Q4

AKASTOR

FOURTH QUARTER
AND PRELIMINARY
ANNUAL RESULTS 2017

HIGHLIGHTS

- EBITDA of NOK 167 million with MHWirth delivering an EBITDA margin of 11%
- Cash flows of NOK 127 million before financing activities
- Net debt NOK 2.4 billion, including financial leases of NOK 1.5 billion
- MoU signed with Mitsui for establishing AKOFS Offshore Joint Venture
- Karl Erik Kjelstad appointed as Chief Executive Officer effective from January 1, 2018

Following the divestment of KOP Surface Products, this portfolio company is classified as discontinued operations and excluded from the group's key figures.

KEY FIGURES

Akastor Group (continuing operations)

NOK million	Q4 17	Q4 16	2017	2016
Operating revenue and Other income	1 098	1 288	4 348	4 975
EBITDA	167	193	293	91
EBIT	11	(382)	(438)	(1 071)
CAPEX and R&D capitalization	35	15	95	150
NCOA	1 043	954	1 043	954
Net capital employed	7 566	7 682	7 566	7 682
Order intake	1 302	937	3 841	3 586
Order backlog	6 865	7 624	6 865	7 624
Net Debt	2 364	2 567	2 364	2 567
Employees	2 015	2 244	2 015	2 244

Portfolio Companies Q4 2017

NOK million	MHWirth	AKOFS Offshore	Other Holdings
Operating revenue and Other income	739	213	159
EBITDA	83	80	4
Order backlog	1 718	4 917	231
Employees	1 456	180	379

01. PERFORMANCE SUMMARY Q4 2017

- Total revenues were NOK 1 098 million, compared to revenues of NOK 1 288 million the same quarter previous year.
- EBITDA was NOK 167 million with a margin of 15% for the group.
- Net debt was NOK 2 364 million. Net bank debt was NOK 871 million while the finance leases were NOK 1 494 million.
- Working capital reduced by NOK 119 million to NOK 1 043 million in the quarter.
- The order intake for Akastor in the quarter was NOK 1.3 billion, resulting in an aggregate order backlog of NOK 6.9 billion.

02. PORTFOLIO COMPANIES

MHWIRTH

MHWirth reported revenues of NOK 739 million in the fourth quarter, down 8% compared with fourth quarter 2016. Revenues for the total year were NOK 3 030 million, a reduction of 15% from 2016.

EBITDA was NOK 83 million in the quarter, giving an EBITDA margin of 11.2%, compared with NOK 59 million in the fourth quarter 2016. For the total year EBITDA ended on NOK 118 million, including restructuring costs of NOK 77 million and impairment of inventories of NOK 311 million.

The working capital level (NCOA) of MHWirth decreased from the third quarter by NOK 92 million to NOK 995 million due to customer payments.

Order intake in the fourth quarter was NOK 1 134 million compared to NOK 789 million in the 2016 fourth quarter. This includes the contract signed with Wood Group Canada for delivery of a drilling package, including equipment, engineering and services for the West White Rose Extension Project offshore Canada. Total backlog as of Q4 amounts to NOK 1.7 billion, of which the four remaining drilling packages to Jurong Shipyard amount to approximately NOK 800 million.

The drilling market remains challenging with low utilization and many idle drilling rigs, impacting the rig rates negatively. However, there are indications in recent months that the offshore drilling activity will slowly improve in 2018, especially in harsh environment regions like the North Sea.

As per Q4 2017, MHWirth had 1 456 employees.

AKOFS Offshore

AKOFS Offshore reported revenues of NOK 213 million in the fourth quarter, compared with NOK 184 million in the 2016 fourth quarter (adjusted for revenues from divestment of assets). EBITDA was NOK 80 million in the quarter, with a margin of 38%. The order backlog ended at NOK 4.9 billion. The company had 180 employees at the end of the quarter.

Skandi Santos operated at near full utilization during the quarter. The vessel has delivered excellent operations during 2017, with high operational and financial up-time.

Aker Wayfarer started operations on 1 January 2018 for the 5+5 year contract with Petrobras in Brazil. The vessel has already completed several operations, including installations of two subsea manifolds on the Santos basin.

AKOFS Seafarer remained idle during the fourth quarter with operating expenses continuing at well below USD 10 000 per day. The vessel is currently being marketed for work in the subsea construction and service market as well as for Light well intervention.

As announced in October 2017, Akastor is in advanced discussions with MITSUI & CO., LTD. ("Mitsui"), a leading Japanese trading and investment company, to further expand their current partnership to include AKOFS Offshore ("AKOFS"). Under the terms of the current discussions, Mitsui, together with potential partners, will invest in AKOFS by purchasing 50% of the shares in the company to form a new 50-50 joint venture (the "Transaction") for a total consideration of approximately USD 142 million. The Transaction still remains subject to agreement on final terms and conditions, final due diligence, the entry of definitive agreements between Akastor and Mitsui, and BoD approvals for all respective parties, which is expected to be completed by the end of Q1 2018.

Other Holdings

Other Holdings reported revenues of NOK 159 million in the quarter, with EBITDA of NOK 4 million. Step Oiltools, Cool Sorption and First Geo delivered a total EBITDA of NOK 2 million in the quarter. For the total year these three smaller portfolio companies had total revenues of NOK 394 million, and a total EBITDA of negative NOK 2 million. Further subletting of office leases, as well as less than anticipated costs for delivering back properties with expired lease contracts, caused a further reduction of the provision for onerous leases. This gave a positive EBITDA effect of NOK 24 million in the fourth quarter.

03. AKASTOR GROUP

Performance

Akastor group's revenues in the fourth quarter were NOK 1 098 million, while EBITDA in the fourth quarter was NOK 167 million. Revenues for the full year were NOK 4 348 million with EBITDA of NOK 293 million.

Depreciation, amortization and impairment amounted to NOK 156 million in the quarter and NOK 730 million for the year.

Net financial expenses were NOK 221 million for the quarter, compared with NOK 432 million in the fourth quarter 2016. The net financial expenses for the year were NOK 774 million.

Net tax expenses were NOK 146 million in the fourth quarter, negatively impacted by impairment of deferred tax assets. The net tax income for the full year is NOK 106 million. The effective tax rate is further explained by the mix of revenue the group earns in jurisdictions with various tax rates, as well as tax effects from fluctuations in currencies from entities that are taxable in other currencies than the functional currency.

The result for the fourth quarter from continuing operations was a loss of NOK 355 million and the total loss for the period was NOK 380 million. For the year of 2017, the result from continuing operations was a loss of NOK 1 106 million, and the net profit from discontinued operations was NOK 1 049 million, mainly related to the gain from the divestment of KOP Surface Products. The net loss for the year was NOK 58 million.

Financial position

Net debt was NOK 2 364 million at the end of the period, while net bank debt exclusive finance leases was NOK 871 million.

The liquidity reserve at the end of the quarter was approximately NOK 1.6 billion, with cash and bank deposits of NOK 168 million and undrawn committed credit facilities of NOK 1.4 billion.

Net current operating assets were NOK 1 043 million at the end of December, a decrease of NOK 119 million since previous quarter.

Cash flow from operations was positive NOK 92 million in the quarter and negative NOK 673 million in the year. Net cash flow from investing activities was NOK 35 million in the quarter. The cash flow from investing activities was positive NOK 790 million for the year, mainly explained by proceeds from the divestment of KOP Surface Products.

The equity ratio was 51 percent at the end of the year. Gross debt was NOK 2 533 million at the end of the period.

Related party transactions

There have not been any new significant related party transactions or agreements in 2017. Please refer to note 35 Related parties in Akastor's Annual Report 2016 for detailed information about related party transactions.

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 for 2016 provides more information on risks and uncertainties.

The Akastor share

The company had a market capitalization of NOK 4.1 billion on February 12, 2018. The company owned 2 776 376 own shares at the end of the quarter.

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

AKASTOR GROUP INTERIM FINANCIAL STATEMENTS FOURTH QUARTER 2017

CONDENSED CONSOLIDATED INCOME STATEMENT

NOK million	*note*	Fourth quarter 2017	Fourth quarter 2016 (Restated)	Full year 2017	Full year 2016 (Restated)
Operating revenues and other income		**1 098**	1 288	**4 348**	4 975
Operating expenses		**(932)**	(1 096)	**(4 055)**	(4 884)
Operating profit before depreciation, amortization and impairment		**167**	193	**293**	91
Depreciation and amortization		**(154)**	(167)	**(612)**	(688)
Impairment		**(1)**	(407)	**(118)**	(473)
Operating profit (loss)		**11**	(382)	**(438)**	(1 071)
Net financial items	*7*	**(221)**	(432)	**(774)**	(1 174)
Profit (loss) before tax		**(209)**	(813)	**(1 212)**	(2 245)
Tax income (expense)		**(146)**	(36)	**106**	293
Profit (loss) from continuing operations		**(355)**	(850)	**(1 106)**	(1 953)
Net profit (loss) from discontinued operations	*5*	**(25)**	926	**1 049**	670
Profit (loss) for the period		**(380)**	77	**(58)**	(1 282)
Attributable to:					
Equity holders of Akastor ASA		**(380)**	77	**(58)**	(1 282)
Basic/diluted earnings (loss) per share (NOK)		**(1.40)**	0.28	**(0.21)**	(4.73)
Basic/diluted earnings (loss) per share continuing operations (NOK)		**(1.31)**	(3.13)	**(4.08)**	(7.20)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK million	Fourth quarter 2017	Fourth quarter 2016	Full year 2017	Full year 2016
Net profit (loss) for the period	**(380)**	77	**(58)**	(1 282)
Other comprehensive income:				
Cash flow hedges, effective portion of changes in fair value	**16**	110	**71**	180
Cash flow hedges, reclassification to income statement	**83**	(117)	**15**	(537)
Change in fair value reserve	**(14)**	-	**9**	-
Currency translation differences	**215**	188	**(60)**	(81)
Currency translation differences, reclassification to income statement	**-**	(105)	**(227)**	(105)
Deferred tax effect	**(38)**	(14)	**(35)**	55
Net items that may be reclassified to profit or loss	**262**	62	**(227)**	(488)
Remeasurement gain (loss) net defined benefit liability	**(6)**	(38)	**(7)**	(40)
Deferred tax effect	**(11)**	3	**(11)**	4
Net items that will not be reclassified to profit or loss	**(16)**	(35)	**(17)**	(36)
Total comprehensive income (loss) for the period, net of tax	**(135)**	104	**(303)**	(1 806)
Attributable to:				
Equity holders of Akastor ASA	**(135)**	104	**(303)**	(1 806)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		December 31	
NOK million	*note*	2017	2016
Deferred tax assets		**661**	600
Intangible assets		**1 435**	1 731
Property, plant and equipment		**4 419**	5 198
Other non-current operating assets		**99**	104
Equity-accounted investees and other investments		**546**	213
Non-current interest-bearing receivables		**1**	51
Total non-current assets		**7 163**	7 897
Current operating assets	*10*	**2 958**	4 250
Current interest-bearing receivables		-	15
Other current assets		**39**	-
Cash and cash equivalents		**168**	487
Assets classified as held for sale		**-**	212
Total current assets		**3 165**	4 964
Total assets		**10 328**	12 861
Equity attributable to equity holders of Akastor ASA		**5 277**	5 580
Total equity		**5 277**	5 580
Deferred tax liabilities		**10**	15
Employee benefit obligations		**349**	380
Other non-current liabilities and provisions		**330**	445
Non-current borrowings	*4*	**2 133**	1 494
Total non-current liabilities		**2 823**	2 334
Current operating liabilities and provisions	*10*	**1 829**	3 209
Current borrowings	*4*	**399**	1 560
Liabilities classified as held for sale		**-**	177
Total current liabilities		**2 228**	4 947
Total liabilities and equity		**10 328**	12 861

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

NOK million	2017	2016
Profit (loss) for the period	**(58)**	(1 282)
(Profit) loss for the period - discontinued operations	**(1 049)**	(670)
Depreciations, amortization and impairment continuing operations	**730**	1 162
Other adjustments for non-cash items and changes in operating assets and liabilities	**(297)**	662
Net cash from operating activities	**(673)**	(129)
Acquisition of property, plant and equipment	**(70)**	(153)
Payments for capitalized development	**(27)**	(49)
Proceeds from sale of subsidiaries, net of cash*)	**921**	2 382
Acquisition of subsidiaries, net of cash acquired	**-**	(7)
Cash flow from other investing activities	**(33)**	548
Net cash from investing activities	**790**	2 720
Changes in external borrowings	**(391)**	(2 624)
Net cash from financing activities	**(391)**	(2 624)
Effect of exchange rate changes on cash and cash equivalents	**(45)**	11
Net increase (decrease) in cash and cash equivalents	**(319)**	(22)
Cash and cash equivalents at the beginning of the period*)	**487**	563
Cash and cash equivalents at the end of the period	**168**	540

*) Excluding the cash and cash equivalents in Frontica Advantage of NOK 53 million which was classified as Assets held for sale as of December 31, 2016 and subsequently disposed of in January 2017. See also note 5.

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, 2017	**4 769**	**811**	**5 580**	**5 580**
Total comprehensive income	**(58)**	**(245)**	**(303)**	**(303)**
Equity as of December 31, 2017	**4 711**	**566**	**5 277**	**5 277**
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

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 2016 for more information on the group's structure.

Akastor's Annual Report for 2016 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, 2017 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 2016. 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, 2016.

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, 2016. Please refer to note 4 in Akastor's Annual Report 2016.

NOTE 4 - SIGNIFICANT EVENTS

Borrowings

On March 1, 2017, Akastor signed an agreement with its bank syndicate to replace its Interest Coverage Ratio (ICR) covenant with a nominal EBITDA amount until Q2 2018. Please refer to note 25 *Borrowings* in Akastor's Annual Report 2016 for more information. The external borrowings of NOK 824 million under the agreement, with maturity in 2019, are classified as non-current borrowings.

Restructuring

Restructuring costs of NOK 77 million were recognized as operating expenses in 2017, related to workforce reductions in MHWirth.

Impairment loss

Impairment losses of NOK 118 million were recognized for Property, plant and equipment and Intangible assets in 2017. The impairment was mainly related to internally developed intangible assets and testing facilities that were no longer expected to be fully utilized in MHWirth.

Onerous lease provision

As a consequence of successful subletting of several of the office leases, the provision for onerous lease contracts was reduced by NOK 24 million in the fourth quarter and NOK 52 million for the year of 2017. This reversal is recognized as a reduction of operating expenses.

NOTE 5 - DISPOSAL OF SUBSIDIARIES

On January 6, 2017, Akastor completed the transaction to sell Frontica's staffing business (Frontica Advantage) to NES Global Talent (NES) in exchange for a minority shareholding in the combined entity. Akastor holds an initial 15.2% economic ownership interest in NES after the transaction, which is presented as Other investments and measured at fair value. On July 27, 2017, Akastor completed the transaction to sell KOP Surface Products to the Weir Group PLC (Weir) for a consideration of USD 114 million on a debt- and cash-free basis. These disposals resulted in an accounting gain before tax of NOK 383 million for Frontica Advantage and NOK 728 million for KOP Surface Products, presented as Net profit from discontinued operations.

Frontica Advantage and KOP Surface Products are classified as discontinued operations and the comparative condensed consolidated income statement has been restated to show the discontinued operations separately from continuing operations. Please refer to note 5 Discontinued operations in Akastors' Annual Report 2016 for more information about the discontinued operations and divestments that were completed in 2016.

Results of discontinued operations

	Fourth quarter		Full year	
NOK million	2017	2016	2017	2016
Revenue	**14**	1 056	**215**	4 951
Expenses	**(24)**	(1 039)	**(223)**	(5 130)
Net financial items	**(1)**	3	**-**	(3)
Profit (loss) before tax	**(11)**	20	**(7)**	(181)
Income tax	**(7)**	9	**(13)**	(43)
Net profit (loss) from operating activities	**(17)**	30	**(20)**	(224)
Gain (loss) on sale of discontinued operations	**(8)**	968	**1 088**	968
Income tax on gain (loss) of discontinued operations	**-**	(71)	**(19)**	(73)
Net profit (loss) from discontinued operations	**(25)**	926	**1 049**	670
Basic/diluted earnings (loss) per share from discontinued operations (NOK)	**(0.09)**	3.41	**3.87**	2.47

Cash flows from (used in) discontinued operations

	Full year	
NOK million	2017	2016
Net cash from operating activities	**(43)**	(31)
Net cash from investing activities	**918**	2 328
Net cash flow from discontinued operations	**876**	2 297

Effect of disposal on the financial positions of the group

NOK million	December 31 2017
Deferred tax assets	(54)
Property, plant and equipment	(90)
Intangible assets	(193)
Inventories	(103)
Trade and other receivables	(165)
Cash and cash equivalents	(86)
Other current assets	(46)
Deferred tax liabilities	29
Pension liabilities	23
Trade and other payables	62
Other current liabilities	148
Currency translation reserve	227
Net assets and liabilities	**(250)**
Total consideration at fair value, net of transaction costs	1 362
Consideration received in cash, net of transaction costs	984
Cash and cash equivalents disposed of	(86)
Net cash flow from disposal	**898**

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 2016 for descriptions of Akastor's management model and operating segments as well as accounting principles used for segment reporting.

As a result of KOP Surface Products being classified as discontinued operations, the segment reporting has been reassessed in Q2 2017 and Akastor identified two 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.

Q4 2017

NOK million	MHWirth	AKOFS Offshore	Other holdings	Eliminations	Total continuing operations
External revenue and other income	734	213	152	-	**1 098**
Internal revenue	5	-	7	(13)	**-**
Total revenue	**739**	**213**	**159**	**(13)**	**1 098**
Operating profit before depreciation, amortization and impairment (EBITDA)	83	80	4	-	**167**
Operating profit (loss) (EBIT)	33	(2)	(20)	-	**11**
Capital expenditure and R&D capitalization	19	15	1	-	**35**
Cash flow from operating activities	134	(42)	(1)	-	**91**

Q4 2016 (Restated)

NOK million	MHWirth	AKOFS Offshore	Other holdings	Eliminations	Total continuing operations
External revenue and other income	791	344	153	-	**1 288**
Internal revenue	9	-	2	(11)	**-**
Total revenue	**800**	**344**	**155**	**(11)**	**1 288**
Operating profit before depreciation, amortization and impairment (EBITDA)	59	196	(63)	-	**193**
Operating profit (loss) (EBIT)	(293)	(3)	(86)	-	**(382)**
Capital expenditure and R&D capitalization	8	7	1	-	**15**
Cash flow from operating activities	78	(48)	29	-	**60**

Full year 2017

NOK million	MHWirth	AKOFS Offshore	Other holdings	Eliminations	Total continuing operations
External revenue and other income	3 000	778	570	-	**4 348**
Internal revenue	30	-	26	(56)	**-**
Total revenue	**3 030**	**778**	**596**	**(56)**	**4 348**
Operating profit before depreciation, amortization and impairment (EBITDA)	118	213	(38)	-	**293**
Operating profit (loss) (EBIT)	(189)	(121)	(127)	-	**(438)**
Capital expenditure and R&D capitalization	46	40	9	-	**95**
Cash flow from operating activities	(82)	(322)	(226)	-	**(630)**
Net current operating assets (NCOA)	995	186	(138)	-	**1 043**
Net capital employed	2 783	4 154	628	-	**7 566**

Full year 2016 (Restated)

NOK million	MHWirth	AKOFS Offshore	Other holdings	Eliminations	Total continuing operations
External revenue and other income	3 510	835	629	-	**4 975**
Internal revenue	38	-	44	(82)	**-**
Total revenue	**3 548**	**835**	**674**	**(82)**	**4 975**
Operating profit before depreciation, amortization and impairment (EBITDA)	71	316	(296)	-	**91**
Operating profit (loss) (EBIT)	(552)	(134)	(385)	-	**(1 071)**
Capital expenditure and R&D capitalization	36	108	5	-	**150**
Cash flow from operating activities	280	(234)	(144)	-	**(98)**
Net current operating assets (NCOA)	1 091	121	(258)	-	**954**
Net capital employed	3 200	4 378	104	-	**7 682**

NOTE 7 - NET FINANCIAL ITEMS

NOK million	Fourth quarter 2017	Fourth quarter 2016 (Restated)	Full year 2017	Full year 2016 (Restated)
Net interest expenses on financial liabilities measured at amortized costs	**(17)**	(50)	**(106)**	(236)
Financial charges under finance leases	**(64)**	(73)	**(265)**	(292)
Profit (loss) on foreign currency forward contracts	**(14)**	(41)	**(111)**	(289)
Profit (loss) from equity accounted investees	**(69)**	(140)	**(212)**	(214)
Impairment on external receivables	**(9)**	(94)	**(9)**	(94)
Gain (loss) from disposal of external investments	**19**	-	**20**	(26)
Net foreign exchange gain (loss)	**(63)**	(11)	**(92)**	28
Other financial expenses	**(4)**	(21)	**1**	(50)
Net financial items	**(221)**	(432)	**(774)**	(1 174)

Loss on foreign currency forward contracts reflects fair value on hedge contracts that do not qualify for hedging accounting under IFRS. The loss in 2017 is mainly related to hedge contracts in MHWirth.

Loss from equity accounted investees mainly 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 33 *Financial instruments* in Akastor's Annual Report 2016 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, 2017	Fair value as of December 31, 2016
Financial assets			
- Other investments	Level 3	**536**	121
- Forward foreign exchange contract	Level 2	**94**	269
- Deferred and contingent consideration	Level 3	**99**	103
Financial liabilities			
- Non-current borrowings	Level 2	**(2 137)**	(1 494)
- Current borrowings	Level 2	**(399)**	(1 567)
- Forward foreign exchange contract	Level 2	**(20)**	(301)
- Deferred settlement obligations	Level 3	**(84)**	(116)

NOTE 9 - RELATED PARTIES

All transactions with related parties have been carried out based on arm's length terms. There have not been any new significant related party transactions or agreements in 2017. For detailed descriptions of related party transactions, please refer to note 35 *Related parties* in Akastor's Annual Report 2016.

NOTE 10 - CURRENT OPERATING ASSETS AND LIABILITIES

	December 31	
NOK million	2017	2016
Inventories	**569**	1 086
Trade receivables	**1 248**	1 545
Amounts due from customers for construction work	**246**	262
Advances to suppliers	**81**	163
Accrued operating revenue	**146**	176
Current tax assets	**21**	65
Current financial assets	**106**	269
Other receivables	**542**	682
Total current operating assets	**2 958**	4 250
Trade payables	**239**	315
Amounts due to customers for construction work, including advances	**738**	1 226
Provisions	**293**	354
Current tax liabilities	**23**	63
Current financial liabilities	**20**	301
Accrued operating expenses and other liabilities	**516**	951
Total current operating liabilities and provisions	**1 829**	3 209

NOTE 11 - Contingencies

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

ALTERNATIVE PERFORMANCE MEASURES

Akastor discloses alternative performance measures as a supplement to the consolidated financial statements prepared in accordance with IFRS. Such performance measures are used to provide an enhanced insight into the operating performance, financing abilities and future prospects of the 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 current assets or 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

Liquidity reserve - comprises cash and cash equivalents and undrawn committed credit facilities

Equity ratio - a measure of investment leverage, calculated as total equity divided by total assets at the reporting date

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.

Net current operating assets (NCOA)

NOK million	December 31 2017	December 31 2016
Current operating assets	**2 958**	4 250
Less:		
Current operating liabilities	**1 829**	3 209
Net financial assets (liabilities)	**86**	(32)
NCOA related to discontinued operations	-	118
Net current operating assets (continuing operations)	**1 043**	954

Net capital employed (NCE)

NOK million	December 31 2017	December 31 2016
Total non-current assets	**7 163**	7 897
Net current operating assets (NCOA)	**1 043**	954
Other current assets	**51**	-
Less:		
Non-current interest-bearing receivables	**1**	51
Deferred tax liabilities	**10**	15
Employee benefit obligations	**349**	380
Other non-current liabilities	**330**	445
NCE related to discontinued operations	**-**	278
Net capital employed (continuing operations)	**7 566**	7 682

Gross/Net debt/Net bank debt/NIBD

NOK million	December 31 2017	December 31 2016
Non-current borrowings	**2 133**	1 494
Current borrowings	**399**	1 560
Gross debt	**2 533**	3 054
Less:		
Cash and cash equivalents	**168**	487
Net debt	**2 364**	2 567
Less:		
Financial lease liabilities	**1 494**	1 622
Net bank debt	**871**	945
Net debt	**2 364**	2 567
Less:		
Non-current interest-bearing receivables	**1**	51
Current interest-bearing receivables	**-**	15
Net interest-bearing debt (NIBD)	**2 363**	2 501

Equity ratio

NOK million	December 31 2017	December 31 2016
Total equity	**5 277**	5 580
divided by Total assets	**10 328**	12 861
Equity ratio	**51 %**	43 %

Liquidity reserve

NOK million	December 31 2017	December 31 2016
Cash and cash equivalents	**168**	487
Undrawn committed credit facilities	**1 400**	2 600
Liquidity reserve	**1 568**	3 087

Financial Calendar
First quarter results 2018, May 3, 2018.

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