PERFORMANCE MEASURES

DEFINITIONS

Akastor discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Such performance measures are used to provide an enhanced insight into the operating performance, financing and future prospects of the company and are frequently used by securities analysts, investors and other interested parties.

The definitions of these measures are as follows:

EBITDA - Operating profit or loss (earnings) before (i) income tax, (ii) net financial items, (iii) depreciation, amortization and impairment

EBIT - Operating profit or loss (earnings) before net financial items and income tax

Capex and R&D capitalization - Expenditure on PPE or intangible assets that qualify for capitalization

NCOA (Net current operating assets) - Current operating assets minus current operating liabilities, excluding current assets or liabilities related to hedging.

Net capital employed - Refers to the value of all assets employed in the operation of a business. It is calculated by non-current assets (excluding non-current interest bearing receivables) added by net current operating assets minus non-current operating liabilities (deferred tax liabilities, employee benefit obligations and other non-current liabilities)

Gross debt - Sum of current and non-current borrowings

Net debt - Gross interest-bearing debt minus cash and cash equivalents

Liquidity reserve - Cash and cash equivalents plus undrawn committed credit facilities

Equity ratio - Total equity divided by total assets at the reporting date

Order intake - Represents the expected sales revenue from the contracts or orders that are entered into or committed in the reporting period

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

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

RECONCILIATIONS

The tables below show reconciliation of alternative performance measurements to the line items in the financial statements according to IFRS.

Net current operating assets (NCOA)

NOK million	December 31 2016	December 31 2015
Current operating assets	**4 250**	9 171
Less:		
Current operating liabilities	**3 209**	6 613
Net hedging assets (liabilities)	**(32)**	218
NCOA related to discontinued operations	**-**	(82)
Net current operating assets (continuing operations)	**1 072**	2 422

Net capital employed (NCE)

NOK million	December 31 2016	December 31 2015
Total non-current assets	**7 897**	10 732
Net current operating assets (NCOA)	**1 072**	2 422
Less:		
Non-current interest-bearing receivables	**51**	84
Deferred tax liabilities	**15**	51
Employee benefit obligations	**380**	434
Other non-current liabilities	**445**	414
NCE related to discontinued operations	**-**	1 452
Net capital employed (continuing operations)	**8 078**	10 718

Gross/Net debt

NOK million	December 31 2016	December 31 2015
Non-current borrowings	**1 494**	1 583
Current borrowings	**1 560**	4 054
Gross debt	**3 054**	5 637
Less:		
Cash and cash equivalents	**487**	563
Net debt	**2 567**	5 074
Less:		
Non-current interest-bearing receivables	**51**	84
Current interest-bearing receivables	**15**	72
Net interest-bearing debt (NIBD)	**2 501**	4 918

Financial Calendar
First quarter results 2017, 03 May 2017.

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