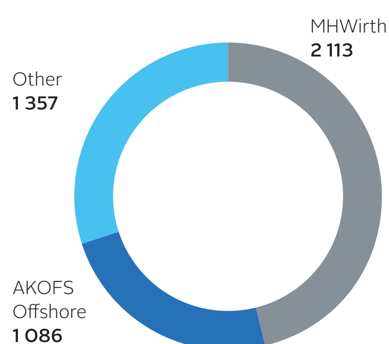
2018 ANNUAL REPORT

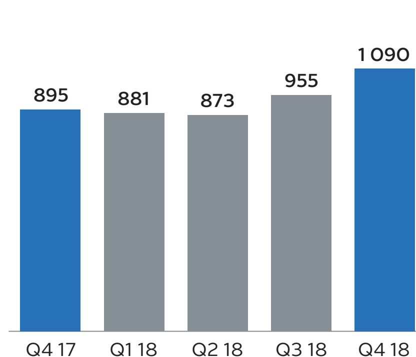
KEY FIGURES (CONTINUING OPERATIONS)

	2018	2017
Results and orders (NOK million)		
Revenue and other income	**3 800**	3 606
EBITDA	**290**	116
EBITDA margin (percent)	**7.6**	3.2
Net profit (loss)	**(194)**	(706)
Net profit (loss) incl discontinued operations	**(322)**	(58)
Net debt	**403**	2 364
Equity ratio (percent)	**48**	51
Order intake	**4 481**	3 818
Order backlog	**2 692**	1 948
Share (NOK)		
Share price December 31	**13.1**	16.4
Basic/ Diluted earnings per share	**(1.19)**	(0.21)
Employees (Full time equivalents)		
Employees including hired-ins	**1 775**	1 835
Health and Safety		
Lost time incident frequency (per million worked hours)	**1.6**	0.8
Total recordable incident frequency (per million worked hours)	**2.2**	1.1
Sick leave rate (percent of worked hours)	**2.6**	3.2

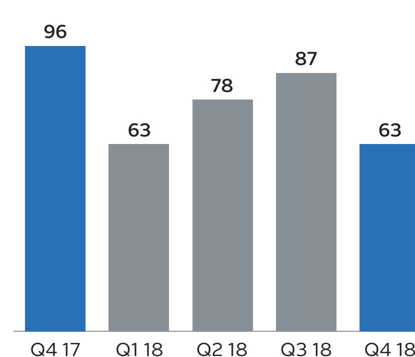
Net capital employed
NOK million



Revenue
NOK million



EBITDA
NOK million



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01. BOARD OF DIRECTORS' REPORT

Akastor ASA (hereinafter referred to as Akastor) is an investment company based in Norway with a portfolio of companies in the oilfield services sector, with a flexible mandate for active ownership and long-term value creation. The shares of Akastor are traded on the Oslo Stock Exchange under the ticker AKA. The Akastor portfolio of companies had a total net capital employed of NOK 4.6 billion at the end of 2018.

Highlights 2018

In 2018, several important operational milestones were achieved and the portfolio of investments was strengthened through strategic transactions.

On January 1, the vessel Aker Wayfarer started operations under the 5+5 year contract with Petrobras. The vessel will provide subsea well installation and other types of offshore installation work offshore Brazil.

In April, MHWirth signed the first contract in more than three years for a complete drilling equipment package to a newbuild drilling rig. The contract was signed with Keppel Fels for a harsh environment midwater semi-submersible rig, with Awilco Drilling as the ultimate client.

In May, an investment of USD 75 million was made in a preferred equity instrument in Odfjell Drilling, yielding 10 percent annual interest plus a warrant structure for up to 5,925,000 shares in Odfjell Drilling.

In June, an agreement to sell 50 percent of the shares in AKOFS Offshore for USD 142.5 million to Mitsui & Co. Ltd (Mitsui) and Mitsui O.S.K. Lines Ltd (MOL) was signed. The transaction was completed in September.

Later in June, a five year contract was signed with Equinor, for provision of year-round light well intervention (LWI) services on the Norwegian continental shelf, with planned commencement in the first half of 2020.

Finally, in December Akastor entered into an agreement with Silverfleet Capital and two banks to merge AGR Bidco AS (AGR) with First Geo. Akastor will hold 100 percent of the shares and 55 percent of the economic interest in the combined company. The merged company will be a world leading provider of well management-, reservoir- and subsurface services, ranging from consultancy services to fully outsourced well and rig management projects. The merger is expected to be completed in the first half of 2019.

Akastor's total revenue from continuing operations was NOK 3.8 billion in 2018, an increase of 22 percent from 2017 (adjusted for certain special items in 2017). The increase was due to a slow recovery of the oil service market, and thus stronger order intake for all of the portfolio companies.

Company Overview

The largest shareholder of Akastor is Aker Kværner Holding AS with a shareholding of 40.27 percent, which is 70 percent owned by Aker ASA and 30 percent by the Norwegian government. Aker ASA also has a direct shareholding in Akastor of 8.52 percent.

Akastor is primarily focused on the oilfield services sector. The portfolio in 2018 covers a range of industrial holdings in this sector, including:

- MHWirth, which provides drilling systems and lifecycle services. Ownership interest 100 percent.
- AKOFS Offshore, a subsea well installation and intervention services provider. Ownership interest 50 percent.
- Step Oiltools, a drilling waste management company. Ownership interest 100 percent
- First Geo, which delivers subsurface advice and products to E&P companies. Ownership interest 100 percent. Expecting to merge First Geo with AGR in 2019.
- Cool Sorption, a supplier of vapour recovery units and systems. Ownership interest 100 percent.
- DOF Deepwater, owns and operates five offshore vessels. Ownership interest 50 percent.
- NES Global Talent, a technical and engineering staffing company. Economic interest 17.7 percent.

Each Akastor portfolio company is organized as an independent business with its own dedicated management team, which together with the company's board, is fully responsible for all aspects of its operations. All portfolio companies have separate boards of directors, which consist of dedicated Akastor investment managers, and in some of the boards, external board representatives and employee representatives. This lays the foundation for close cooperation between Akastor, the portfolio companies and their employees.

In addition, Akastor has several financial investments, including:

- Preferred equity instrument of USD 77.2 million in Odfjell Drilling plus a warrant structure of up to 5.9 million shares.
- Shares in Awilco Drilling. Ownership interest 5.5 percent.

The Akastor corporate organization is based in Norway, at Fornebu, with a team of 17 employees, working closely with the boards and management of its portfolio companies.

Akastor has a total of 1 775 employees with presence in approximately 20 countries at year end 2018.

Strategy

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

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

The business models of the portfolio companies are decentralized, but as part of the Akastor portfolio, all companies share a common foundation based on Akastor's values, governing documents and compliance structure.

With regards to the financial holdings, focus is to generate an acceptable return on the investments as such. In addition, financial investments may be made in assets or companies in order to strengthen the portfolio companies of the group.

Market Outlook

Akastor's portfolio companies operate mainly in the oilfield services industry. During 2018, the market fundamentals have improved somewhat, based on stronger cash generation and higher investment levels of the oil companies. However, there is still high over-capacity in certain market segments, such as offshore drilling, offshore vessels, and subsea well intervention. This is expected to continue to impact the activities of several of the portfolio companies in 2019, with regards to both new orders for equipment and service activities.

Since the downturn started in 2014, a lot of focus has been on reducing costs and developing more efficient technological solutions. In 2018, MHWirth has successfully installed its digital solutions on several drilling rigs, optimizing the operations of the drilling equipment. Further, new business models for services have been implemented, aligning incentives for MHWirth and its clients. As an active owner, Akastor will continue to work closely with the portfolio companies to position them for growth in current and new markets, and ensure financial capacity for potential business opportunities.

Group Financial Performance

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

Income Statement

Revenue and other income for 2018 increased by 5 percent to NOK 3 800 million. Adjusted by NOK 500 million from a settlement agreement in MHWirth in 2017, the revenue has increased by 22 percent. Operating profit before interest, tax, depreciation and amortization (EBITDA) increased by NOK 175 million to NOK 290 million, while EBITDA in 2017 was impacted by several negative special items.

Depreciation and amortization was NOK 181 million in 2018, compared to NOK 278 million in the previous year. There has been no impairment recognized on fixed assets for continuing operations in 2018.

Net financial expenses were NOK 200 million in 2018 compared to NOK 406 million in the previous year. The net financial expenses include Akastor's share of net loss of NOK 157 million from the equity-accounted investees DOF Deepwater and AKOFS Offshore, dividend income of NOK 71 million from equity investment, as well as unrealized loss of NOK 71 million in fair value changes of financial investments. The pre-tax loss for the year was NOK 91 million, compared to a loss of NOK 686 million the previous year.

The income tax expenses for 2018 were NOK 103 million, compared to a tax expense of NOK 20 million in 2017. The effective tax rate is negatively impacted by several items, such as impairment of deferred tax assets, non-tax deductible items, mix of revenue generated in various jurisdictions, as well as change in tax rate in Norway.

Net loss from continuing operations was NOK 194 million, while net loss from discontinued operations was NOK 128 million. The net loss from discontinued operations was mainly related to operating losses from AKOFS Offshore, gain from the divestment of AKOFS Offshore and provision as a result of negative arbitration award related to previously divested Managed Pressure Operations Ltd (MPO). The group had an operating loss of NOK 322 million for the year. Earnings per share were negative NOK 1.19 in 2018, compared with negative NOK 0.21 a year earlier.

The board of directors has resolved to propose to the annual general meeting that no dividend is distributed for 2018.

Financial Position
Total assets of Akastor amounted to NOK 9.0 billion as of December 31, 2018, compared with NOK 10.3 billion at year-end 2017. The decrease reflects reductions in non-current assets of NOK 2.1 billion mainly related to divestment of 50 percent shares in AKOFS Offshore, offset by equity investment in Odfjell Drilling and Awilco Drilling.

Gross debt decreased by NOK 1.9 billion as a result of the divestment of 50 percent shares of AKOFS Offshore as well increased cash flows from operating activities.

Total equity amounted to NOK 4.3 billion at year-end 2018, compared to NOK 5.3 billion the year before. The equity ratio was 48 percent as of December 31, 2018, decreased from 51 percent in 2017.

Cash Flow
As of December 31, 2018, Akastor had cash of NOK 198 million, compared to NOK 168 million in 2017. The net cash flow from operating activities was positive NOK 315 million, compared to negative operating cash flow of NOK 673 million in the previous year. The positive cash flow from operating activities comprises of net cash inflow from operating activities of NOK 625 million offset by payments of NOK 311 million for income tax and interest costs including finance leases before the divestment of AKOFS Offshore.

Net cash flow from investing activities was NOK 247 million compared to NOK 737 million in 2017. The cash flow from investing activities was mainly related to the proceeds from the divestment of 50 percent shares in AKOFS Offshore as well as payment for investment in Odfjell Drilling and Awilco Drilling. Capex investments were NOK 131 million compared to NOK 97 million in 2017.

Net cash flow from financing activities amounted to negative NOK 481 million and reflected reduced borrowings in 2018. The net cash flow from financing activities in 2017 was negative NOK 391 million.

Going Concern

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

The Akastor Portfolio

MHWirth
MHWirth is a global provider of drilling solutions, engineering, projects, equipment and services. MHWirth has activities on five continents with presence in 14 countries. At year-end 2018, the company employs 1 424 people; 54 percent of the workforce is employed in Norway. The company's business is divided in four core areas: Large Projects, Drilling Equipment, Drilling Lifecycle Services and Engineering Services. MHWirth is the largest portfolio company by both sales and employees.

Key Figures

Amounts in NOK million	**2018**	2017
Revenue and other income	**3 055**	3 030
EBITDA	**281**	118
EBIT	**156**	(189)
CAPEX and R&D capitalization	**58**	46
NCOA	**405**	995
Net capital employed	**2 113**	2 783
Order intake	**3 544**	3 212
Order backlog	**2 282**	1 718
Employees (FTE)	**1 424**	1 456

The revenue for 2018 of NOK 3 055 million was up 1 percent from 2017. Adjusted for revenues from a settlement agreement in 2017 of NOK 500 million, revenues were up 21 percent from 2017 to 2018. The Drilling Lifecycle Services business had revenues of NOK 1 699 million, an increase of 1 percent from 2017. The number of active rigs with complete drilling package from MHWirth increased slightly to 52 rigs in 2018. The EBITDA increased from NOK 118 million in 2017 to NOK 281 million in 2018, however the 2017 EBITDA included several negative special items.

The offshore drilling market has improved somewhat during 2018, but is still suffering from over capacity of offshore drilling rigs. In April, MHWirth signed the first contract for a complete drilling package to an offshore floater in several years. The equipment will be delivered to Keppel Fels, for construction of a midwater semi-submersible with Awilco Drilling as the ultimate client. The order intake from single equipment contract improved somewhat in 2018, both from oil and non-oil segments. Total order intake in MHWirth ended on NOK 3.5 billion, compared with NOK 3.2 billion in 2017. The order backlog increased from NOK 1.7 billion to NOK 2.3 billion during 2018.

After several years with cost reductions adjusting the cost base to a new activity level, the situation stabilized in 2018. During the year, the workforce decreased slightly from 1 456 to 1 424 employees. Focus will still be to reduce the costs of the products, more lean operations, and more cost efficient service models.

Since the downturn started in 2014, there has been a lot of focus from the customers on making the drilling equipment more efficient, reducing the costs of drilling a well, as well as reducing the service costs of the equipment. Condition-based rather than time-based lifecycle service is an example of this. An important response to this market trend has been the development of digital technologies, in order to automate the operations of the drilling equipment. Currently, six clients have signed contracts for ten rigs, to implement the DEAL (Drilling Equipment Automation Layer) interface and several software solutions for automation of several of the operations onboard the rigs.

Akastor aims to develop MHWirth business going forward both through organic growth and M&A adapted to the

development of the company's core market, the offshore drilling market.

AKOFS Offshore

AKOFS Offshore is a provider of vessel-based subsea well installation and intervention services to the oil and gas industry. The company operates three specialized offshore vessels, Skandi Santos, Aker Wayfarer and AKOFS Seafarer, and employs 202 people at the end of 2018.

Key Figures [1]

Amounts in NOK million	2018	2017
Revenue and other income	**1 107**	778
EBITDA	**471**	213
EBIT	**(127)**	(121)
CAPEX and R&D capitalization	**188**	40
NCOA	**180**	186
Net capital employed	**4 915**	4 154
Order intake	**2 949**	22
Order backlog	**6 244**	4 917
Employees (FTE)	**202**	180

[1] *The figures are presented at 100 percent basis.*

The company's revenue increased 42 percent to NOK 1 107 million, and EBITDA increased by NOK 258 million to NOK 471 million in 2018. The increase is due to the commencement of the five-year contract for the vessel Aker Wayfarer with Petrobras in Brazil.

Both of the vessels Skandi Santos and Aker Wayfarer operate on contracts with Petrobras in Brazil for subsea equipment installation work. The vessels have operated at close to full utilization and continue to build on its strong track record in Brazil.

In June, AKOFS Offshore signed a five-year contract with Equinor for Light Well Intervention services in the North Sea, which will be performed from the AKOFS Seafarer vessel. The vessel and the subsea workover system will be upgraded during 2019, with expected commencement of the contract in the first half of 2020. An impairment loss of NOK 322 million was recognized on AKOFS Seafarer due to changes in cash flows projections.

In September, 50 percent of the shares of AKOFS Offshore were sold to Mitsui and MOL. Following the transaction, AKOFS Offshore was restructured to consolidate 100 percent ownership interest in Avium Subsea AS, an existing joint venture between Akastor, Mitsui and MOL.

Akastor, Mitsui and MOL hold 50 percent, 25 percent and 25 percent of the shares in AKOFS Offshore, respectively. AKOFS Offshore is classified as a joint venture and consolidated using the equity method in the consolidated financial statements.

Other Holdings

Other Holdings mainly include 100 percent ownership of First Geo, 100 percent ownership of Cool Sorption, 100 percent ownership of Step Oiltools, 50 percent ownership of DOF Deepwater AS which is a joint venture with DOF ASA, 17.7 percent economic interest of NES Global Talent, 5.5 percent shareholding in Awilco Drilling, and a preferred equity instrument of USD 77.2 million in Odfjell Drilling. In addition, this segment includes corporate functions and several long-term office lease contracts that remained in Akastor after the demerger from Aker Solutions in 2014.

Key Figures

Amounts in NOK million	2018	2017
Revenue and other income	**749**	596
EBITDA	**(18)**	(38)
EBIT	**(74)**	(127)
CAPEX and R&D capitalization	**8**	9
NCOA	**(30)**	(138)
Net capital employed	**1 357**	628
Order intake	**943**	626
Order backlog	**408**	231
Employees (FTE)	**351**	379

EBITDA for Other Holdings for the year was a loss of NOK 18 million. The three businesses Step Oiltools, First Geo and Cool Sorption delivered an EBITDA of NOK 47 million in 2018, up from negative NOK 1 million in 2017. The remaining negative EBITDA in this segment is mainly related to corporate overhead costs, as well as some legacy costs.

Parent Company and Allocation of Net Loss

The parent company Akastor ASA is the ultimate parent company in the Akastor group and its business is the ownership and management of all subsidiaries. Akastor ASA has outsourced all management functions to other companies within the group, mainly Akastor AS. However, assets and liabilities related to the Akastor Treasury function are held by Akastor ASA. Akastor ASA has a net loss of NOK 300 million in 2018, including impairment of shares in subsidiaries of NOK 276 million.

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

Dividends:	0
From other equity:	300
Total allocated:	300

Risk Management

Akastor and its portfolio companies are exposed to various forms of market, operational and financial risks that may affect the companies' performance, their ability to meet strategic goals and the companies' reputations.

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

It has been a volatile year in the oil market, as the oil price has fluctuated throughout the year, with high average prices mid-year, however ending lower than in the beginning of the year. The market situation for the oilfield services industry has remained challenging, with modest level of activity and capital spending, but market statistics reflect that oil companies' capacity to spend is growing, and there has been some increased activity in the subsea market and increased rig demand. Akastor will continue to watch the fundamental drivers in the market. If the market developments continue to remain challenging, it may lead to further cost adjustments and changes in the valuation of the Akastor portfolio's assets and liabilities (which could include further restructuring costs, onerous leases, impairments etc. and increased credit risk impacting the valuation of trade and interest-bearing receivables). Akastor's main strategy for mitigating adverse effects of potential challenging market conditions is continuous monitoring and focus on rightsizing with a view to maintaining a robust balance sheet with headroom for contingencies (see also the description of financial risks below).

On the operational side, sound project execution by the portfolio companies without cost overruns as well as securing new orders are key factors affecting the companies' financial performance. Results also depend on costs, both the portfolio companies' own costs and those charged by suppliers. Akastor and its portfolio companies are also exposed to financial risk under performance guarantees and financial guarantees issued, and financial market risks as further detailed below.

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

To manage and mitigate risks within Akastor, risk evaluation is an integral part of all business activities. As an owner, Akastor actively supervises risk management in its portfolio companies through participation on the board of directors of each portfolio company, and by defining a clear set of risk management and mitigation processes and procedures that all portfolio companies must adhere to. The current and revised governing documents defined by Akastor were rolled out during the first half of 2016 and are reviewed annually. The overall responsibility for ensuring sound internal control and an appropriate framework for risk management in Akastor lies with its board of directors. A risk review is presented to and reviewed by the audit committee and the board of directors of Akastor on an annual basis.

Financial Risks

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

Integrity Risks

All Akastor portfolio companies use education and awareness training to manage and mitigate integrity risks. All employees must complete a yearly Code of Conduct training program. In addition, all Akastor managers and office-based staff are required to conduct integrity e-learning training and participate in classroom courses. For employees in specific functions, where chance of facing integrity risk is considered higher than normal, additional training has been tailored for their role and responsibilities. Hired-ins in high risk roles are also required to undertake integrity training, just as third party representatives receive integrity training specially prepared for them. The requirement for all portfolio companies is to complete and report on the training within six months from employment or publication of a new training session.

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

Corporate Responsibility

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

Akastor also focuses on maintenance and development of industrial relations and collaboration with unions. Historically, good industrial relations have played an important role, and maintaining these strong relations have proven to be one of the success criteria in developing the company over the years.

Within the corporate responsibility efforts, Akastor is focused on the environmental, social and governance areas that build financial and non-financial value in the portfolio companies. Akastor's corporate responsibility strategy is based on four main priorities: working against corruption, respecting human rights, caring for health and safety and minimizing adverse impact on the environment. All the portfolio companies are responsible for working systematically with these priorities and defining their own corporate responsibility strategies encompassing these priorities. Akastor is continuously monitoring the implementation and integration of the priorities of the corporate responsibility strategy, Code of Conduct and Integrity Policy across all the portfolio companies. For in-depth reporting on each portfolio company's corporate responsibility work, including their HSE work, refer to the Akastor Corporate Responsibility Report for 2018. The full report is available on our website www.akastor.com.

Research, Innovation and Technology Development

NOK 36 million was capitalized in 2018, compared to NOK 27 million in 2017, related to development activities. In addition, research and development costs of NOK 32 million were expensed during the year because the criteria for capitalization were not met (NOK 16 million in 2017).

All research, innovation and development initiatives are performed by the Akastor portfolio companies. Akastor ASA and Akastor AS performed no such activity in 2018.

People and Teams

Akastor is committed to equal opportunity and non-discrimination. This commitment is described in Akastor's Code of Conduct, as well as Akastor's policies and agreements, and builds on a frame agreement signed with national and international trade unions in 2008. This agreement was renewed in 2012 and sets out fundamental labour rights and standards for general employment terms and employee relations, with specific focus on non-discrimination. Equal opportunities are fundamental for Akastor and its portfolio companies.

Akastor and the portfolio companies had a total of 1 775 employees (FTE) as of December 31, 2018. The male/female ratio (excluding hired-ins) in the major portfolio company and Akastor Group were as follows:

	MHWirth	Akastor Group
Female	18%	19%
Male	82%	81%

All portfolio companies regularly assess whether they live up to the principle of equal pay for equal work and no significant differences have been identified. Each portfolio company promotes equal opportunities by setting specific requirements for diversity in recruitment and people development, and by supporting programs dedicated to equal opportunity. Akastor ASA fulfils the requirements of the Norwegian Companies Act with regards to gender representation on the board of directors, as three out of five shareholder elected directors are women.

Aggregated sick leave in Akastor was 2.6 percent in 2018. There were no fatal injuries in any of the portfolio companies. The total recordable incident frequency was low, and Akastor has thoroughly analyzed all incidents and taken actions to avoid similar situations going forward. Caring for employee's health and safety is an integrated part of the group's culture. See figures below for details.

	MHWirth	Akastor Group
Lost time incident Frequency (LTIF) *	2.0	1.6
Total Recordable Incident Frequency *	2.7	2.2
Fatalities incl subcontractors	-	-
Sick leave (percent)	3.1	2.6

** Per million hours worked. Includes subcontractors*

Corporate governance

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

Fornebu, March 14, 2019 I Board of Directors of Akastor ASA

Kristian Røkke | Chairman	Lone Fønss Schrøder | Deputy Chairman	Øyvind Eriksen | Director
Kathryn M. Baker | Director	Sarah Ryan | Director	Henning Jensen | Director
Asle Christian Halvorsen | Director	Stian Sjølund | Director	Karl Erik Kjelstad | CEO

02. DECLARATION BY THE BOARD OF DIRECTORS AND CEO

The board and CEO have today considered and approved the annual report and financial statements for the Akastor group and its parent company Akastor ASA for the year ended on December 31, 2018. The board has based this declaration on reports and statements from the group's CEO and/or on the results of the group's activities, as well as other information that is essential to assess the group's position which has been provided to the board of directors.

To the best of our knowledge:

- The financial statements for 2018 for Akastor group and its parent company have been prepared in accordance with all applicable accounting standards.
- The information provided in the financial statements gives a true and fair portrayal of the group and its parent company's assets, liabilities, profit and overall financial position as of December 31, 2018.
- The annual report provides a true and fair overview of the development, profit and financial position of Akastor group and its parent company, as well as the most significant risks and uncertainties facing the group and the parent company.

Fornebu, March 14, 2019 I Board of Directors of Akastor ASA

Kristian Røkke | Chairman	Lone Fønss Schrøder | Deputy Chairman	Øyvind Eriksen | Director
Kathryn M. Baker | Director	Sarah Ryan | Director	Henning Jensen | Director
Asle Christian Halvorsen | Director	Stian Sjølund | Director	Karl Erik Kjelstad | CEO

03. CORPORATE GOVERNANCE STATEMENT – AKASTOR ASA

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

1. The Corporate Governance Report

Basis for this Report

The corporate governance principles of the group are laid down by the board of directors of Akastor ASA. The principles are based on the Norwegian Code of Practice for Corporate Governance dated October 17, 2018 (the «Code of Practice»), the regulations set out in the Continuing Obligations of stock exchange listed companies from Oslo Børs (the stock exchange in Oslo) and the relevant Norwegian background law such as the Norwegian Accounting Act and the Norwegian Public Limited Liability Companies Act. The Code of Practice may be found at www.nues.no and the Continuing Obligations of stock exchange listed companies may be found at www.oslobors.no. Norwegian laws and regulations are available at www.lovdata.no.

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

In addition to the Code of Practice, the Norwegian Accounting Act section 3-3b stipulates that companies must provide a report on their policies and practices for corporate governance either in the annual report or in a document referred to in the annual report. Such report is integrated in the below corporate governance statement.[1)]

Governance Structure

Akastor is an oilfield services investment company with a portfolio of industrial holdings and other investments. The company has a flexible mandate for active ownership and long-term value creation. Completed transactions in 2018 include the sale of 50 percent of the shares in AKOFS Offshore to Mitsui & Co. Ltd, and Mitsui O.S.K Lines, increased ownership in STEP Oiltools to become fully owned by Akastor, and investments of USD 75 million in preferred equity in Odfjell Drilling and USD 10 million for 5.5 percent ownership of Awilco Drilling.

Akastor currently has an active investment portfolio within the oilfield services industry consisting of MHWirth, STEP Oiltools, Cool Sorption, First Geo, 50 percent of the shares in AKOFS Offshore, 50 percent of the shares in DOF Deepwater, a 17.7 percent economic ownership in NES Global Talent, in addition to other holdings and investments (see below), with a total net capital employed of approximately NOK 4.6 billion.

MHWirth is a global provider of drilling solutions, engineering, projects, equipment and services. AKOFS Offshore is a provider of subsea well installation and intervention services. NES Global Talent is a global technical and engineering staff provider. STEP Oiltools is a global provider of solids control and drilling waste management services. First Geo is an operation and wellsite geology services company. Cool

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

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

Sorption is a provider of vapour recovery units and systems. DOF Deepwater operates five offshore vessels. Other investments mainly include investments in Odfjell Drilling and Awilco Drilling, a subletting portfolio through Akastor Real Estate and an investment in Aker Pensjonskasse.

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

Policies and Procedures

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

Values and Code of Conduct

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

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

Akastor wishes to contribute to sustainable social development through responsible business practices. The company's Code of Conduct is a handbook that applies to all employees and provides guiding on what Akastor considers to be responsible ethical conduct. The Code of Conduct provides a framework of core corporate values which reflects Akastor's prudent business practice and shall be reflected in every aspect of our operations. The ethical guidelines and other governing documents of the group have been drafted on the basis of these core corporate values.

2. Business

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

The principal strategies of the group are presented in the annual report. To ensure value creation for its shareholders, the board of directors annually performs a designated strategy process where it sets objectives and targets for the company, assesses risk, evaluates the existing strategy and approves any significant changes. Information concerning the financial position and principal strategies of the company, and any changes thereto is disclosed to the market in the context of the company's quarterly reporting and in designated market presentations as well as at www.akastor.com.

Corporate Responsibility

Akastor takes an active approach to corporate responsibility. Corporate responsibility in Akastor is about making prudent business decisions, with minimum risk to reputation, brand and the future sustainability of our business. The main focus of corporate responsibility activities in Akastor, defined in our group-wide integrity policy, is to work against corruption, to respect human rights and to care for health, safety and the environment. Akastor's primary stakeholders are the shareholders (existing and potential), customers of its portfolio companies and employees of the Akastor group. All our portfolio companies are expected to ensure integration of stakeholder engagement, a strong corporate responsibility in their operations and we believe our approach to corporate responsibility supports several of the UN Sustainable Development Goals.

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

Further information in respect of the corporate social responsibility work of Akastor and its portfolio of companies can be found in the separate Corporate Responsibility report published simultaneously as the company's annual report for 2018.

3. Equity and Dividends

Equity
The management and the board regularly monitor that the group's equity and liquidity are appropriate for its objectives, strategy and risk profile. The book equity of the group as per December 31, 2018 is NOK 4 317 million, which represents an equity ratio of 48 percent. The management of financial risk is further described in the annual report.

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

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

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

The company's annual general meeting on April 6, 2018 resolved to authorize the board to purchase treasury shares for three purposes for utilization, all of which were subject to separate voting under the general meeting: (i) purchase of treasury shares to be used as transaction currency in connection with acquisitions, mergers, demergers and other transactions, (ii) purchase of treasury shares to be sold and/or transferred to employees and directors under share purchase programs and (iii) purchase of treasury shares for the purpose of investment or for subsequent sale or deletion of such shares. The authorizations were all limited to ten percent of the share capital. The board's authorizations to purchase treasury shares are valid for the period until the date of the annual general meeting of 2019. No shares were bought by the company in 2018 pursuant to the authorizations to the board of directors. As of December 31, 2018, the company holds 2 776 376 own shares.

In addition, the annual general meeting in 2018 granted the board of directors the mandate to approve the distribution of dividends based on the company's annual accounts for 2017 as set out in the Public Limited Liability Companies Act § 8-2, second paragraph. The mandate is valid for the period until the date of the annual general meeting of 2019.

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

Share Purchase Programs
Share purchase programs in Akastor include Akastor ASA and Akastor AS (and not the portfolio companies). The company has not carried out any share purchase programs for employees of Akastor ASA or Akastor AS in 2018. In December 2018, the board of directors of Akastor ASA made use of its authorization mandate to approve a share purchase program, which is to be carried out in 2019.

4. Equal Treatment of Shareholders and Transactions with Related Parties

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

As of December 31, 2018, Aker ASA holds 70 percent of the shares of Aker Kværner Holding AS which holds 40.27 percent of the shares of Akastor. As of the same date, Aker ASA directly held 23 331 762 shares of Akastor, equivalent to ~8.5 percent of the shares. Proposition No. 88 (2006–2007) to Stortinget (the Norwegian Parliament) contains more detailed information concerning the establishment of Aker Kværner Holding AS and the agreement between Aker ASA and the other shareholder of Aker Kværner Holding AS.

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

Applicable accounting standards and regulations require Aker ASA to prepare its consolidated financial statements to include

accounting information of Akastor. As of January 1, 2014, Aker ASA is deemed to have control of Akastor pursuant to the revised accounting standard IFRS 10. Akastor is thus consolidated as a subsidiary in Aker ASA's accounts from this date. Subsequently, Aker Solutions ASA and Kværner ASA are deemed as related parties to Akastor for accounting purposes. In order to comply with these accounting standards, Aker ASA has in the past received, and will going forward receive, unpublished accounting information of Akastor. Such distribution of unpublished accounting information from Akastor to Aker ASA is executed under strict confidentiality and in accordance with applicable regulations on handling of inside information.

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

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

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

5. Freely Negotiable Shares

The shares are listed on the Oslo Børs and are freely transferable. No transferability restrictions are laid down in the articles of association. There are no restrictions on the party's ability to own, trade or vote for shares in the company.

6. General Meetings

Attendance, Agenda and Voting

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

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

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

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

Chairman

The articles of association stipulate that the general meetings shall be chaired by the chairman of the board of directors or a person appointed by said chairman. According to the Code of Practice the board should however «make arrangements to ensure an independent chairman for the general meeting». Thus, the articles of Akastor ASA deviate from the Code of Practice in this respect. This has its background in a long-lasting tradition in Akastor. Having the chairman of the board chairing the general meeting also simplifies the preparations for the general meetings significantly.

Election of Directors

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

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

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

7. Nomination Committee

The articles of association stipulate that the company shall have a nomination committee. The nomination committee shall have no less than three members, who shall normally serve for a term of two years. The current members of the nomination committee are Leif-Arne Langøy (chairman), Gerhard Heiberg, Arild S. Frick and Georg Fr. Rabl. Gerhard Heiberg is elected up until the annual general meeting 2020, while Leif-Arne Langøy, Arild S. Frick and Georg Fr. Rabl are up for electionat the annual general meeting 2019. Langøy is deputy chairman of the board in TRG Holding AS and The Resource Group TRG AS, as well as chairman of the board of Kværner ASA. Arild S. Frick is General Counsel of Aker ASA and managing director of Aker Kværner Holding AS. No members of the nomination committee are employed by, or directors of, Akastor. The majority of the members of the nomination committee are independent of both Akastor's board of directors and the executive management of the company.

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

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

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

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

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

8. Composition and Independence of the Board of Directors

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

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

The articles of association stipulate that the board of directors shall comprise six to twelve persons, one third of whom shall be elected by and amongst the employees of the group. In addition, up to three shareholder-appointed alternates may be appointed. As per December 31, 2018, the board of directors comprised eight directors, five of whom were elected by the shareholders and three of whom were elected by and amongst the employees. The company encourages the directors to hold shares in the company. The shareholdings of the directors as of December 31, 2018 will be set out in the «Management remunerations» note to the consolidated financial statements in the annual report for 2018. In addition to Øyvind Eriksen's indirect ownership of shares in the company through Aker ASA, also the chairman Kristian Monsen Røkke and the directors Lone Fønss Schrøder, Kathryn M. Baker and Sarah Ryan are currently shareholders in Akastor ASA. The board composition, including information about the directors'

background and expertise will be detailed in the annual report for 2018.

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

Independence
A majority of the directors elected by the shareholders are independent of the executive personnel and important business associates of Akastor ASA. None of the executive personnel of the company are members of the board of directors.

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

9. The Work of the Board of Directors

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

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

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

The above principles will normally also be applied if Akastor contracts with other companies in which said board members hold direct or indirect ownership interests that exceed, in relative terms, their ownership interests in Akastor.

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

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

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

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

The board of directors held eight ordinary board meetings in 2018. The aggregate attendance rate at the board meetings was 90.6 percent.

The Matters Discussed by the Board of Directors
The Chief Executive Officer prepares cases for deliberation by the board of directors in cooperation with the chairman of the board. Endeavours are made to prepare and present matters in such a way that the board of directors is provided with an adequate basis for its deliberations. The board of directors has overall responsibility for the management of Akastor and shall,

through the Chief Executive Officer, ensure that its activities are organized in a sound manner. The board of directors shall adopt plans and budgets for the business, and keep itself informed of the financial position of, and development within, the company. This encompasses the annual planning process of Akastor, with the adoption of overall goals and strategic choices for the group, as well as financial plans, budgets, and forecasts for the group and the portfolio companies. The board of directors performs annual evaluations of its work and its know-how.

Audit Committee

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

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

Akastor currently has no remuneration committee as the experiences from having such showed more merit in discussing matters comprised by this committee's mandate with all directors present. As of December 31, 2018, there are no other board committees than the audit committee. The board does not envisage appointing any further board committees in 2019.

The board evaluate its performance and qualification annually. A summary of the evaluation was made available to the nomination committee.

10. Risk Management and Internal Control

Governing Principles

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

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

Risk Management

Akastor and its portfolio companies are exposed to a variety of market, operational and financial risks. The board of directors carries out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

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

Risk evaluation is an integral part of all business activities and Akastor employs a decentralized model for allocating managerial responsibility under which the portfolio companies are required to establish their own risk management and internal control systems. Akastor's representatives on boards of directors in the portfolio companies seek to ensure that the portfolio companies follow the principles of sound corporate governance.

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

The board receives and reviews risk reports prepared by the management. The management's risk reporting is based on the total level of insight obtained through regular reporting

and the close cooperation that Akastor has with the portfolio companies, including from Akastor's investment directors and board representatives. Management of operational risk primarily rests with the underlying portfolio companies, although Akastor acts as an active driver through its involvement on the boards and through support and follow-up by the various Akastor corporate functions towards relevant functions in the portfolio companies.

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

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

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

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

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

Clearing meetings are held with the management teams of the portfolio companies in connection with the annual closing of accounts and may also be held in connection with quarterly financial reporting. For the 2018 financial year, clearing meetings with the portfolio companies were held in October 2018 and January 2019. The main purpose is to ensure high-quality financial reporting. Such meetings focus on important items involving estimation and judgment, non-balance-sheet items, accounting for significant transactions, new or modified accounting principles and other topics relevant to the respective portfolio companies. The external auditor is present in the clearing meetings.

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

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

11. Remuneration of the Board of Directors

The remuneration of the board of directors will reflect its responsibilities, know-how and time commitment, as well as the complexity of the business. The remuneration will be proposed by the nomination committee, and is not performance-related or linked to options in Akastor. More detailed information about the remuneration of individual directors will be provided in the «Management remunerations» note to the consolidated financial statements for the group in the annual report for 2018. Neither the directors, nor companies with whom they are affiliated, should accept specific paid duties for Akastor beyond their directorships. If they nevertheless do so, the board of directors shall be informed and the remuneration shall be approved by the board of directors. No remuneration shall be accepted from anyone other than the company or the relevant group company in connection with such duties.

12. Remuneration of Executive Personnel

The board of directors has adopted designated guidelines for the remuneration of executive management pursuant to the provisions of Section 6-16a of the Public Limited Liability Companies Act. The guidelines were adopted by the general meeting April 6, 2018. The board of directors' statement on the remuneration of executive personnel for 2019 will be a separate item on the agenda for the annual general meeting on April 9, 2019.

Akastor has no option schemes or option programs for the allotment of shares to employees. The Chief Executive Officer

determines the remuneration of executive management on the basis of the guidelines laid down by the board of directors. All performance-related remuneration within the group will be made subject to a cap.

13. Information and Communication

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

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

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

14. Take-overs

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

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

15. Auditors

The external auditor presents a plan for the performance of the audit work to the audit committee annually. In addition, the auditor provides the audit committee with an annual written confirmation to the effect that the independence requirement is met. The auditor attends all audit committee meetings, and the auditor has reviewed any material changes to the accounting principles of the company, or to the internal controls of the company, with the audit committee. The external auditor also attends the board meeting where the annual financial statements are reviewed and approved, normally in March. The board of directors holds a minimum of one annual meeting with the auditor without any executive personnel being in attendance.

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

04.a. FINANCIALS AND NOTES

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

Amounts in NOK million	*Note*	**2018**	2017 Restated [1]
Revenue and other income	*6,7*	**3 800**	3 606
Materials, goods and services		**(1 513)**	(1 461)
Salaries, wages and social security costs	*8*	**(1 424)**	(1 561)
Other operating expenses	*9*	**(572)**	(468)
Operating expenses		**(3 509)**	(3 490)
Operating profit before depreciation, amortization and impairment		**290**	116
Depreciation and amortization	*13,14*	**(181)**	(278)
Impairment	*13,14*	**-**	(118)
Operating profit (loss)		**109**	(280)
Finance income		**185**	115
Finance expenses		**(202)**	(179)
Profit (loss) on foreign currency forward contracts		**(2)**	(121)
Profit (loss) from equity-accounted investees	*16*	**(157)**	(212)
Impairment loss on external receivables		**(24)**	(9)
Net finance expenses	*10*	**(200)**	(406)
Profit (loss) before tax		**(91)**	(686)
Income tax benefit (expense)	*11*	**(103)**	(20)
Profit (loss) from continuing operations		**(194)**	(706)
Profit (loss) from discontinued operations (net of income tax)	*5*	**(128)**	648
Profit (loss) for the period		**(322)**	(58)
Profit (loss) for the period attributable to:			
Equity holders of the parent company		**(322)**	(58)
Basic / diluted earnings (loss) per share (NOK)	*12*	**(1.19)**	(0.21)
Basic / diluted earnings (loss) per share continuing operations (NOK)	*12*	**(0.71)**	(2.60)

[1] *See note 5 Discontinued operations*

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

Amounts in NOK million	*Note*	**2018**	2017
Profit (loss) for the period		**(322)**	(58)
Other comprehensive income			
Cash flow hedges, effective portion of changes in fair value		**(80)**	71
Deferred tax of cash flow hedges, effective portion of changes in fair value		**15**	(17)
Cash flow hedges, reclassification to income statement		**(43)**	15
Deferred tax of cash flow hedges, reclassification to income statement		**7**	(5)
Total change in hedging reserve, net of tax		**(101)**	64
Total change in fair value reserve, net of tax		**(37)**	9
Currency translation differences - foreign operations		**51**	(60)
Currency translation differences, reclassification to income statement upon disposal	*5*	**(442)**	(227)
Deferred tax of currency translation differences – foreign operations		**7**	(13)
Share of OCI from equity-accounted investees		**(44)**	-
Total change in currency translation reserve, net of tax		**(428)**	(300)
Total items that may be reclassified subsequently to profit or loss, net of tax		**(565)**	(228)
Remeasurement gain (loss) net defined benefit liability	*26*	**(4)**	(7)
Deferred tax of remeasurement gain (loss) net defined benefit liability		**-**	(11)
Total items that will not be reclassified to profit or loss, net of tax		**(4)**	(17)
Total other comprehensive income, net of tax		**(569)**	(245)
Total comprehensive income (loss) for the period, net of tax		**(891)**	(303)
Attributable to:			
Equity holders of the parent company		**(891)**	(303)

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

Amounts in NOK million	*Note*	**2018**	2017
Assets			
Deferred tax assets	*11*	**374**	661
Property, plant and equipment	*13*	**825**	4 419
Intangible assets	*14*	**1 260**	1 435
Other non-current assets	*17*	**62**	100
Equity-accounted investees	*16*	**1 088**	10
Other investments	*18*	**1 469**	536
Non-current interest-bearing receivables		**-**	1
Total non-current assets		**5 077**	7 163
Current tax assets		**4**	21
Inventories	*20*	**548**	569
Trade and other receivables	*21*	**2 801**	2 263
Derivative financial instruments	*31*	**117**	94
Current interest-bearing receivables	*19*	**257**	-
Other current assets		**-**	51
Cash and cash equivalents	*22*	**198**	168
Total current assets		**3 927**	3 165
Total assets		**9 005**	10 328
Equity and liabilities			
Issued capital	*23*	**162**	162
Treasury shares	*23*	**(2)**	(2)
Other capital paid in		**1 534**	1 534
Reserves		**253**	862
Retained earnings		**2 369**	2 271
Total equity attributable to the equity holders of the parent company		**4 317**	5 277
Total equity		**4 317**	5 277
Non-current borrowings	*24*	**588**	2 133
Employee benefit obligations	*26*	**332**	349
Deferred tax liabilities	*11*	**9**	10
Other non-current liabilities	*25*	**390**	110
Provisions, non-current	*27*	**166**	221
Total non-current liabilities		**1 485**	2 823
Current borrowings	*24*	**14**	399
Current tax liabilities		**8**	23
Provisions, current	*27*	**236**	293
Trade and other payables	*28*	**2 734**	1 493
Derivative financial instruments	*31*	**210**	20
Total current liabilities		**3 203**	2 228
Total liabilities		**4 687**	5 051
Total equity and liabilities		**9 005**	10 328

Fornebu, March 14, 2019 | Board of Directors of Akastor ASA

Kristian Røkke I Chairman

Lone Fønss Schrøder I Deputy Chairman

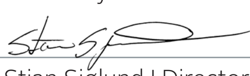
Øyvind Eriksen I Director

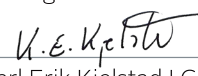
Kathryn M. Baker I Director

Sarah Ryan I Director

Henning Jensen I Director

Asle Christian Halvorsen I Director


Stian Sjølund I Director


Karl Erik Kjelstad I CEO

Akastor Group | Consolidated statement of changes in equity

Amounts in NOK million	Share capital	Treasury shares	Other capital paid in	Hedging reserve [1]	Fair value reserve [1]	Currency translation reserve [1]	Retained earnings	Total parent company equity holders	Total equity
2017									
Equity as of January 1, 2017	162	(2)	1 534	15	-	1 075	2 796	5 580	5 580
Profit (loss) for the period	-	-	-	-	-	-	(58)	(58)	(58)
Other comprehensive income	-	-	-	64	9	(300)	(17)	(245)	(245)
Total comprehensive income	-	-	-	64	9	(300)	(75)	(303)	(303)
Equity as of December 31, 2017	**162**	**(2)**	**1 534**	**79**	**9**	**775**	**2 721**	**5 277**	**5 277**
2018									
Adjustment on initial application of IFRS 9 and IFRS 15, net of tax [2]	-	-	-	(43)	-	-	(26)	(69)	(69)
Equity as of January 1, 2018	162	(2)	1 534	36	9	775	2 695	5 208	5 208
Profit (loss) for the period	-	-	-	-	-	-	(322)	(322)	(322)
Other comprehensive income	-	-	-	(101)	(37)	(428)	(4)	(569)	(569)
Total comprehensive income	-	-	-	(101)	(37)	(428)	(326)	(891)	(891)
Equity as of December 31, 2018	**162**	**(2)**	**1 534**	**(65)**	**(28)**	**346**	**2 369**	**4 317**	**4 317**

[1] *See Note 23 Capital and reserves.*

[2] *See Note 2 Basis for preparation.*

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

Amounts in NOK million	*Note*	**2018**	2017
Cash flow from operating activities			
Profit (loss) for the period - continuing operations		**(194)**	(706)
Profit (loss) for the period - discontinued operations	*5*	**(128)**	648
Profit (loss) for the period		**(322)**	(58)
Adjustments for:			
Income tax expense (benefit)		**136**	(74)
Net interest cost and unrealized currency (income) loss		**295**	394
(Profit) loss on foreign currency forward contracts		**2**	111
Depreciation, amortization and impairment	*13, 14*	**665**	752
(Gain) loss on disposal of subsidiaries	*5*	**(280)**	(1 088)
(Gain) loss on disposal of assets		**(60)**	(11)
(Profit) loss from equity-accounted investees	16	**130**	176
Other non-cash effects		**(86)**	(69)
Profit (loss) for the period after adjustments		**479**	134
Changes in operating assets		**146**	(376)
Cash generated from operating activities		**625**	(242)
Interest paid		**(299)**	(410)
Interest received		**34**	38
Income taxes paid		**(45)**	(59)
Net cash from operating activities		**315**	(673)
Cash flow from investing activities			
Acquisition of property, plant and equipment	*13*	**(95)**	(70)
Payments for capitalized development	*14*	**(36)**	(27)
Proceeds from sale of subsidiaries, net of cash	*5*	**1 103**	868
Proceeds from sale of property, plant and equipment		**94**	4
Increase in receivables from/capital contribution to equity-accounted investees		**(177)**	(28)
Acquisition of other investments		**(642)**	(9)
Net cash from investing activities		**247**	737
Cash flow from financing activities			
Proceeds from borrowings		**924**	647
Repayment of borrowings		**(1 335)**	(942)
Payment of finance lease liabilities		**(70)**	(95)
Net cash from financing activities	*24*	**(481)**	(391)
Effect of exchange rate changes on cash and bank deposits		**(50)**	(45)
Net increase (decrease) in cash and bank deposits		**30**	(371)
Cash and cash equivalents at the beginning of the period		**168**	540
Cash and cash equivalents at the end of the period	*22*	**198**	168
Of which is restricted cash		**-**	8

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

Note 1 | Corporate information

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

The consolidated financial statements of Akastor ASA and its subsidiaries (collectively referred as Akastor or the group, and separately as group companies) for the year ended December 31, 2018 were approved by the board of directors and CEO on March 14, 2019. The consolidated financial statements will be authorized by the Annual General Meeting on April 9, 2019.

The group is an oilfield services investment company with a portfolio of industrial holdings and other investments. Akastor is listed on the Oslo Stock Exchange under the ticker AKA. Information on the group's structure is provided in Note 34 Group companies. Information on other related party relationships of the group is provided in Note 35 Related parties.

Note 2 | Basis for preparation

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Norwegian Accounting Act as of December 31, 2018.

Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the group will be able to meet the mandatory terms and conditions of the banking facilities as disclosed in Note 29 Capital management.

Basis of measurement

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

- Derivative financial instruments are measured at fair value
- Non-derivative financial instruments at Fair Value through Profit or Loss (FVTPL) are measured at fair value.
- Debt instrument at Fair Value through Other Comprehensive Income (FVOCI) are measured at fair value.
- Contingent considerations assumed in business disposals are measured at fair value.
- Net defined benefit (asset) liability is recognized at fair value of plan assets less the present value of the defined benefit obligation.

Functional and presentation currency

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

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

Use of estimates and judgements

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

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

Changes in significant accounting policies

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.

Amounts in 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 financial statements as of December 31, 2018. There was no material impact on the group's statement of cash flows.

Impact on the consolidated statement of profit or loss and OCI

Amounts in NOK million	As reported	Adjustments	Amounts without adoption of IFRS 15
Revenue	3 800	(14)	3 786
Operating expenses	(3 509)	13	(3 496)
Profit (loss) before tax	109	(1)	108
Profit (loss) from continuing operations	**(194)**	**(1)**	**(195)**
Profit (loss) for the period	**(322)**	**(1)**	**(323)**
Total comprehensive income for the period	**(891)**	**(1)**	**(892)**

Impact on the consolidated statement of financial position

Amounts in NOK million	As reported	Adjustments	Amounts without adoption of IFRS 15
Deferred tax assets	374	(8)	366
Trade and other receivables	2 801	(593)	2 208
Others	5 830	-	5 830
Total assets	**9 005**	**(601)**	**8 404**
Total equity	4 317	25	4 342
Trade and other payables	2 734	(626)	2 108
Others	1 954	-	1 954
Total equity and liabilities	**9 005**	**(601)**	**8 404**

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 types 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. Each of the construction contracts normally includes a single, combined output for the customer, such as an integrated drilling equipment package. One single performance obligation is usually identified in each contract. Assurance-type warranty for a period of 12-30 months is normally included in construction contracts.	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. Revenue in excess of costs is not recognized until the outcome of the performance obligation can be measured reliably, usually at 15-20 percent of completion. Variable 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. Potential penalty for Liquidated Damages is recognized as a reduction of the transaction price unless it is highly probable that it will not be incurred. 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. Assurance-type warranty for a period of 12-18 months is normally included in these contracts.	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. 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.

Amounts in NOK million	**Impact of adopting IFRS 9 at January 1, 2018**
Deferred tax assets	14
Derivative financial assets	(58)
Total assets	**(43)**
Hedge reserves	(43)
Total equity	**(43)**

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

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 Financial instruments for more description of these financial assets.

Amounts in 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	1 451	1 451
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	105	105
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 – 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 is 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 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. IFRS 9 is not applied to financial assets or financial liabilities that have been derecognized at the initial application on January 1, 2018.

  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.

Standards issued but not yet effective

At the date of authorization of the group's consolidated financial statements, a number of new standards and interpretations were issued but not yet effective. The group has not early adopted any new or amended standards for the financial statements as of December 31, 2018. Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the group's financial statements in the period of initial application.

IFRS 16 Leases (effective from January 1, 2019)

The standard replaces IAS 17 Leases and the related interpretations. The new standard introduces a single, on-balance sheet lease accounting model for lessees, with optional exemptions for short-term leases and leases of low value items. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. With regards to lessor accounting, the requirements remain similar to the current standard.

The group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual implementation effects may differ from the estimate.

- *Leases in which the group is a lessee*
  Currently, the group recognizes operating lease expense on a straight-line basis over the term of the lease, mainly related to office property leases, see Note 33 Operating leases. Upon initial application of IFRS 16, the group will recognize right-of-use (ROU) assets and lease liabilities for its operating leases. The nature of expenses related to those leases will change from operating expenses to depreciation charge for right-of-use assets and interest expense on lease liabilities.

  In addition, the group will no longer recognize provisions for operating leases that it assesses to be onerous as described in Note 27 Provisions. Instead, the group will include the payments due under the lease in its lease liability.

  Based on the information currently available, the group estimates that it will recognize additional lease liabilities of NOK 674 million as of January 1, 2019. The adoption of IFRS 16 will not impact loan covenants as described in Note 29 Capital management.

- *Leases in which the group is a lessor*
  The group has reassessed the classification of sub-leases in which the group is a lessor. Based on the information currently available, the group expects that it will reclassify several sub-leases as finance leases, resulting in recognition of a finance lease receivable of NOK 55 million as of January 1, 2019.

  No significant impact is expected for other leases in which the group is a lessor.

- *Transition*
  The group plans to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

The group plans to apply the following practical expedients on transition to IFRS 16:

- Rely on assessment of whether leases are onerous applying IAS 37 on December 31, 2018 as an alternative to performing an impairment review of right-of-use assets for all its leases on January 1, 2019. The group expects to reduce the right-of-use assets at January 1, 2019 by NOK 113 million of the onerous lease provisions recognized as of December 31, 2018.

- Apply the short term lease practical expedient to leases ending within 2019.

- Exclude initial direct costs from measurement of right-of-use assets at the date of initial application.

The summary of estimated impact of adopting IFRS 16 as of January 1, 2019 is as follows:

Amounts in NOK million	**January 1, 2019**
Right of Use assets	520
Finance lease receivables	55
Prepaid expenses	(21)
Total assets	**554**
Equity	(7)
Lease liabilities	674
Onerous lease provision	(113)
Total equity and liabilities	**554**

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the group's consolidated financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

Note 3 | Significant accounting policies

Summary of significant accounting policies

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

Basis of consolidation

Subsidiaries

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

Business combinations

Business combinations are accounted for using the acquisition method as of the acquisition date, which is the date when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

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

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

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

Loss of control

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

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

Investments in joint ventures and associates

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

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather to its assets and obligations for its liabilities. Joint control is established by contractual agreement requiring unanimous consent of the ventures for strategic, financial and operating decisions. An associate is an entity in which the group has significant influence, but not control or joint control, over the financial and operating policies.

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

The purpose of the investment determines the presentation of the group's share of profit and loss of the equity-accounted investee in the income statement. When the entity is established to share risk in executing a project or is closely related to Akastor's operating activities, the share of profit or loss is reported as part of Other income in Operating Profit. Share of the profit or loss of a financial investment is reported as part of Net finance expenses.

Transactions eliminated on consolidation

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

Assets held for sale

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

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

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

Discontinued operations

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

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

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

Foreign currency

Foreign currency transactions and balances

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

Investments in foreign operations

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

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

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

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

Current/non-current classification

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

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

Financial assets, financial liabilities and equity

The group has initially adopted IFRS 9 from January 1, 2018. Significant changes in the group's accounting policies relating to financial instruments are described in Note 2 Basis for preparation.

On initial recognition, a financial asset is classified as measured at amortized costs, FVOCI or FVTPL. The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

- A financial asset is measured at amortized costs if the business model is to hold the asset to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interests (SPPI criterion).
- A debt instrument is classified at FVOCI if the business model is both collecting contractual cash flows and selling the financial asset, and it meets the SPPI criterion.
- All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets.

Other investments

Other investments include equity and debt investments in companies where the group has neither control nor significant influence, usually represented by less than 20 percent of the voting power. The investments are categorized as financial assets measured at FVTPL or FVOCI and recognized at fair value at the reporting date. Subsequent to initial recognition, changes in financial assets measured at FVOCI, other than impairment losses, are recognized in other comprehensive income and presented as part of fair value reserve. When financial assets measured at FVOCI is derecognized, the gain or loss accumulated in other comprehensive income is reclassified to profit and loss.

Trade and other receivables

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

Interest-bearing receivables
Interest-bearing receivables include loans to related parties. Such financial assets are recognized initially at fair value and subsequent measurement at amortized cost using the effective interest method, less any impairment losses.

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

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

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

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

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

Cash flow hedge
Hedging of the exposure to variability in cash flows that is attributable to a particular risk or a highly probable future cash flow is defined as a cash flow hedge. The effective portion of changes in the fair value is recognized in other comprehensive income as a hedge reserve. All foreign exchange exposure is hedged. Any gain or loss relating to the ineffective portion of derivative hedging instruments is recognized immediately in the income statement as finance income or expense.

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

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

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

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

Revenue recognition
Revenue from contract with customers
The group has initially adopted IFRS 15 from January 1, 2018. The implementation effects and the group's significant accounting policies relating to contracts with customers are decribed in Note 2 Basis for preparation.

Lease revenue
Lease revenue from operating leases, mainly related to office leases, is recognized on a straight-line basis over the term of the relevant lease.

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

Expenses

Construction contracts
Contract costs include costs that relate directly to the specific contract and allocated costs that are attributable to general contract activity. Contract costs are generally expensed as incurred. See Note 4 Significant accounting estimates and judgements for further description of cost estimate in a construction contract.

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

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

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

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

- Goodwill not deductible for tax purposes
- The initial recognition of assets or liabilities that affects neither accounting nor taxable profit
- Temporary differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

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

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

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

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

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

Impairment

Trade receivables and contract assets
Loss allowance is recognized in profit or loss and measured at life time ECLs. ECLs are a probability-weighted estimate of credit losses. Life time ECLs are the ECLs that result from all possible default events over the expected life of a financial asset. The group considers a financial asset to be in default when the group is unlikely to receive its outstanding contractual amount in full, or the contractual payments are more than 90 days past due. When estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort, based on the group's historical experience including forward-looking information. The loss allowance is recognized in financial items to the extent that impairment is caused by the insolvency of the customer.

The gross carrying amount of trade receivable is written off when the group has no reasonable expectations of recovering a trade receivable in its entirety or a portion thereof. The group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Trade receivables that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

Debt instruments measured at amortized cost or at FVOCI
Debt instruments measured at amortized cost or at FVOCI are considered to be "credit-impaired" when there is significant financial difficulty of the borrower or it is probable that the borrower will enter bankruptcy or other financial reorganization. The loss allowance is charged to profit and loss.

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

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

independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

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

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

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

Provisions

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

Warranties

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

Onerous contracts

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

Restructuring

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

Property, plant and equipment

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

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

Subsequent costs

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

Depreciation

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

Intangible assets

Goodwill

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

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

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

Research and development

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

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

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

Other intangible assets

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

Subsequent expenditures

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

Amortization

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

Employee benefits

Defined contribution plans

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

Defined benefit plans

The group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods; discounting that amount and deducting the fair value of any plan assets.

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

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in the income statement.

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

Fair value measurement

When available, the group measures the fair value of a financial instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price. If the group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, and the difference between the fair value on initial recognition and the transaction price is recognized as a deferred gain or loss. Subsequently, the deferred gain or loss is recognized in profit or loss on an appropriate basis over the life of the instrument.

Note 4 | Significant accounting estimates and judgements

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

Revenue recognition
Revenue from performance obligations satisfied over time, typically in construction contracts and service contracts, are recognized according to progress. This requires estimates of the final revenue and costs of the performance obligations, as well as measurement of progress achieved to date as a proportion of the total work to be performed.

The main uncertainty when assessing contract revenue is related to recoverable amounts from variation orders, claims and incentive payments which are recognized when, in the group's judgement, it is highly probable that they will not result in a significant reversal of revenue. This assessment is adjusted by management's evaluation of liquidated damages to be imposed by customers, typically relating to contractual delivery terms. In many contracts, there are frequent changes in scope of work resulting in a number of variation orders. The contracts with customers normally include procedures for issuing and approval of variation orders. There can be unapproved variation orders and claims included in the contract revenue where recovery is assessed as highly probable and other criteria are met. Even though management has extensive experience in assessing the outcome of such negotiations, uncertainties exist.

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

Estimate of the remaining contract costs depends on productivity factors and the cost of inputs. Weather conditions, the performance of subcontractors and others with an impact on schedules, commodity prices and currency rates can affect cost estimates. Experience, systematic use of the project execution model and focus on core competencies reduce, but do not eliminate, the risk that estimates may change significantly. A risk contingency is included in estimated contract costs based on the risk register for identified significant risks.

Progress measurement based on costs incurred has an inherent risk related to the cost estimate as described above. The estimation uncertainty during the early stages of a contract is mitigated by a policy of normally not recognizing revenue in excess of costs on large lump sum projects before the contract reaches 20 percent of completion. Earlier recognition can be made on a project-by-project basis if cost estimates are certain, typically in situations of repeat projects, proven technology or proven execution model.

Warranties
A provision is made for expected warranty expenditures. The warranty period is normally 12-30 months as one operating cycle. Based on experience, the provision is often estimated at one percent of the contract value, but can also be a higher or lower amount following a specific evaluation of the actual circumstances for each contract. Both the general one percent provision and the evaluation of project specific circumstances are based on experience from earlier projects. Factors that could affect the estimated warranty cost include the group's quality initiatives and project execution model. Reference is made to Note 27 Provisions for further information about provisions for warranty expenditures on delivered projects.

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

Impairment of non-financial assets
Property, plant and equipment and intangible assets
The group has significant non-current assets recognized in the consolidated statement of financial position related to Property, plant and equipment and intangible assts. The value in use of some of these assets can be significantly impacted by changes of market conditions. The group considers whether there are indications of impairment on the carrying amounts of such non-current assets. If such indications exist, an impairment test is performed to assess whether or not the assets should be impaired. The valuations, often determined by value in use calculations, will often be performed based on estimates of future cash flows discounted by an appropriate discount rate. Significant estimates and judgments are made by the management, including determining appropriated cash-generating units and discount rate, projections for future cash flows and assumptions of future market conditions. References are made to Note 13 Property, plant and equipment and Note 14 Intangible assets.

Goodwill
The group performs impairment testing of goodwill annually or more frequently if any impairment indicators are identified. The recoverable amounts of cash-generating units to which goodwill is allocated have been determined based on value-in-use calculations. These calculations require management to estimate future cash flows expected to arise from these cash-generating units and an appropriate discount rate to reflect the time value of the money. Key assumptions made by the management include also assumptions for future market conditions, which require a high degree of judgment. Further details about goodwill allocation and impairment testing are included in Note 15 Impairment testing of goodwill.

Income taxes
The group is subject to income taxes in numerous jurisdictions. Significant judgement is required to determine the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Provisions for anticipated tax audit issues are based on estimates of eventual additional taxes.

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

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

Tax authorities in different jurisdictions may challenge calculation of income taxes from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense. When tax authorities challenge income tax calculations, management is required to make estimates of the probability and amount of possible tax adjustments. Such estimates may change as additional information becomes known. Further details about income taxes are included in Note 11 Income tax.

Onerous contracts

The group has entered into several non-cancellable lease contracts for office premises which may result in vacant leased space. The group recognizes a provision for such lease contracts when the leased property is or will be vacant during the non-cancellable lease period. The provision is made for the discounted future lease payments, net of expected sublease income, if any. Key assumptions in determining the provisions are primarily related to expected sublease income, length of vacancy periods and appropriate discount rates. Further information about provision for onerous contracts is included in Note 27 Provisions.

Pension benefits

The present value of the pension obligations depends on a number of factors determined on the basis of actuarial assumptions. These assumptions include financial factors such as the discount rate, expected salary growth, inflation and return on assets as well as demographical factors concerning mortality, employee turnover, disability and early retirement. Assumptions about all these factors are based on the situation at the time the assessment is made. However, it is reasonably certain that such factors will change over the very long periods for which pension calculations are made. Any changes in these assumptions will affect the calculated pension obligations with immediate recognition in other comprehensive income. Further information about the pension obligations and the assumptions used are included in Note 26 Employee benefits - pension.

Fair value measurement

The group has invested in significant financial assets that require the measurement of fair value. If there is no quoted price in an active market, then the group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The fair value measurement requires a high degree of judgment. Judgements include considerations of inputs such as cash flow projection, discount rate and volatility. Further information about the fair value measurement using level 3 inputs is included in Note 32 Financial Instruments.

Legal disputes and contingent liabilities

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

Provisions have been made to cover the expected outcome of the legal claims and disputes to the extent negative outcomes are likely and reliable estimates can be made. However, the final outcomes of these cases are subject to uncertainties, and resulting liabilities may exceed provisions recognized. The group follows the development of these disputes on case-by-case basis and makes assessment based on all available evidence as at the reporting date.

Note 5 | Discontinued operations

Disposal of AKOFS Offshore

On September 26, 2018, Akastor completed the transaction to divest 50 percent of its shares in AKOFS Offshore to MITSUI & CO., Ltd. ("Mitsui") and Mitsui O.S.K. Lines, Ltd. ("MOL") for a total consideration of USD 142.5 million with interest 4% from the locked box date on December 31, 2017. 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,.

Following the transaction, AKOFS Offshore was restructured to consolidate 100 percent ownership interest in Avium Subsea AS. Akastor, Mitsui and MOL hold 50%, 25% and 25% of the shares in AKOFS Offshore, respectively. AKOFS Offshore is classified as a joint venture to the group and consolidated using the equity method. See Note 16 Equity-accounted investees for more information.

The AKOFS Offshore operations, exclusive Avium Subsea AS, are classified as discontinued operations and the comparative consolidated income statement has been restated to show the discontinued operations separately from continuing operations.

Results of discontinued operations

Amounts in NOK million	**2018**	2017
Revenue	**821**	957
Expenses	**(1 021)**	(1 122)
Net financial items	**(176)**	(368)
Profit (loss) before tax	**(376)**	(533)
Income tax	**(33)**	112
Profit (loss) from operating activities, net of tax	**(409)**	(420)
Gain (loss) on sale of discontinued operations [1)]	**280**	1 088
Income tax on gain (loss) on sale of discontinued operations	**-**	(19)
Net profit (loss) from discontinued operations	**(128)**	648
Basic/diluted earnings (loss) per share from discontinued operations (NOK)	**(0.47)**	2.39

[1)] *Includes currency translation differences of NOK 442 million that were reclassified from Other Comprehensive Income to the income statement as part of gain from the disposal in 2018 (NOK 227 million in 2017).*

Gain before tax from the disposal in 2018 includes gain of NOK 471 million for AKOFS Offshore and provision of NOK 224 million for potential loss as a result of negative arbitration award for Managed Pressure Operations Ltd.(MPO), which was sold in 2016. See Note 28 Trade and other payables for more information about the deferred settlement obligation related to MPO.

In 2017, gain before tax from the disposal included NOK 383 million for Frontica Advantage and NOK 728 million for KOP Surface Products. In addition, the net gain before tax was negatively affected by lower earn-out expectations on divestments from prior years.

Cash flows from (used in) discontinued operations

Amounts in NOK million	**2018**	2017
Net cash from operating activities	**8**	(365)
Net cash from investing activities	**1 043**	876
Net cash flow from discontinued operations	**1 051**	512

Effect of disposal on the financial position of the group

Amounts in NOK million	**2018**	2017
Deferred tax assets	**(247)**	(54)
Property, plant and equipment	**(2 984)**	(90)
Intangible assets	**(164)**	(193)
Other investments	**(2)**	-
Inventories	**-**	(103)
Trade and other receivables	**(296)**	(165)
Cash and cash equivalents	**(68)**	(86)
Other current assets	**-**	(46)
Deferred tax liabilities	**18**	29
Pension liabilities	**4**	23
Finance lease liability,non-current	**1 083**	-
Finance lease liability, current	**324**	-
Trade and other payables	**29**	62
Current interest-bearing liabilities	**104**	-
Other current liabilities	**53**	148
Currency translation reserve	**442**	227
Net assets and liabilities [1]	**(1 704)**	(250)
Total consideration at fair value [2]	**2 175**	1 362
Portion of consideration received in cash, net of transaction costs [3]	**1 201**	984
Cash and cash equivalents disposed of	**(68)**	(86)
Cash inflows from disposal, net of cash disposed of [4]	**1 133**	898

[1] *After the disposal of 50 percent shares of AKOFS Offshore, the company is classified as a joint venture to the group and consolidated using the equity method. Net assets and liabilities in AKOFS Offshore are derecognized at 100% basis upon disposal.*

[2] *Total consideration at fair value from disposal of AKOFS Offshore is measured at 100% basis based on the cash consideration received for 50% shares of AKOFS Offshore, reduced by provision for contingent considerations for guaranteed return to Mitsui and MOL. Accordingly, gain from the divestment is calculated at 100 percent basis.*

[3] *Represents the cash consideration received for the 50 percent shares of AKOFS Offshore.*

[4] *Net cash flows from disposal in 2018 excluded the net cash outflow of NOK 30 million related to divestments made in prior years (NOK 30 million in 2017).*

Note 6 | Operating segments

Basis for segmentation

As of December 31, 2018, Akastor has two reportable segments which are the strategic business units of the group. The strategic business units are managed separately and offer different products and services due to different market segments and different strategies for their projects, products and services:

- MHWirth is a supplier of drilling systems and drilling lifecycle services globally. The company offers a full range of drilling equipment, drilling riser solutions and related products and services for the drilling market, primarily the offshore sector.
- AKOFS Offshore is a global provider of vessel-based subsea well construction and intervention services to the oil and gas industry, covering all phases from conceptual development to project execution and offshore operations.

As a result of divestment of 50 percent ownership in AKOFS Offshore in September 2018, AKOFS Offshore is classified as a joint venture and consolidated using the equity method. See Note 5 Discontinued operations for more information about the transaction and Note 16 Equity-accounted investees.

Further, Akastor holds 100 percent ownership in Step Oiltools, 50 percent in DOF Deepwater AS, 100 percent in First Geo AS and Cool Sorption, 17.7 percent economic interest in NES Global Talent and 93 percent of Aker Pensjonskasse, as well as equity instruments in Odfjell Drilling and Awilco Drilling. These are included in "Other holdings".

Measurement of segment performance

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

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

Hedge transactions not qualifying for hedge accounting represent an accounting loss of NOK 0 million to EBITDA (loss of NOK 5 million in 2017) and a loss under financial items of NOK 2 million (loss of NOK 121 million in 2017). This is recognized as group adjustment under Other holdings.

Information about reportable segments

Amounts in NOK million	*Note*	MHWirth	AKOFS Offshore	Other holdings	Total operating segments	Adjust-ment of AKOFS Offshore	Elimina-tions	Total Akastor
2018								
Income statement								
External revenue and other income		3 031	1 107	741	**4 879**	(1 080)	-	**3 800**
Inter-segment revenue		24	-	8	**32**	-	(32)	**-**
Total revenue and other income		**3 055**	**1 107**	**749**	**4 911**	**(1 080)**	**(32)**	**3 800**
Operating profit before depreciation, amortization and impairment (EBITDA)		**281**	**471**	**(18)**	**733**	**(443)**	**-**	**290**
Depreciation and amortization	*13,14*	(125)	(275)	(56)	**(456)**	275	-	**(181)**
Impairment	*13,14*	-	(322)	-	**(322)**	322	-	**-**
Operating profit (loss) (EBIT)		**156**	**(127)**	**(74)**	**(45)**	**154**	**-**	**109**
Assets								
Current operating assets		3 008	282	347	**3 636**	(282)	-	**3 354**
Non-current operating assets		1 972	4 741	2 020	**8 733**	(3 655)	-	**5 078**
Segment assets		**4 979**	**5 023**	**2 367**	**12 369**	**(3 937)**	**-**	**8 432**
Liabilities								
Current operating liabilities		2 602	102	377	**3 081**	(102)	-	**2 979**
Non-current operating liabilities		264	6	633	**903**	(6)	-	**897**
Segment liabilities		**2 866**	**108**	**1 010**	**3 984**	**(108)**	**-**	**3 876**
Net current operating assets		405	180	(30)	**555**	(180)	-	**375**
Net capital employed		2 113	4 915	1 357	**8 385**	(3 829)	-	**4 556**
Capital expenditure and R&D capitalization		58	188	8	**255**	(124)	-	**131**

Amounts in NOK million	*Note*	MHWirth	AKOFS Offshore	Other holdings	Total operating segments	Adjust-ment of AKOFS Offshore	Elimina-tions	Total Akastor
2017								
Income statement								
External revenue and other income		3 000	778	570	**4 348**	(742)	-	**3 606**
Inter-segment revenue		30	-	26	**56**	-	(56)	**-**
Total revenue and other income		**3 030**	**778**	**596**	**4 348**	**(742)**	(56)	**3 606**
Operating profit before depreciation, amortization and impairment (EBITDA)		**118**	**213**	**(38)**	**293**	**(177)**	**-**	**116**
Depreciation and amortization	*13, 14*	(189)	(334)	(89)	**(612)**	334	-	**(278)**
Impairment	*13, 14*	(118)	-	-	**(118)**	-	-	**(118)**
Operating profit (loss) (EBIT)		**(189)**	**(121)**	**(127)**	**(438)**	**158**	**-**	**(280)**
Assets								
Current operating assets		2 238	301	315	**2 854**	-	-	**2 854**
Non-current operating assets		2 093	3 986	1 133	**7 213**	-	-	**7 213**
Segment assets		**4 332**	**4 287**	**1 448**	**10 067**	**-**	**-**	**10 067**
Liabilities								
Current operating liabilities		1 244	115	452	**1 811**	-	-	**1 811**
Non-current operating liabilities		304	18	367	**690**	-	-	**690**
Segment liabilities		**1 548**	**133**	**819**	**2 501**	**-**	**-**	**2 501**
Net current operating assets (continuing operations)		995	186	(138)	**1 043**	(186)	-	**857**
Net capital employed		2 783	4 154	628	**7 566**	-	-	**7 566**
Capital expenditure and R&D capitalization		46	40	9	**95**	-	-	**95**

Reconciliations of information on reportable segments to IFRS measures

Amounts in NOK million	*Note*	**2018**	2017
Assets			
Total segment assets		**8 432**	10 067
Derivative financial instruments	*31*	**117**	94
Cash and cash equivalents	*22*	**198**	168
Current interest-bearing receivables	*19*	**257**	-
Non-current interest-bearing receivables		**-**	1
Elimination of intra-group assets		**-**	(2)
Consolidated assets		**9 005**	10 328
Liabilities			
Total segment liabilities		**3 876**	2 501
Derivative financial instruments	*31*	**210**	20
Current borrowings	*24*	**14**	399
Non-current borrowings	*24*	**588**	2 133
Elimination of intra-group liabilities		**-**	(2)
Consolidated liabilities		**4 687**	5 051

Geographical information

Geographical revenue is presented on the basis of geographical location of the group companies selling to the customers. Non-current segment assets and capital expenditures are based on the geographical location of the assets.

	Revenue and other income		**Non-current assets excluding deferred tax assets and financial instruments**	
Amounts in NOK million	**2018**	2017 Restated	**2018**	2017
Norway	**1 980**	1 855	**1 647**	4 195
Germany	**492**	299	**719**	751
United States	**215**	263	**255**	289
Brazil	**108**	137	**323**	366
Singapore	**106**	316	**45**	61
Other Asia	**359**	330	**83**	84
Other Europe	**282**	188	**68**	64
Middle East	**158**	110	**18**	25
Other countries	**100**	107	**17**	31
Total	**3 800**	3 606	**3 174**	5 865

Note 7 | Revenue and other income

The effect of initially applying IFRS 15 on the group's revenue from contracts with customers is described in Note 2 Basis for preparation. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

Revenue types

Amounts in NOK million	*Note*	**2018**	2017 Restated
Revenue from contracts with customers		**3 464**	3 281
Other revenue and income			
Lease revenue		**233**	277
Other revenue		**20**	45
Gain (loss) on disposal of subsidiaries		**(1)**	5
Profit (loss) from equity-accounted investees	*16*	**28**	36
Gain on disposals of assets		**56**	11
Total revenue and other income		**3 800**	3 606

Disaggregation of 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.

Amounts in NOK million	**MHWirth**	**AKOFS Offshore**	**Other holdings**	**Adjustment of AKOFS Offshore**	**Total Akastor**
2018					
Major contract/revenue types					
Construction revenue	942	-	45	-	**987**
Sale of standard products	812	-	169	-	**981**
Service revenue	1 195	343	300	(343)	**1 495**
Total Revenue from contracts with customers	**2 950**	**343**	**514**	**(343)**	**3 464**
Timing of revenue recognition					
Transferred over time	2 137	343	345	(343)	**2 482**
Transferred at point in time	812	-	169	-	**981**
Total Revenue from contracts with customers	**2 950**	**343**	**514**	**(343)**	**3 464**
Other revenue and income	81	764	227	(737)	**336**
Total external revenue and other income in segment reporting	**3 031**	**1 107**	**741**	**(1 080)**	**3 800**
2017					
Major contract/revenue types					
Construction revenue	1 158	-	18	-	1 176
Sale of standard products	666	-	107	-	773
Service revenue	1 111	208	221	(208)	1 332
Total Revenue from contracts with customers	2 936	208	346	(208)	3 281
Timing of revenue recognition					
Transferred over time	2 269	208	239	(208)	2 508
Transferred at point in time	666	-	107	-	773
Total Revenue from contracts with customers	2 936	208	346	(208)	3 281
Other revenue and income	64	570	224	(534)	324
Total external revenue and other income in segment reporting	3 000	778	570	(742)	3 606

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

Amounts in NOK million	*Note*	**2018**	January 1, 2018
Receivables, which are included in "trade and other receivables"		**1 365**	1 248
Contract assets	*21*	**824**	736
Contract liabilities	*28*	**632**	425

Contract assets relate to the group's rights to consideration for work completed, but not yet invoiced at the reporting date. The contract assets are transferred to receivables when the rights to payment become unconditional, which usually occurs when invoices are issued to the customers. There was a reduction of NOK 51 million of the contract assets as of January 1, 2018 due to disposal of subsidiaries. No impairment has been recognized on contract assets in 2018.

Contract liabilities relate to advance consideration received from customer for work not yet performed. Revenue recognized in 2018 that was included in contract liabilities in the beginning of the year is NOK 41 million.

The amount of revenue recognized in 2018 from performance obligation satisfied (or partially satisfied) in previous period is NOK 85 million. This is mainly due to changes in the estimates of progress measurement for performance obligations satisfied over time and changes in estimates relating to the constraining of revenues.

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) as of December 31, 2018.

Amounts in NOK million	2019	Later	**Total**
Transaction price allocated	1 271	1 611	**2 882**

The amounts disclosed above do not include variable consideration which is constrained. The group applies the practical expedient under IFRS 15 and does not disclose information about remaining performance obligation when revenue is recognized in the amount to which the group has right to invoice.

Note 8 | Salaries, wages and social security costs

Amounts in NOK million	*Note*	**2018**	2017 Restated
Salaries and wages including holiday allowance		**1 163**	1 280
Social security tax/ national insurance contribution		**150**	164
Pension cost	*26*	**63**	70
Other employee costs		**48**	47
Salaries, wages and social security costs		**1 424**	1 561

Note 9 | Other operating expenses

Amounts in NOK million	2018	2017 Restated
Rental and other costs for buildings and premises	**217**	158
External consultants and hired-ins inclusive audit fees	**209**	167
Office supplies	**36**	32
Travel expenses	**50**	53
Insurance	**11**	13
Other	**49**	44
Total other operating expenses	**572**	468

Fees to the auditors

The table below summarizes audit fees, as well as fees for audit related services, tax services and other services incurred by the group during 2018 and 2017.

	Akastor ASA		Subsidiaries		Total	
Amounts in NOK million	2018	2017	2018	2017	2018	2017
Audit	**3**	3	**7**	7	**10**	10
Other assurance services	**-**	-	**2**	4	**2**	4
Total	**3**	3	**10**	11	**12**	14

Note 10 | Net finance expenses

Amounts in NOK million	*Note*	2018	2017 Restated
Profit (loss) on foreign currency forward contracts		**(2)**	(121)
Profit (loss) from equity-accounted investees	*16*	**(157)**	(212)
Interest income on bank deposits measured at amortized cost		**6**	15
Interest income on debt instruments at FVOCI		**61**	48
Net foreign exchange gain		**-**	23
Dividend income from equity instrument		**71**	8
Gain on sale of financial assets		**-**	21
Other finance income		**47**	1
Finance income		**185**	115
Interest expense on financial liabilities measured at amortized cost		**(81)**	(122)
Interest expense on financial liabilities measured at fair value		**(9)**	(22)
Net foreign exchange loss		**(2)**	-
Net change in fair value of financial assets at FVTPL		**(71)**	-
Impairment loss on external receivables [1]		**(24)**	(9)
Other financial expenses		**(39)**	(35)
Financial expenses		**(225)**	(188)
Net finance expenses recognized in profit and loss		**(200)**	(406)

[1] *Impairment loss on external receivables was triggered by insolvency of certain customers.*

See Note 32 Financial instruments for information of the finance income and expense generating items.

Foreign currency forward contracts

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

Profit (loss) on foreign currency forward contracts reflects fair value on hedge contracts that don't qualify for hedge accounting. The losses in 2018 and 2017 were mainly related to hedge contracts in MHWirth.

The exposure from foreign currency embedded derivatives is economically hedged, but cannot qualify for hedge accounting and is therefore included in net foreign exchange gain/loss. Hedge accounting and embedded derivatives are explained in Note 31 Derivative financial instruments.

Note 11 | Income tax

Income tax expense

Amounts in NOK million	**2018**	2017 Restated
Current tax expense		
Current year	**(27)**	(56)
Adjustments for prior years	**1**	13
Total current tax expense	**(26)**	(43)
Deferred tax expense		
Origination and reversal of temporary differences	**8**	176
Change in tax rate	**(10)**	(6)
Write down of tax loss and deferred tax assets	**(75)**	(148)
Total deferred tax income (expense)	**(77)**	23
Total tax income (expense)	**(103)**	(20)

Effective tax rate

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

Amounts in NOK million	**2018**		2017 Restated	
Profit (loss) before tax, continuing operations	**(91)**		(686)	
Tax income (expense) using the company's domestic tax rate	**21**	**23.0 %**	165	24.0 %
Tax effects of:				
Difference between local tax rate and Norwegian tax rate	**10**	**10.7%**	36	5.3%
Permanent differences [1)]	**(22)**	**(24.0%)**	(54)	(7.8%)
Prior year adjustments (current tax)	**1**	**0.6%**	13	1.9%
Prior year adjustments (deferred tax)	**2**	**2.3%**	2	0.2%
Write down of tax loss or deferred tax assets [2)]	**(75)**	**(82.4%)**	(148)	(21.5%)
Change in tax rates [3)]	**(10)**	**(11.0%)**	(6)	(0.9%)
Other	**(30)**	**(32.6%)**	(28)	(4.1%)
Total tax income (expenses)	**(103)**	**(113.5%)**	(20)	(2.9%)

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

2) *The impairment relates mainly to tax losses in the MHWirth entities in USA and Brazil, Step Oiltools as well as deferred tax assets related to deferred gain in Avium Subsea AS.*

3) *Relates mainly to changes in corporate income tax rate in Norway. The tax rate is changed from 23 percent to 22 percent effective as of January 1, 2019. In 2017, the tax rate was changed from 24 percent to 23 percent effective as of January 1, 2018.*

Recognized deferred tax assets and liabilities

Amounts in NOK million	Assets 2018	Assets 2017	Liabilities 2018	Liabilities 2017	Net 2018	Net 2017
Property, plant and equipment	**46**	55	**(6)**	(109)	**40**	(54)
Intangible assets	**1**	1	**(12)**	(19)	**(10)**	(17)
Projects under construction	**-**	-	**(248)**	(212)	**(248)**	(212)
Pensions	**72**	76	**-**	-	**72**	76
Provisions	**56**	73	**-**	-	**56**	73
Derivatives	**18**	10	**(38)**	(64)	**(19)**	(54)
Other items	**131**	182	**(9)**	(16)	**122**	166
Tax loss carry-forwards	**352**	672	**-**	-	**352**	672
Total before set offs	**677**	1 070	**(312)**	(421)	**365**	650
Set-off of tax	**(303)**	(409)	**303**	409	**-**	-
Total deferred tax assets(liabilities)	**374**	661	**(9)**	(10)	**365**	650

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the deductible temporary difference can be utilized. The deferred tax assets recognized for tax loss carry-forward are mainly related to the entities in Norway and Germany where tax losses can be carried forward without expiration. The group has made an evaluation of taxable profit in these entities for the next five years based on management's projection. The estimates indicate that it is probable that future tax profit will be available for which such tax losses can be utilized. The amount of deferred tax assets recognized in these Norwegian and German entities is NOK 353 million as of December 31, 2018.

Change in net recognized deferred tax assets (liabilities)

Amounts in NOK million	Property, plant and equipment	Intan-gible assets	Projects under construction	Pensions	Provisions	Derivatives	Other items	Tax loss carry-forwards	Total
Balance as of January 1, 2017	(72)	(41)	(326)	95	158	(70)	61	782	586
Disposal of subsidiaries as of January 1, 2017	9	-	-	(4)	(6)	-	-	(21)	(22)
Recognized in profit and loss (restated)	(77)	20	115	(5)	(83)	43	54	(45)	23
Recognized in other comprehen-sive income	-	-	-	(11)	-	(36)	-	-	(46)
Discontinued operations	80	4	-	-	4	10	2	28	128
Effect of group contribution	-	-	-	-	-	-	53	(53)	-
Currency translation differences	5	(1)	(1)	2	-	(1)	(4)	(19)	(19)
Balance as of December 31, 2017	**(54)**	**(17)**	**(212)**	**76**	**73**	**(54)**	**166**	**672**	**650**
Disposal of subsidiaries as of January 1, 2018	**100**	**3**	**-**	**(1)**	**(4)**	**(10)**	**2**	**(345)**	**(254)**
Recognized in profit and loss	**(7)**	**4**	**(47)**	**(4)**	**(13)**	**2**	**(45)**	**34**	**(77)**
Recognized in other comprehen-sive income	**-**	**-**	**-**	**-**	**-**	**30**	**-**	**-**	**30**
Recognized in equity	**-**	**-**	**8**	**-**	**-**	**13**			**21**
Currency translation differences	**1**	**-**	**3**	**1**	**(1)**	**-**	**-**	**(9)**	**(5)**
Balance as of December 31, 2018	**40**	**(10)**	**(248)**	**72**	**56**	**(19)**	**122**	**352**	**365**

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

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

Expiry date of unrecognized tax loss carry-forwards

Amounts in NOK million	**2018**	2017
Expiry in 2021	**74**	-
Expiry in 2022 and later	**481**	541
Indefinite	**1 856**	1 228
Total	**2 411**	1 768

Unrecognized other deductible temporary differences are NOK 459 million in 2018 (NOK 338 million in 2017).

Note 12 | Earnings per share

Akastor ASA holds 2 776 376 treasury shares at year end 2018 (2 776 376 in 2017). Treasury shares are not included in the weighted average number of ordinary shares.

Amounts in NOK million	**2018**	2017 Restated
Profit (loss) attributable to ordinary shares	**(322)**	(58)
Profit (loss) attributable to ordinary shares from continuing operations	**(194)**	(706)

Basic/ diluted earnings per share

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

	2018	2017
Issued ordinary shares as of January 1	**274 000 000**	274 000 000
Weighted average number of issued ordinary shares for the year adjusted for treasury shares	**271 223 624**	271 223 624
Basic/ diluted earnings (loss) per share (NOK)	**(1.19)**	(0.21)
Basic/ diluted earnings (loss) per share for continuing operations (NOK)	**(0.71)**	(2.60)

Note 13 | Property, plant and equipment

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

Amounts in NOK million	*Note*	Buildings and land	Vessels	Machinery, equipment, software	Under construction	Total
Balance as of January 1, 2017		1 042	7 384	2 202	105	10 733
Additions [1]		1	-	12	57	70
Reclassifications		20	(62)	41	-	-
Transfer from assets under construction		4	40	39	(83)	-
Disposals and scrapping		(3)	-	(48)	(5)	(57)
Disposal of subsidiaries		(77)	-	(350)	-	(427)
Currency translation differences		(36)	(321)	(35)	(3)	(396)
Balance as of December 31, 2017		**951**	**7 040**	**1 861**	**70**	**9 922**
Additions [1]		**-**	**-**	**26**	**69**	**95**
Transfer from assets under construction		**-**	**38**	**3**	**(42)**	**-**
Disposals and scrapping		**(148)**	**85**	**(440)**	**-**	**(503)**
Disposal of subsidiaries	5	**(4)**	**(7 063)**	**(103)**	**(63)**	**(7 233)**
Currency translation differences		**(57)**	**(101)**	**30**	**(1)**	**(128)**
Balance as of December 31, 2018		**743**	**-**	**1 377**	**33**	**2 153**
Accumulated depreciation and impairment						
Balance as of January 1, 2017		(494)	(3 562)	(1 463)	(16)	(5 535)
Reclassifications		-	43	(43)	-	-
Depreciation for the year [2]		(27)	(303)	(174)	-	(505)
Impairment		-	-	(47)	-	(47)
Disposals and scrapping		2	-	46	5	54
Disposal of subsidiaries	5	40	-	298	-	337
Currency translation differences		21	155	17	-	194
Balance as of December 31, 2017		**(458)**	**(3 668)**	**(1 366)**	**(11)**	**(5 502)**
Depreciation for the year [2]		**(22)**	**(142)**	**(114)**	**-**	**(278)**
Impairment [3]		**-**	**(322)**	**-**	**-**	**(322)**
Disposals and scrapping		**124**	**(85)**	**431**	**-**	**470**
Disposal of subsidiaries	5	**4**	**4 164**	**81**	**-**	**4 249**
Currency translation differences		**25**	**53**	**(22)**	**-**	**56**
Balance as of December 31, 2018		**(328)**	**-**	**(990)**	**(11)**	**(1 328)**
Book value as of December 31, 2017		**493**	**3 373**	**495**	**59**	**4 419**
Book value as of December 31, 2018		**416**	**-**	**387**	**22**	**825**
Of which finance lease as of December 31, 2017		-	1 448	-	-	1 448
Of which finance lease as of December 31, 2018		-	-	-	-	-

[1] *Includes additions of NOK 63 million related to discontinued operations in 2018 (NOK 36 million in 2017).*

[2] *Includes depreciation of NOK 153 million from discontinued operations in 2018 (NOK 335 million in 2017).*

[3] *Includes impairment of NOK 322 million from discontinued operations in 2018.*

Depreciation

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

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

Impairment

The impairment loss of NOK 332 million in 2018 was related to the cash-generating unit AKOFS Seafarer in the discontinued operations of AKOFS Offshore. AKOFS Seafarer was impaired to its recoverable amount of NOK 1.4 billion based on value in use (discount rate of 9.7%). The recoverable amount analysis was made on the assumption that the vessel is employed on the specific rates until the expiry of the current firm contract including options, and that rate and utilization levels thereafter are based on expected market levels.

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

Note 14 | Intangible assets

Amounts in NOK million	*Note*	Development costs	Goodwill	Other	Total
Historical cost					
Balance as of January 1, 2017		618	1 718	235	2 570
Reclassification		(7)	-	7	-
Capitalized development [1]		27	-	-	27
Disposal and scrapping		(64)	-	-	(64)
Disposal of subsidiaries		(117)	(100)	-	(218)
Currency translation differences		-	29	6	35
Balance as of December 31, 2017		**456**	**1 646**	**248**	**2 351**
Reclassification		**(5)**	**-**	**5**	**-**
Capitalized development [1]		**35**	**-**	**1**	**36**
Disposal and scrapping		**(47)**	**-**	**(17)**	**(64)**
Disposal of subsidiaries	*5*	**(2)**	**(452)**	**(113)**	**(567)**
Currency translation differences		**1**	**18**	**1**	**20**
Balance as of December 31, 2018		**437**	**1 211**	**127**	**1 775**
Accumulated amortization and impairment					
Balance as of January 1, 2017		(304)	(388)	(147)	(839)
Amortization for the year [2]		(100)	-	(29)	(129)
Impairment for the year		(62)	-	(8)	(70)
Disposal and scrapping		64	-	-	64
Disposal of subsidiaries		73	-	-	73
Currency translation differences		(2)	(6)	(6)	(14)
Balance as of December 31, 2017		**(331)**	**(394)**	**(190)**	**(915)**
Amortization for the year [2]		**(41)**	**-**	**(24)**	**(64)**
Disposal and scrapping		**47**	**-**	**16**	**64**
Disposal of subsidiaries	*5*	**-**	**307**	**96**	**403**
Currency translation differences		**(1)**	**-**	**(2)**	**(3)**
Balance as of December 31, 2018		**(325)**	**(87)**	**(104)**	**(515)**
Book value as of December 31, 2017		**125**	**1 252**	**58**	**1 435**
Book value as of December 31, 2018		**112**	**1 125**	**22**	**1 260**

[1] *Includes capitalized development costs of NOK 1 million from discontinued operations (NOK 6 million in 2017).*
[2] *Includes amortization of NOK 9 million from discontinued operations in 2018 (NOK 21 million in 2017).*

Impairment loss of other intangible assets than goodwill
In 2017, an impairment loss of NOK 70 million was recognized mainly related to intangible assets that were no longer expected to be utilized in MHWirth.

Research and development costs
NOK 36 million has been capitalized in 2018 (NOK 27 million in 2017) related to development activities. In addition, research and development costs of NOK 32 million were expensed during the year because the criteria for capitalization are not met (NOK 16 million in 2017).

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

Note 15 | Impairment testing of goodwill

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

Amounts in NOK million	**2018**	2017
MHWirth	**1 107**	1 089
First Geo [1)]	**18**	18
AKOFS Offshore [2)]	**-**	145
Total goodwill	**1 125**	1 252

[1)] *The portfolio company is included in Other Holdings in segment reporting.*
[2)] *The portfolio company is deconsolidated and becomes a joint venture in 2018.*

Impairment testing for cash-generating units containing significant goodwill
The recoverable amounts of cash-generating units (portfolio companies) are determined based on value-in-use calculations. Discounted cash flow models are applied to determine the value in use for the portfolio companies with goodwill. The management has made cash flow projections based on budget and strategic forecast for the periods 2019-2023. Beyond the explicit forecast period of five years, the cash flows are extrapolated using a constant growth rate.

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

EBITDA used in the value-in-use calculations represents the operating earnings before depreciation and amortization and is estimated based on the expected future performance of the existing businesses in their main markets. Assumptions are made regarding revenue growth, gross margins and other cost components based on historical experience as well as assessment of future market development and conditions. These assumptions require a high degree of judgement, given the significant degree of uncertainty regarding oilfield service activities in the forecast period.

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

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

	Discount rate after tax		Discount rate pre tax	
Discount rate assumptions used in impairment testing	**2018**	2017	**2018**	2017
MHWirth	**10.0%**	9.3%	**12.2%**	11.2%

Sensitivity to changes in assumptions
For the portfolio companies containing goodwill, the recoverable amounts are higher than the carrying amounts based on the value in use analysis and consequently no impairment loss of goodwill was recognized in 2018. The group has performed sensitivity calculations to identify any reasonably possible change in key assumptions that could cause the carrying amount to exceed the recoverable amount. In MHWirth, the group believes that no reasonably possible change in any of the key assumptions used for impairment testing would cause the carrying amount of the portfolio company to exceed its recoverable amount.

Note 16 | Equity-accounted investees

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

Amounts in NOK million	DOF Deepwater AS	AKOFS Offshore	Electrical Subsea & Drilling AS	Total
2018				
Business office	**Storebø, Norway**	**Oslo, Norway**	**Straume, Norway**	
Percentage of voting rights and ownership	**50%**	**50%**	**20%**	
Share of profit (loss) reported in Other income	**-**	**28**	**-**	**28**
Share of profit (loss) reported in Financial items	**(102)**	**(48)**	**(8)**	**(157)**
Carrying amount of investments	**-**	**1 086**	**2**	**1 088**

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

DOF Deepwater AS

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

AKOFS Offshore (Avium Subsea AS)

In September 26, 2018, Akastor completed the transaction to divest 50 percent of its shares in AKOFS Offshore to MITSUI & CO., Ltd. ("Mitsui") and Mitsui O.S.K. Lines, Ltd. ("MOL"). Following the transaction, Avium Subsea AS, the existing joint venture between Akastor, Mitsui and MOL, became a wholly owned subsidiary of AKOFS Offshore. Akastor, Mitsui and MOL hold 50%, 25% and 25% of the shares in AKOFS Offshore, respectively, and have joint control over the company. AKOFS Offshore is classified as a joint venture to the group and consolidated using the equity method. See note 5 Discontinued operations for more information about the transaction.

Electrical Subsea & Drilling AS

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

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

Amounts in NOK million	DOF Deepwater AS 2018	DOF Deepwater AS 2017	AKOFS Offshore[1] 2018	Avium Subsea AS 2017
Current assets	**128**	147	**447**	52
– Cash and cash equivalents	**38**	47	**160**	49
Non-current assets	**719**	857	**4 741**	1 475
Current liabilities	**(104)**	(117)	**(861)**	(163)
– Current financial liabilities (excluding trade and other payables and provisions)	**(30)**	(29)	**(760)**	(141)
Non-current liabilities	**(1 046)**	(987)	**(2 098)**	(1 060)
– Non-current financial liabilities (excluding trade and other payables and provisions)	**(1 046)**	(987)	**(2 092)**	(1 060)
Net assets (100%)	**(303)**	(100)	**2 229**	304
Akastor's share of net assets (50%)	**(152)**	(50)	**1 115**	152
Recognized against non-current receivables and liabilities [2]	**152**	50	**-**	-
Goodwill	**-**	-	**125**	-
Elimination of unrealized gain on downstream sales [3]	**-**	-	**(154)**	(152)
Akastor's carrying amount of the investment	**-**	-	**1 086**	-
Revenue	**146**	149	**448**	241
Depreciation, amortization and impairment	**(142)**	(403)	**(144)**	(83)
Interest expense	**(51)**	(49)	**(150)**	(91)
Income tax expense	**-**	3	**(96)**	(5)
Profit (loss) for the year	**(203)**	(424)	**(62)**	55
Other comprehensive income (loss)	**-**	-	**(88)**	-
Total comprehensive income (loss) (100%)	**(203)**	(424)	**(150)**	55
Total comprehensive income (loss) (50%)	**(102)**	(212)	**(75)**	28
Elimination of unrealized gain on downstream sales	**-**	-	**11**	8
Akastor's share of total comprehensive income (loss)	**(102)**	(212)	**(64)**	36

[1] *Includes the results from Avium Subsea AS for the period from January 1 to September 26, 2018 and from AKOFS Offshore for the period from September 27 to December 31, 2018.*

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

[3] *In 2016, Akastor sold the Skandi Santos topside equipment to Avium Subsea AS. 50% of the accounting gain from the sale was eliminated upon consolidation, reducing Akastor's carrying amount of the investment. The gain elimination in excess of Akastor's share of net assets was recognized as a liability, see also Note 25 Other non-current liabilities.*

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

Note 17 | Other non-current assets

Amounts in NOK million	*Note*	**2018**	2017
Deferred and contingent considerations	*32*	**59**	99
Other assets		**3**	1
Total other non-current assets		**62**	100

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

Note 18 | Other investments

Amounts in NOK million	*Note*	**2018**	2017
Aker Pensjonskasse		**158**	128
NES Talent investment [1]		**530**	405
Awilco Drilling investment [2]		**76**	-
Odfjell Drilling investment [3]		**705**	-
Other equity securities		**-**	2
Total other investments	*32*	**1 469**	536

[1] *Akastor holds 17.7% economic ownership interest in NES Global Talent, a global oil and gas manpower provider.*

[2] *Akastor holds 5.5% of the common shares in Awilco Drilling, which is listed on the Oslo Stock Exchange.*

[3] *In May 2018, Akastor made an investment of USD 75 million in preferred equity in Odfjell Drilling, which generates 5% p.a. cash dividend and 5% p.a. payment-in-kind (PIK) dividend for the first six years, with step-up cash dividend after 6 years. In addition, Akastor has acquired warrants for 5 925 000 common shares in Odfjell Drilling, divided by six exercisable tranches until May 30, 2024. Odfjell Drilling is listed on the Oslo Stock Exchange.*

Other investments are measured at fair value.

Note 19 | Current interest-bearing receivables

Amounts in NOK million	*Note*	**2018**	2017
Receivable from AKOFS Offshore	*35*	**257**	-
Total current interest-bearing receivables		**257**	-

Note 20 | Inventories

Amounts in NOK million	**2018**	2017
Stock of raw materials	**103**	178
Goods under production	**104**	95
Finished goods	**342**	296
Total inventories	**548**	569
Inventories expensed in the period	**(1 416)**	(1 347)
Write-down of inventories in the period	**(33)**	(336)
Reversal of write-down in the period	**23**	-

The reversal of write down of inventory is due to change in estimate of the net realizable value.

Note 21 | Trade and other receivables

Amounts in NOK million	*Note*	**2018**	2017
Trade receivables [1]		**1 459**	1 319
Less provision for impairment		**(49)**	(71)
Trade receivables, net of provision		**1 410**	1 248
Other receivables		**64**	204
Trade and other receivables	*32*	**1 474**	1 451
Advances to suppliers		**74**	81
Contract assets	*7*	**824**	-
Amount due from customers for construction work		**-**	246
Accrued revenue		**-**	147
Prepaid expenses		**347**	218
Public duty and tax refund		**76**	113
Contingent considerations	*32*	**7**	6
Total		**2 801**	2 263

[1] *Trade receivables are financial instruments and an impairment loss of NOK 32 million was recognized in the income statement in 2018 (NOK 5 million in 2017).*

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

Aging of trade receivables

Amounts in NOK million	**2018**	2017
Not overdue	**698**	485
Past due 0-30 days	**97**	79
Past due 31-90 days	**99**	54
Past due more than 90 days	**565**	700
Total trade receivables	**1 459**	1 319

A majority of the trade receivables past due is related to major customers. These outstanding receivables are monitored regularly and impairment analysis is performed on an individual basis for major customers. As of December 31, 2018, trade receivables of an initial value of NOK 49 million (NOK 71 million in 2017) were impaired. See below for the movements in the provision for impairment of receivables.

Amounts in NOK million	**2018**	2017
Balance as of January 1	**71**	107
New provisions	**32**	5
Utilized	**(43)**	(3)
Unused amounts reversed	**(10)**	(3)
Disposal of subsidiaries	**-**	(33)
Currency translation differences	**(2)**	(2)
Balance as of December 31	**49**	71

Note 22 | Cash and cash equivalents

Amounts in NOK million	**2018**	2017
Restricted cash	-	8
Interest-bearing deposits	**198**	160
Total cash and cash equivalents	**198**	168

Additional undrawn committed current bank revolving credit facilities amount to NOK 2.0 billion, that together with cash and cash equivalents gives a total liquidity reserve of NOK 2.2 billion as of December 31, 2018. See also Note 24 Borrowings.

Note 23 | Capital and reserves

Share capital

Akastor ASA has one class of shares, ordinary shares, with equal rights for all shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at General Meetings. Total outstanding shares are 274 000 000 at par value NOK 0.592 per share (NOK 0.592 in 2017). All issued shares are fully paid.

Treasury shares

At the Annual General Meeting in 2014, authorization was given to repurchase up to 27.4 million shares, representing 10 percent of the share capital of Akastor ASA. The group purchases treasury shares to meet the obligation under employee share purchase programs. No programs were initiated in 2018 or 2017 and there is no purchase or sale of treasury shares in 2018 or 2017. As of December 31, 2018, Akastor ASA holds 2 776 376 treasury shares (2 776 376 treasury shares in 2017), representing 1.01 percent of total outstanding shares.

The Board of Directors has proposed no dividends for 2018 or 2017.

Hedging reserve

The hedging reserve relates to cash flow hedges of future revenues and expenses against exchange rate fluctuations. The income statement effects of such instruments are recognized in accordance with the progress of the underlying construction contract as part of revenues or expenses as appropriate. The hedging reserve represents the value of such hedging instruments that is not yet recognized in the income statement. The underlying nature of a hedge is that a positive value on a hedging instrument exists to cover a negative value on the hedged position, see Note 10 Net finance expenses and Note 31 Derivative financial instruments.

Fair value reserve

The fair value reserve comprises the cumulative net changes in the fair value of financial assets classified as Fair Value to OCI (FVOCI) until these assets are impaired or derecognized.

Currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences from hedges of net investments in foreign operations.

The currency translation reserve includes exchange differences arising from the translation of the net investments in foreign operations, and foreign exchange gain or loss on loans defined as net investment hedge or part of net investments in foreign operations. Upon the disposal of investments in foreign operations during 2018 and 2017, the accumulated currency translation differences related to the disposed entities were reclassified from the currency translation reserve to the income statement in profit (loss) from discontinued operations.

Net investments in foreign operations have been hedged with a loss of NOK 16 million in 2018 (NOK 0 million in 2017). Accumulated gain on net investment hedges as of 2018 is a loss of NOK 5 million (gain of NOK 11 million in 2017). The net investment hedge as of December 31, 2018 relates to investments in the United States, Netherlands and Cyprus.

Note 24 | Borrowings

Below are contractual terms of the group's interest-bearing loans and borrowings which are measured at amortized cost. For more information about the group's exposure to interest rates, foreign currency and liquidity risk, see Note 30 Financial risk management and exposures.

Amounts in million	Currency	Nominal currency value	Carrying amount (NOK)	Interest rate	Interest margin	Interest coupon	Maturity	Interest terms
2018								
Revolving credit facility (NOK 1 250 million)	NOK	600	**588**	1.18%	2.25%	3.43%	Dec 2021	NIBOR + margin
Revolving credit facility (USD 155 million)	USD	-	**-**		2,25%		Dec 2021	USD LIBOR + margin
Overdraft facility			**13**					
Total borrowings			**601**					
Current borrowings			**14**					
Non-current borrowings			**588**					
Total borrowings			**601**					
2017								
Revolving credit facility (NOK 1 005 million)	NOK	350	348	0.76%	2.25%	3.01%	July 2019[2]	NIBOR + margin [1]
Revolving credit facility (USD 147 million)	USD	58	478	1.49%	2.25%	3.74%	July 2019[2]	USD LIBOR + margin [1]
BNDES loan (Brazil)	BRL	74	183	6.75%	1.40%	8.15%	May 2022	TJLP + fixed margin [3]
Finance lease obligation	USD		1 494					
Overdraft facility			30					
Total borrowings			2 533					
Current borrowings			399					
Non-current borrowings			2 133					
Total borrowings			**2 533**					

[1] *The margin applicable to the facilities is decided by a price grid based on the leverage ratio and level of utilization. Commitment fee is 35 percent of the margin (2017: 40 percent).*

[2] *The maturity date reflects maturity date as defined in the loan agreements*

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

Bank debt (Norway)

All facilities are provided by a bank syndicate consisting of high quality Nordic and international banks. The terms and conditions include restrictions which are customary for these kinds of facilities, including inter alia negative pledge provisions and restrictions on acquisitions, disposals and mergers, dividend distribution and change of control provisions. For information about financial covenants, see Note 29 Capital management.

Reconciliation of liabilities arising from financing activities

Amounts in NOK million	Balance as of December 31, 2017	Cash flows	Foreign exchange movements	Capitalized borrowing costs	Accrued interest	Disposal of business	Balance as of December 31, 2018
Revolving credit facilities	826	(230)	2	(9)	(1)	-	588
BNDES loan (Brazil)	183	(166)	(17)	-	-	-	-
Finance lease obligation	1 494	(70)	(15)		-	(1 409)	-
Overdraft facility	30	(15)	2	-	-		14
Total liabilities arising from financing activities	**2 533**	**(481)**	**(32)**	**(9)**	**(1)**	**(1 409)**	**601**

Note 25 | Other non-current liabilities

Amounts in NOK million	*Note*	**2018**	2017
Deferred gain		**112**	14
Deferred settlement obligations	*32*	**129**	9
Guarantee obligation related to joint venture	*16, 32*	**117**	39
Other liabilities	*32*	**32**	48
Total other non-current liabilities		**390**	110

Deferred gain

In May 2018, Akastor invested in preferred equity and warrants in Odfjell Drilling. On initial recognition, the investment in the financial assets is recognized at fair value and the difference between the fair value and the transaction price, NOK 117 million, was recognized as "Deferred gain". The deferred gain is subsequently amortized and recognized to profit and loss at straight-line basis over six years. See also Note 18 Other investments for more information about the investment.

In 2016, Akastor sold the Skandi Santos topside equipment to Avium Subsea AS, a joint venture with 50 percent ownership. The sale resulted in an accounting gain of NOK 172 million, after elimination of 50% of the total gain on sale. The elimination of the gain in excess of the carrying amount of the joint venture was presented as "Deferred gain" in 2017. The deferred gain was reduced to zero by Akastor's share of net profit from Avium Subsea AS in 2018.

Deferred settlement obligations

Deferred settlement obligations represent contingent considerations resulting from disposal of subsidiaries. The obligations in 2018 are mainly related to provision for guaranteed preferred return to Mitsui and MOL in connection with the divestment of 50 percent shares in AKOFS Offshore. See also Note 35 Related parties for more information.

Guarantee obligation related to joint venture

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

Other liabilities

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

Note 26 | Employee benefits – pension

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

Pension plans in Norway

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

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

Defined contribution plan

The annual contribution expensed for the new defined contribution plan for continuing operations was NOK 39 million (NOK 42 million in 2017). The estimated contributions expected to be paid in 2019 amount to NOK 41 million.

Defined benefit plan

Employees who were 58 years or older in 2008, when the change took place, are still in the defined benefit plan. This is a funded plan and represents most of the funded pension liability reported in the tables below. The estimated contributions expected to be paid to the Norwegian plan during 2019 amount to NOK 7 million.

Compensation plan

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

AFP – early retirement arrangement

AFP is an early retirement arrangement organized by Norwegian employers, the main Labor Union organization in Norway (LO) and the Norwegian Government. The AFP plan is providing additional lifelong pensions to employees that retire before the general retirement age, to compensate for the reduction of the ordinary pension entitlements. The employees are given a choice of retirement age, with lower pension at earlier retirement.

The Norwegian Accounting Standards Board has issued a comment concluding that the AFP plan is a multi-employer defined benefit plan. The AFP plan exposes the participating entities to actuarial risk associated with employees of other entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating entities. Sufficient information is not available to use defined benefit accounting and the AFP plan is accounted for as a defined contribution plan.

The annual contribution expensed for the AFP plan was NOK 11 million (2017: NOK 14 million). The estimated contributions expected to be paid in 2019 amount to NOK 12 million.

Pension plans outside Norway

Pension plans outside Norway are predominately defined contribution plans.

Pension cost

Amounts in NOK million	*Note*	**2018**	2017 Restated
Defined benefit plans		**9**	11
Defined contribution plans including AFP		**54**	59
Total pension cost	*8*	**63**	70

Net employee defined benefit obligations

Amounts in NOK million	**2018**	2017
Defined benefit plans Norway	**179**	187
Defined benefit plans Germany	**106**	113
Defined benefit plans US	**45**	47
Defined benefit plans other countries	**2**	2
Total employee benefit obligations	**332**	349

Movement in net defined benefit (asset) liability

Amounts in NOK million	Pension obligation 2018	Pension obligation 2017	Pension asset 2018	Pension asset 2017	Net pension obligation 2018	Net pension obligation 2017
Balance as of January 1	**623**	669	**(275)**	(288)	**349**	380
Adjustment for discontinued operations as of January 1	**(4)**	(18)	**-**	-	**(4)**	(18)
Included in profit or loss						
Service cost	**9**	11	**-**	-	**9**	11
Interest cost (income)	**10**	10	**(3)**	(3)	**6**	7
	19	22	**(3)**	(3)	**16**	19
Included in OCI						
Remeasurements (loss) gain:						
Actuarial loss (gain) arising from:						
- demographic assumptions	**6**	5	**-**	-	**6**	5
- financial assumptions	**(16)**	12	**(3)**	(2)	**(19)**	10
- experience adjustments	**(5)**	(3)	**-**	-	**(5)**	(3)
Return on plan assets excluding interest income	**-**	-	**19**	(7)	**19**	(7)
Changes in asset ceiling	**-**	-	**3**	2	**3**	2
Effect of movements in exchange rates	**11**	5	**(6)**	3	**6**	8
	(4)	20	**13**	(5)	**9**	15
Other						
Benefits paid by the plan	**(48)**	(69)	**28**	45	**(20)**	(24)
Contributions paid into the plan	**-**	-	**(18)**	(23)	**(18)**	(23)
	(48)	(69)	**10**	22	**(38)**	(47)
Balance as of December 31	**587**	623	**(255)**	(275)	**332**	349

Plan assets

Amounts in NOK million	2018	2017
Plan assets at fair value Norwegian plan		
Equity securities	**-**	4
Government	**1**	1
Finance	**18**	19
Private and Government enterprise	**29**	33
Municipalities	**51**	73
Bonds	**99**	127
Fund/private equity	**37**	20
Total plan assets Norway at fair value	**136**	150
Equity securities	**38**	42
Debt securities	**54**	56
Total plan assets US at fair value	**92**	98
Total plan assets Germany at fair value	**27**	27
Total plan assets at fair value	**255**	275

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

The investments in bonds are done in the Norwegian market and most of the bonds are not listed on any exchange. The market value as at year end is based on official prices provided by the Norwegian Securities Dealers Association. The Bond investments have on average a high credit rating. Most of the investments are in Norwegian municipalities with a credit rating of AA.

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

Defined benefit obligation – actuarial assumptions

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

	Norway		Germany		USA	
	2018	2017	**2018**	2017	**2018**	2017
Discount rate	**2.80%**	2.40%	**3.21%**	3.68%	**3.90%**	3.29%
Asset return	**2.80%**	2.40%	**3.21%**	3.68%	**3.90%**	3.29%
Salary progression	**2.75%**	2.50%	**n/a**	n/a	**n/a**	n/a
Pension indexation	**0 -2.25%**	0-2.25%	**1.75%**	1.75%	**n/a**	n/a
Mortality table	**K2013**	K2013	**RT 2018 G**	RT 2005 G	**RP-2014 Adjusted to 2006 Total Dataset with Scale MP-2018**	RP-2014 Adjusted to 2006 Total Dataset with Scale MP-2017

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

The discount rates and other assumptions in 2018 and 2017 are based on the Norwegian high quality corporate bond rate and recommendations from the Norwegian Accounting Standards Board. It should be expected that fluctuations in the discount rates would also lead to fluctuations in the pension indexations. The total effect of fluctuations in economic assumptions is consequently unlikely to be very significant.

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

Years	**2018**	2017
Life expectancy of male pensioners	**22.2**	22.2
Life expectancy of female pensioners	**25.5**	25.5

As of December 31, 2018, the weighted-average duration of the defined benefit obligation was 10.4 years.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as of December 31, 2018 by the amounts shown below.

Amounts in NOK million	Increase	Decrease
Discount rate (1% movement)	(12)	10
Future salary growth (1% movement)	1	(1)
Future pension growth (1% movement)	10	(12)

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

Note 27 | Provisions

Amounts in NOK million	**2018**	2017
Provision, current	**236**	293
Provision, non-current	**166**	221
Total provisions	**403**	514

Development of significant provisions

Amounts in NOK million	Warranties	Restructuring	Onerous lease provision	Other	Total
Balance as of January 1, 2018	86	77	269	81	**514**
New provisions	8	-	-	13	**22**
Provisions utilized	(6)	(33)	(67)	(23)	**(130)**
Provisions reversed	(5)	(2)	(2)	(3)	**(13)**
Unwind of discount	-	-	11	-	**11**
Currency translation differences	(1)	(1)	-	-	**(1)**
Balance as of December 31, 2018	**82**	**41**	**212**	**68**	**403**
Expected timing of payment					
Within the next twelve months	82	19	78	57	**236**
After the next twelve months	-	22	134	11	**166**
Total	**82**	**41**	**212**	**68**	**403**

Warranties

The provision for warranties relates mainly to the possibility that Akastor, based on contractual agreements, needs to perform guarantee work related to products and services delivered to customers. Warranty provision is presented as current as it is expected to be settled in the group's normal operating cycle. See Note 4 Significant accounting estimates and judgments for further descriptions.

Restructuring

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

Onerous lease provision

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

Note 28 | Trade and other payables

Amounts in NOK million	*Note*	**2018**	2017
Trade creditors [1]		**236**	239
Accrued expenses		**1 502**	334
Trade and other payables	*32*	**1 738**	573
Public duty and tax payables		**86**	77
Contract liabilities	*7*	**632**	-
Amount due to customers for construction work and advances		**-**	738
Deferred settlement obligations	*32*	**279**	75
Other		**-**	30
Total trade and other payables		**2 734**	1 493

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

Deferred settlement obligations in 2018 include provision of NOK 250 million for potential loss as a result of negative arbitration award for Managed Pressure Operations Ltd.(MPO). MPO, a former Akastor owned company, has received an arbitration award from the London Court of International Arbitration (LCIA) whereby MPO is found liable under a project originally initiated in 2012 and where delivery was agreed to take place in 2014. In 2016, MPO was sold to AFGlobal Corporation (AFGlobal), pursuant to which Akastor remains responsible towards AFGlobal in respect of the financial outcome resulting from the arbitration matter.

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

Note 29 | Capital management

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

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

Investment policy

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

Funding policy

Liquidity planning

Akastor has a strong focus on its liquidity situation in order to meet its short term working capital needs and to ensure solvency for its financial obligations. Akastor had a liquidity reserve per year end 2018 of NOK 2.2 billion, composed of an undrawn committed credit facility of NOK 2.0 billion and cash and cash equivalents of NOK 0.2 billion.

Funding of operations

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

Funding duration

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

Funding cost

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

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

Ratios used in monitoring of capital/Covenants

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

- The company's gearing ratio shall not exceed 1.0 times and is calculated from the consolidated total borrowings to the consolidated Equity.
- The ICR shall not be lower than 3.0, calculated from the consolidated EBITDA to consolidated Net Finance Cost when gearing ratio is below 0.5
- The ICR shall not be lower than 4.0, calculated from the consolidated EBITDA to consolidated Net Finance Cost when gearing ratio exceeds 0.5
- Minimum liquidity amount shall exceed NOK 500 million on consolidated level.

The ratios are calculated based on net debt including cash and borrowings as shown in Note 32 Financial instruments, adjusted EBITDA (earnings before interest, tax, depreciation, amortization and adjusted for certain items as defined in the loan agreement) and net interest costs. Covenants ratios are based on accounting principles as of December 31, 2018.

The covenants are monitored on a regular basis by the Akastor Treasury department to ensure compliance with the loan agreements, and are tested and reported on a quarterly basis. Akastor was in compliance with its covenants as of December 31, 2018, and on the basis of the covenants and its forecasts, management believes that the risk of covenant being breached is low and that the group will continue as a going concern for the foreseeable future.

Note 30 | Financial risk management and exposures

The group is exposed to a variety of financial risks: currency risk, interest rate risk, price risk, credit risk, liquidity risk and capital risk. The capital market risk affects the value of financial instruments held. The objective of financial risk management is to manage and control financial risk exposures and thereby increase the predictability of earnings and minimize potential adverse effects on the group's financial performance. Akastor group uses financial derivative instruments to hedge certain risk exposures and applies hedge accounting in order to reduce the profit or loss volatility.

Risk management is present in every project. It is the responsibility of the project managers, in cooperation with Akastor Treasury, to identify, evaluate and hedge financial risks under policies approved by the Board of Directors. The group has well-established principles for overall risk management, as well as policies for the use of derivatives and financial investments. There have not been any changes in these policies during the year.

Currency risk

The group operates internationally and is exposed to currency risk on commercial transactions, recognized assets and liabilities and net investments in foreign operations. Commercial transactions and recognized assets and liabilities are subject to currency risk when payments are denominated in a currency other than the respective functional currency of the group company. The group's exposure to currency risk is primarily to USD, EUR and BRL, but also other currencies.

Akastor's policy requires business units to mitigate currency exposure in any project. Akastor manages exposures by entering into forward contracts or currency options with the financial market place. Akastor has a large number of contracts involving foreign currency exposures and the currency risk policy has been well-established for many years.

The group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency and amount of their respective cash flows. The group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. In these hedge relationships, the main sources of ineffectiveness can arise from:

- Changes to the forecasted amount of cash flows of hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items

Currency exposures from investments in foreign currencies are only hedged when specifically instructed by management. As of December 31, 2018, Akastor has one net investment hedge related to its subsidiary Zoetermeer Process BV.

The change in hedge reserve in 2018 is related to hedges of forecast sales and purchases, except negative NOK 7 million net of tax that relates to a net investment hedge.

Exposure to currency risk

Estimated forecasted receipts and payments in the table below are calculated based on the group's hedge transactions, adjusted for hedged balance sheet items. These are considered to be the best estimate of the currency exposure, given that all currency exposure is hedged in accordance with the group's policy. The net exposure is managed by Akastor Treasury.

Changes in currency rates change the values of hedging derivatives, embedded derivatives, borrowings, receivables and cash balances. Hedges that qualify for hedge accounting are reported in the profit and loss according to progress of projects, and deferred value of cash flow hedges is reported as hedging reserve in equity. Any changes to currency rates will therefore affect equity.

	2018			2017		
Amounts in million	**USD**	**EUR**	**BRL**	USD	EUR	BRL
Bank	**(128)**	**(20)**	**-**	(151)	(35)	-
Intercompany loans	**17**	**31**	**-**	200	33	114
External loans	**176**	**(1)**	**86**	-	(6)	86
Deferred settlement assets and obligations	**(39)**	**-**	**-**	(3)	-	-
Balance sheet exposure	**26**	**10**	**86**	46	(8)	200
Estimated forecast receipts from customers	**198**	**-**	**-**	177	(6)	-
Estimated forecast payments to vendors	**(28)**	**(22)**	**-**	(126)	-	-
Cash flow exposure	**170**	**(22)**	**-**	51	(6)	-
Forward exchange contracts	**(252)**	**(25)**	**-**	(108)	15	-
Net exposure	**(57)**	**(36)**	**86**	(11)	2	200

Sensitivity analysis

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

Effect of weakening of NOK against significant currencies:

	2018			2017	
Amounts in NOK million	**Profit (loss) after tax**	**Equity Increase (decrease)**		Profit (loss) before tax	Equity Increase (decrease)
USD (10%)	**(38)**	**(165)**	USD (15%)	(17)	(16)
EUR (7%)	**15**	**30**	EUR (15%)	2	16
BRL (15%)	**22**	**22**	BRL (15%)	57	57

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

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

Interest rate risk

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

An increase of 100 basis points in interest rates during 2018 would have increased (decreased) equity and profit and loss by the amounts shown on the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2017.

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

Amounts in NOK million	**2018**	2017
Cash and cash equivalents	**2**	3
Current interest-bearing receivables	**1**	-
Borrowings	**(10)**	(15)
Net	**(7)**	(12)

A decrease of 100 basis points in interest rates during 2018 would have had the equal but opposite effect on the above amounts, on the basis that all other variables remain constant. There are no effects on equity as there are no interest swaps.

Guarantee obligations

The group has provided the following guarantees on behalf of subsidiaries and related parties as of December 31, 2018 (all obligations are per date of issue):

- Performance guarantees on behalf of group companies are NOK 50 million (NOK 0 million in 2017).
- Parent company indemnity guarantees for fulfillment of lease obligations and finance obligations are NOK 4.7 billion (NOK 4.7 billion in 2017).
- Financial guarantees including counter guarantees for bank/surety bonds and guarantees for pension obligations to employees are NOK 1 billion (NOK 1 billion in 2017).

Although guarantees are financial instruments, they are considered contingent obligations and the notional amounts are not included in the financial statements. See more information about guarantees for related parties in Note 35 Related parties.

Price risk

The group is exposed to fluctuations in market prices in the operational areas related to contracts, including changes in market prices for raw materials, equipment and development in wages. These risks are to the extent possible managed in bid processes by locking in committed prices from vendors as a basis for offers to customer or through escalation clauses with customers.

Credit risk

Credit risk is the risk of financial losses to the group if customer or counterparty to financial investments/instruments fails to meet contractual obligations, and arise principally from investment securities and receivables.

Derivatives are only traded against approved banks. All approved banks have investment grade ratings. Credit risk related to investment securities and derivatives is therefore considered to be insignificant.

Assessment of credit risk related to customers and subcontractors is an important requirement in the bid phase and throughout the contract period. Such assessments are based on credit ratings, income statement and balance sheet reviews and using credit assessment tools available (e.g. Dun & Bradstreet and Credit Watch). Sales to customers are settled in cash.

Revenues are mainly related to large and long term projects closely followed up in terms of payments up front and in accordance with agreed milestones. Normally, lack of payments is due to disagreements related to project deliveries and is solved together with the customer or escalated to the local authority.

Based on estimates of incurred losses in respect of trade receivables and contract assets, the group establishes a provision for impairment losses. Provisions for loss on debtors are based on individual assessments. Provisions for loss on receivables were NOK 49 million in 2018 (NOK 71 million in 2017).

The group evaluates that significant credit risk concentrations are related to trade receivables from major corporate customers. The maximum exposure to credit risk at the reporting date equals the carrying amounts of financial assets (see Note 32 Financial instruments) and contract assets (see Note 7 Revenue and other income). The group does not hold collateral as security.

Liquidity risk

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

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

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

Financial liabilities and the period in which they mature

The following is the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

Amounts in NOK million	*Note*	Book value	Total cash flow [1]	6 months and less	6–12 months	1–2 years	2–5 years	More than 5 years
2018								
Borrowings excl financial lease [2]	*24*	601	675	24	10	21	621	-
Other non-current liabilities	*25*	149	149	16	17	37	74	6
Derivative financial instruments	*31*	210	210	200	5	5	-	-
Deferred settlement obligations	*25, 28*	408	408	257	4	88	58	-
Trade and other payables	*28*	1 738	1 738	1 363	376	-	-	-
Total financial liabilities		**3 106**	**3 180**	**1 858**	**412**	**151**	**753**	**6**
Financial guarantees [3]			5 815	287	418	497	66	4 548
2017								
Borrowings excl. finance lease	*24*	1 039	1 112	73	40	890	109	-
Finance lease	*24*	1 494	3 072	163	163	328	793	1 625
Other non-current liabilities	*25*	87	87	12	12	37	20	7
Derivative financial instruments	*31*	20	20	17	3	-	-	-
Deferred settlement obligations	*25, 28*	84	84	61	-	23	-	-
Trade and other payables	*28*	573	573	489	84	-	-	-
Total financial liabilities		**3 296**	**4 947**	**815**	**302**	**1 278**	**922**	**1 631**
Financial guarantees [3]			5 626	244	52	403	1 141	3 786

[1] *Nominal currency value including interest.*

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

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

Note 31 | Derivative financial instruments

The group uses derivative financial instruments such as currency forward contracts and currency options to hedge its exposure to foreign exchange arising from operational, financial and investment activities. In addition, there are embedded foreign exchange forward derivatives separated from ordinary commercial contracts. Further information regarding risk management policies in the group is available in Note 30 Financial risk management and exposures. Derivative financial instruments are classified as current assets or liabilities as they are a part of the operating cycle.

The group is holding the following foreign exchange forward contracts:

		Maturity		
Amounts in NOK million	**Total**	**6 months and less**	**6-12 months**	**1-2 years**
2018				
Foreign exchange forward contracts (highly probable forecast sales)				
Notional amounts USD	286	248	14	24
Average forward rate (USD/NOK)		7.92	8.24	8.30
Average forward rate (EUR/USD)		1.15	1.20	-
Foreign exchange forward contracts (highly probable forecast purchases)				
Notional amounts USD	34	34	-	-
Average forward rate (USD/NOK)		8.01	-	-
Notional amounts EUR	28	27	1	-
Average forward rate (EUR/NOK)		9.71	9.73	-
2017				
Foreign exchange forward contracts (highly probable forecast sales)				
Notional amounts USD	51	51	-	-
Average forward rate (USD/NOK)		7.93	-	-
Average forward rate (EUR/USD)		1.18	-	-
Foreign exchange forward contracts (highly probable forecast purchases)				
Notional amounts USD	109	99	10	-
Average forward rate (USD/NOK)		8.10	6.12	-
Notional amounts EUR	11	11	-	-
Average forward rate (EUR/NOK)		9.58	-	-

Fair value of derivative instruments with maturity

The table below presents the fair value of the derivative financial instruments and a maturity analysis of the derivatives cash flows.

Amounts in NOK million	Instruments at fair value	Total cash flow [1)]	6 months or less	6–12 months	1–2 years [2)]
Assets					
Cash flow hedges	**69**	**69**	69	-	-
Fair value adjustments to hedged assets	**48**	**48**	48	-	-
Total forward foreign exchange contracts, assets	**117**	**117**	**117**	**-**	**-**
Liabilities					
Cash flow hedges	**(151)**	**(151)**	(141)	(5)	(5)
Net investment hedge	**(9)**	**(9)**	(9)	-	-
Embedded derivatives in ordinary commercial contracts	**(40)**	**(40)**	(40)	-	-
Fair value adjustments to hedged liabilities	**(10)**	**(10)**	(10)	-	-
Total forward foreign exchange contracts, liabilities	**(210)**	**(210)**	**(200)**	**(5)**	**(5)**
2017					
Assets					
Cash flow hedges	12	12	12	-	-
Embedded derivatives in ordinary commercial contracts	29	29	6	23	-
Not hedge accounted	19	19	19	-	-
Fair value adjustments to hedged assets	35	35	35	-	-
Total forward foreign exchange contracts, assets	**94**	**94**	**71**	**23**	
Liabilities					
Cash flow hedges	(7)	(7)	(7)	-	-
Not hedge accounted	(20)	(20)	(17)	(3)	-
Fair value adjustments to hedged liabilities	6	6	6	-	-
Total forward foreign exchange contracts, liabilities	**(20)**	**(20)**	**(17)**	**(3)**	**-**

[1)] *Cash flows from matured derivatives are translated to NOK using the exchange rates on the balance sheet date.*
[2)] *No derivatives with maturity later than 2 years.*

Foreign exchange derivatives

Akastor entities hedge the group's future transactions in foreign currencies with external banks. The exposure to foreign exchange variations in future cash flows is hedged back-to-back in order to meet the requirements for hedge accounting. The foreign exchange derivatives are either subject to hedge accounting or separated embedded derivatives. Hedges qualifying for hedge accounting are classified as cash flow hedges (hedges of highly probable future revenues and/or expenses).

Embedded derivatives are foreign exchange derivatives separated from construction contracts. The reason for separation is that the agreed payment is in a currency different from any of the major contract parties' own functional currency, or that the contract currency is not considered to be commonly used for the relevant economic environment defined as the countries involved in the cross-border transaction. The embedded derivatives represent currency exposures, which is hedged against external banks. Since the embedded derivatives are measured and classified in the same way as their hedging derivatives, they will have an almost equal, opposite effect to profit and loss. In the table above, the derivatives hedging the embedded derivatives are included in Forward foreign exchange contracts - not hedge accounted.

The hedged transactions in foreign currency that are subject to cash flow hedge accounting are highly probable future transactions expected to occur at various dates during the next one to four years, depending on progress in the projects. Gains and losses on forward foreign exchange contracts are recognized in other comprehensive income and reported as hedging reserve in equity until they are recognized in the income statement in the period or periods during which the hedged transactions affect the income statement. If the forward foreign exchange contract is rolled due to change in timing of the forecasted cash flow, the settlement effect is included in Contract assets or Contract liabilities.

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

Amounts in NOK million	**2018**	2017
Fair value of all hedging instruments	**(82)**	5
Recognized in profit and loss	**(17)**	2
Deferred in equity (the hedge reserve)	**(65)**	3

The purpose of the hedging instrument is to secure a situation where the hedged item and the hedging instrument together represent a predetermined value independent of fluctuations of exchange rates. Revenue and expense on the underlying construction contracts are recognized in the income statement in accordance with progress. Consequently, negative NOK 17 million (NOK 2 million in 2017) of the value of the forward contracts have already affected the income statement indirectly as revenues and expenses are recognized based on updated forecasts and progress. The negative NOK 65 million (NOK 3 million in 2017) that are currently recorded directly in the hedging reserve, will be reclassified to income statement over the next years.

Note 32 | Financial instruments

The effect of initially applying IFRS 9 on the group's financial instruments is described in Note 2 Basis for preparation. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

Accounting classifications and fair values

The table below lists the group's financial instruments, both assets and liabilities. Financial instruments measured at fair value are classified by the levels in the fair value hierarchy. All other financial instruments are classified by the main group of instruments as defined in IFRS 9. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. For financial instruments measured at fair value, the levels in the fair value hierarchy are as shown below.

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

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

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

Amounts in NOK million	*Note*	Book value	Financial instruments measured at fair value	Level in fair value hierarchy
2018				
Financial assets measured at fair value				
Fair value – hedging instruments				
Derivative financial instruments	*31*	**117**	117	Level 2
Fair value through P&L (mandatorily at FVTPL)				
Equity securities	*18*	**76**	76	Level 1
Equity securities [1]	*18*	**849**	849	Level 3
Warrants	*18*	**33**	33	Level 3
Contingent considerations	*17, 21*	**65**	65	Level 3
Fair value through Other comprehensive income				
Debt instruments [1]	*18*	**512**	512	Level 3
Financial assets not measured at fair value				
Financial assets at amortized cost				
Cash and cash equivalents	*22*	**198**		
Current interest-bearing receivables	*19*	**257**		
Trade and other receivables	*21*	**1 474**		
Financial assets		**3 581**		
Financial liabilities not measured at fair value				
Financial liabilities at amortized cost				
Borrowings [2]	*24*	**(601)**	(613)	Level 2
Other financial liabilities				
Other non-current liabilities	*25*	**(149)**		
Trade and other payables	*28*	**(1 738)**		
Financial liabilities measured at fair value				
Fair value – hedging instruments				
Derivative financial instruments	*31*	**(210)**	(210)	Level 2
Fair value to profit & loss				
Deferred settlement obligations	*25, 28*	**(408)**	(408)	Level 3
Financial liabilities		**(3 106)**		

Amounts in NOK million	*Note*	Book value	Financial instruments measured at fair value	Level in fair value hierarchy
2017				
Loans and receivables				
Cash and cash equivalents	*22*	168		
Trade and other receivables	*21*	1 451		
Non-current interest-bearing receivables		1		
Available for sale				
Other investments [1]	*18*	536	536	Level 3
Mutual fund		12	12	Level 1
Fair value - hedging instruments				
Derivative financial instruments	*31*	94	94	Level 2
Fair value through P&L				
Deferred and contingent considerations	*17, 21*	105	105	Level 3
Financial assets		**2 368**		
Other financial liabilities				
Borrowings [2]	*24*	(2 533)	(2 537)	Level 2
Other non-current liabilities	*25*	(87)		
Trade and other payables	*28*	(573)		
Fair value - hedging instruments				
Derivative financial instruments	*31*	(20)	(20)	Level 2
Fair value through P&L				
Deferred settlement obligations	*25, 28*	(84)	(84)	Level 3
Financial liabilities		**(3 296)**		

[1] *Investments in level 3 in the hierarchy relate to equity securities and debt securities with no active market. These investments are measured at the best estimate of fair value.*

[2] *For credit facilities and other loans with floating interest, notional amounts are used as approximation of fair values.*

Reconciliation of Level 3 financial assets and financial liabilities

Amounts in NOK million	Assets	Liabilities
Balance as of January 1, 2017	229	(116)
Additions	411	(30)
Settlements	-	60
Net gain (loss) in the income statement [1]	9	-
Fair value through OCI	6	
Currency translation difference	(14)	2
Balance as of December 31, 2017	**641**	**(84)**
Additions	**756**	**(120)**
Settlements	**(19)**	**31**
Sale of business	**(2)**	**-**
Net gain (loss) in the income statement [1]	**45**	**(224)**
Fair value to OCI	**(34)**	**-**
Currency translation difference	**72**	**(10)**
Balance as of December 31, 2018	**1 458**	**(408)**

[1] *Negative NOK 224 million in discontinued operations and NOK 45 million in financial items (2017: negative NOK 50 NOK 59 million, respectively).*

Measurement of fair values at level 3

Debt instruments at FVOCI

Financial assets measured at FVOCI are related to debt instruments in NES Global Talent. The valuation model considers the present value of the expected cash flows from the ultimate disposal of the investments weighted with different probabilities. The expected disposal value is determined by forecast EBITDA at the time of disposal and market multiples, adjusted by forecast net debt of the investee. The estimated fair value would increase (decrease) if:

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

Financial assets at FVTPL

Financial assets measured using Level 3 inputs relate mainly to preferred equity and warrant investment in Odfjell Drilling.

- Preferred equity: The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate of 10%. The estimated fair value would increase (decrease) if the risk-adjusted discount rate were lower (higher).
- Warrants: The valuation is obtained from external valuation experts, using a Monte Carlo simulation model where the simulated stock prices are based on a lognormal stock price model assumed to follow a Geometric Brownian Motion. The key inputs to the valuation model consist of the stock price of Odfjell Drilling (listed on the Oslo Stock Exchange under ticket ODL) at the valuation date, as well as assumption of future volatility based on the share's historical prices. The estimated fair value is mostly sensitive to the ODL share price and would increase (decrease) if the ODL share price were higher (lower).

Contingent considerations and deferred settlement obligations

These assets and liabilities relate to contingent considerations and obligations from business acquisitions and disposals. Final amounts to be paid or received depend on future earnings in the acquired and disposed companies or outcome of indemnity claims and price adjustment mechanisms.

- Assets and liabilities depending on future earnings: The recognized amounts are determined based on recent forecasts and strategy figures for these entities, thus the final realized values are sensitive to the above inputs as driven by market conditions.
- Assets and liabilities depending of outcome of indemnity claims and price adjustment mechanisms: Provisions are made based on all available evidence as at the reporting date.

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

Note 33 | Operating leases

Group as lessee

Future minimum commitments under non-cancellable operating leases

Amounts in NOK million	**2018**	2017
Due within one year	**240**	516
Due in one to five years	**445**	892
Due in more than five years	**253**	324
Total	**937**	1 732

Minimum sublease income to be received in the future amounts to NOK 37 million (NOK 6 million in 2017) and relates mainly to sublease of office buildings.

Lease and sublease payments recognized in the income statement

Amounts in NOK million	**2018**	2017 Restated
Minimum lease payments	**258**	246
Sublease income	**(10)**	(9)
Total	**248**	236

The group has operating lease costs for buildings on a number of locations worldwide. The leases typically run for a period of 3-10 years, with an option to renew at market conditions. The group has also operating lease costs related to cars and machinery. These leases have an average lease period of 2-3 years with no renewal options included in the contracts.

Group as lessor

Future minimum lease income commitments under non-cancellable operating leases

Amounts in NOK million	**2018**	2017
Due within one year	**116**	902
Due in one to five years	**54**	3 862
Due in more than five years	**15**	36
Total	**185**	4 801

The lease income commitment in 2017 included lease revenue related to the vessels in AKOFS Offshore. In 2018, Akastor divested 50 percent of the ownership in AKOFS Offshore and the company is classified as a joint venture for the group. See Note 5 Discontinued operations for more information about the divestment.

Note 34 | Group companies

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

Group companies as of December 31

Company	Location	Country	Ownership (%) 2018	2017
Akastor ASA	Fornebu	Norway		
MHWirth				
MHWirth Pty Ltd	Argenton	Australia	100	100
MHWirth do Brasil Equipamentos Ltda	Rio de Janeiro	Brazil	100	100
MHWirth Canada Inc	Newfoundland	Canada	100	100
MHWirth Offshore Petroleum Engineering (Shanghai) Co Ltd	Shanghai	China	100	100
MHWirth GmbH	Erkelenz	Germany	100	100
MHWirth (India) Pvt Ltd	Mumbai	India	100	100
MHWirth Sdn Bhd	Kuala Lumpur	Malaysia	100	100
Drilltech AS	Kristiansand	Norway	100	100
Maritime Promeco AS	Kristiansand	Norway	100	100
MHWirth AS	Kristiansand	Norway	100	100
MHWirth 1 AS	Kristiansand	Norway	100	100
MHWirth Singapore Engineering Management Pte Ltd	Singapore	Singapore	100	100
MHWirth (Singapore) Pte Ltd	Singapore	Singapore	100	100
MHWirth UK Ltd	Aberdeen	UK	100	100
MHWirth Inc	Houston	USA	100	100
MHWirth FZE	Dubai	UAE	100	100
MHWirth Gas & Oil- Field Equipment & Services LLC	Abu Dhabi	UAE	100	100
Step Oiltools				
Step Oiltools (Australia) Pty Ltd	Perth	Australia	100	76
Step Oiltools GmbH	Bad Fallingbostel	Germany	100	76
PT Step Oiltools	Jakarta	Indonesia	100	76
Step Oiltools LLP	Aktau	Kazakhstan	100	76
Step Oiltools (M) Sdn Bhd	Kuala Lumpur	Malaysia	100	76
Step Oiltools (Myanmar) Ltd [1)]	Yangon	Myanmar	-	76
Step Oiltools BV	Amsterdam	Netherlands	100	76
Step Oiltools AS	Stavanger	Norway	100	76
Step Oiltools Services LLC	Muscat	Oman	51	51
Step Oiltools LLC	Moscow	Russia	100	76
Step Oiltools Pte Ltd	Singapore	Singapore	100	76
Step Oiltools (Thailand) Ltd	Bangkok	Thailand	100	76
Step Oiltools (UK) Ltd [4)]	Aberdeen	UK	100	76
Step Oiltools FZE	Dubai	UAE	100	76

Other companies

Zoetermeer Process Belgium NV/SA	Antwerp	Belgium	100	100
Aker Cool Sorption (Beijing) Technology Co Ltd	Beijing	China	100	100
Frontica Global Employment Ltd	Limassol	Cyprus	100	100
Cool Sorption A/S	Glostrup	Denmark	100	100
Zoetermeer Process BV	Zoetermeer	Netherlands	100	100
Well Systems Servicing Ltd	Ikoyi - Lagos	Nigeria	100	100
AKA SPH AS	Fornebu	Norway	100	100
Akastor AS	Fornebu	Norway	100	100
Akastor Real Estate AS	Fornebu	Norway	100	100
BTA Technology AS [2)]	Fornebu	Norway	-	100
First Geo AS	Stavanger	Norway	100	100
Fjords Processing AS	Fornebu	Norway	100	100
Frontica Group AS [2)]	Fornebu	Norway	-	100
KOP Surface Products Singapore Pte Ltd	Singapore	Singapore	100	100
Aker Cool Sorption Siam Ltd	Rayong	Thailand	100	100
Frontica Business Solutions Ltd [4)]	London	UK	100	100
AK Pharmaceuticals LLC	Houston	USA	100	100
AK Wilfab Inc	Williamsport	USA	100	100
AKOFS 2 Services AS [2)]	Oslo	Norway	-	100
AKOFS Offshore AS [2)]	Oslo	Norway	-	100
AKOFS 4 AS [2)]	Oslo	Norway	-	100
AKOFS Angola Limited	Luanda	Angola	100	100

Disposed Entities [3)]

AK Operações do Brasil Ltda	Rio de Janeiro	Brazil	-	100
AKOFS Brazil Operations AS	Oslo	Norway	-	100
AKOFS 1 AS	Oslo	Norway	-	100
AKOFS 2 AS	Oslo	Norway	-	100
AKOFS 3 AS	Oslo	Norway	-	100
AKOFS Offshore Operations AS	Oslo	Norway	-	100

[1)] *Liquidated in 2018*

[2)] *Merged into Akastor AS in 2018*

[3)] *Entities are referred to by company names before the disposals*

[4)] *STEP Oiltools (UK) Ltd. (registered number SC412738) and Frontica Business Solutions Ltd (registered number 4962691) are exempted from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006, UK.*

Note 35 | Related parties

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

Akastor ASA is a parent company with control of around 45 companies around the world. These subsidiaries are listed in Note 34 Group companies. Any transactions between the parent company and the subsidiaries are shown line by line in the separate financial statements of the parent company, and are eliminated in the consolidated financial statements.

Joint ventures and associates are consolidated using the equity method, see Note 16 Equity-accounted investees. Transactions between the group and these entities are shown in the table below.

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

The largest shareholder of Akastor, Aker Kværner Holding AS, is controlled by Aker ASA (70 percent) which in turn is controlled by Kjell Inge Røkke through TRG Holding AS and The Resource Group TRG AS. Aker ASA also holds 8.5 percent of the shares in Akastor ASA directly. All subsidiaries and associates of Aker ASA, including Kvaerner, Aker Solutions and Aker BP, are considered related parties to Akastor, referred as "Aker entities" in the table below. The entities controlled directly by Kjell Inge Røkke through TRG Holding AS and The Resource Group TRG AS, are referred as "Related parties to Aker ASA".

Summary of transactions and balances with significant related parties

	2018			2017		
Amounts in NOK million	**Aker entities**	**Joint ventures**	**Total**	**Aker entities**	**Joint ventures**	**Total**
Income statement						
Operating revenues	**163**	**-**	**163**	136	-	136
Operating costs	**(41)**	**-**	**(41)**	(50)	-	(50)
Net financial items	**-**	**2**	**2**	-	2	2
Included in Net profit from discontinued operations [1]						
– Operating revenues	**-**	**2**	**2**	4	3	7
– Operating costs	**-**	**-**	**-**	(5)	(241)	(246)
– Net financial items	**(171)**	**-**	**(171)**	(265)	-	(265)
Assets (liabilities)						
Trade receivables	**28**	**6**	**33**	29	1	29
Prepaid expenses	**-**	**-**	**-**	-	21	21
Current Interest-bearing receivables	**-**	**257**	**257**	-	-	-
PPE under finance lease (Aker Wayfarer)	**-**	**-**	**-**	1 448	-	1 448
Trade payables	**-**	**-**	**-**	(45)	-	(45)
Finance lease liability (Aker Wayfarer)	**-**	**-**	**-**	(1 494)	-	(1 494)

[1] *See Note 5 for information about discontinued operations*

Below are descriptions of significant related party agreements.

Related party transactions with Aker entities

Aker Solutions

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

- Various lease agreements from Akastor Real Estate AS and other Akastor companies to subsidiaries of Aker Solutions.
- Some parent company guarantees issued on behalf of Aker Solutions entities by Akastor (as their previous parent company) were not transferred in connection with the demerger of Aker Solutions in 2014. Aker Solutions is liable to indemnity Akastor for any rightful claim such parent company guarantees and to pay a guarantee commission to Akastor.
- Several of the agreements addressing various separation issues between Akastor and Aker Solutions are still valid after the demerger in 2014, including secondary joint liability for obligations existing in Aker Solutions at the time of the demerger, yet limited in amount to the net value allocated to Akastor in the demerger.

Aker BP

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

Kværner

Akastor Real Estate AS and Kvaerner have entered into lease agreement related to offices in Trondheim, Norway.

Agreements with related parties to Aker ASA

The Resource Group TRG AS

MHWirth AS, a wholly owned subsidiary of Akastor, entered into long-term lease agreements in 2015 with subsidiaries of The Resource Group TRG AS, for properties in Kristiansand in Norway. The annual lease payment is approximately NOK 22 million for a lease period of 19 years starting October 1, 2015, with options for renewal.

AK Wilfab Inc, a wholly owned subsidiary of Akastor, is together with Aker Solutions Inc and The Resource Group TRG AS sponsoring the US pension plan named the Kvaerner Consolidated Retirement Plan. Akastor holds one third of the liability of the sponsors for the underfunded element of the plan and The Resource Group TRG AS holds two thirds of the ultimate liability. Aker ASA guarantees for The Resource Group TRG AS' liability and covers for all its expenses related to the pension plan.

Fornebuporten Næring 3 AS

Akastor leases its headquarter offices at Fornebu from Fornebuporten Næring 3 AS, an associated company of The Resource Group TRG AS. The contract term is 10 years starting August 31, 2015, with two additional five-year options.

Related party transactions with joint ventures

DOF Deepwater AS

During 2018, the shareholder's loan to DOF Deepwater AS was increased by NOK 24 million. As of December 31, 2018, the balance of the shareholder's loan from Akastor to DOF Deepwater AS is NOK 35 million (NIBOR 6 months+ 3.6 percent). The carrying amount of the receivable is reduced to zero due to recognition of Akastor's share of losses in 2018.

Akastor ASA has issued financial guarantees in favor of banks related to financing of the five vessels in DOF Deepwater. The liability is capped at 50 percent of drawn amount. The guarantee is NOK 507 million as of December 31, 2018 (NOK 502 million in 2017).

AKOFS Offshore

As of December 31, 2018, Akastor ASA has interest-bearing receivables against AKOFS Offshore amounting to NOK 257 million (interest rate at 4.6%/6.1% p.a.), with maturity in September 2019. Akastor is obliged to provide financing to AKOFS Offshore until an external bank financing agreement is in place, no later than September 2019.

As part of the joint venture shareholders agreement, the other two investors, Mitsui and MOL, are entitled to a guaranteed preferred equity return, in respect of the operations of AKOFS Seafarer, amounting to a total of USD 46 million over a 6 year's period. The payment of preferred return will be settled firstly by ordinary dividend from AKOFS Offshore, yet any shortfall is guaranteed by Akastor. Akastor ASA has issued a bank guarantee for payment of preferred return for a total amount of NOK 333 million.

Akastor AS has issued a financial parent company indemnity guarantee of NOK 296 million and a financial guarantee of NOK 134 million in favor of finance institutions for fulfillment of lease obligations related to Avium Subsea AS. In addition, a financial parent company indemnity guarantee of NOK 2.4 billion is issued in favor of OCY Wayfarer Limited for fulfillment of lease obligations related to AKOFS 3 AS. Both Avium Subsea AS and AKOFS 3 AS are wholly owned subsidiaries of AKOFS Offshore.

Other related parties

Aker Pensjonskasse

Aker Pensjonskasse was established by Aker ASA to manage the retirement plan for employees and retirees in Akastor as well as related Aker companies. Akastor holds 93.4 percent of the paid-in capital in Aker Pensjonskasse and Akastor's share of paid-in equity was NOK 158 million at the end of 2018 (NOK 128 million in 2017). Akastor's premium paid to Aker Pensjonskasse amounts to NOK 8 million in 2018 (NOK 8 million in 2017).

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

Grants to employee representative's collective fund

Aker ASA has signed an agreement with employee representatives that regulate use of grants from Akastor ASA for activities related to professional development. The grant in 2018 was NOK 510 000 (NOK 510 000 in 2017).

Note 36 | Management remunerations

Board of directors

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

The fees in the table below represent expenses recognized in the income statement based on assumptions about fees to be approved at the general assembly rather than actual payments made in the year.

	2018		2017	
Amounts in NOK	**Audit Committee**	**Board fees**	**Audit Committee**	**Board fees**
Frank Ove Reite	-	-	-	600 000
Kristian Monsen Røkke	-	600 000	-	-
Øyvind Eriksen	-	340 000	-	340 000
Lone Fønss Schrøder	205 000	527 500	205 000	440 000
Kathryn Baker	115 000	340 000	115 000	340 000
Sarah Ryan [1)]	-	421 426	-	432 536
Stian Sjølund	-	170 000	-	170 000
Henning Jensen	115 000	170 000	57 500	85 000
Asle Christian Halvorsen	-	170 000	-	85 000
Jannicke Sommer-Ekelund	-	-	-	85 000
Asbjørn Michailoff Pettersen	-	-	57 500	85 000
Total	**435 000**	**2 738 926**	435 000	2 662 536

[1)] *Board fees include an allowance of NOK 12 500 per meeting per physical attendance for board members residing outside the Nordic countries*

According to policy in Aker, fees to directors employed in Aker companies are paid to the Aker companies, not to the directors in person. Therefore, board fees for Frank O. Reite, Kristian Monsen Røkke and Øyvind Eriksen were paid to Aker ASA.

Audit Committee

Akastor has an audit committee comprising three of the directors, which held 7 meetings in 2018. As of December 31, 2018, the audit committee comprises Lone Fønss Schrøder (chairperson), Kathryn M. Baker and Henning Jensen.

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

As of December 31, 2018, the executive management of Akastor comprised the company's CEO Karl Erik Kjelstad, CFO Leif Borge and Investment Director Paal E. Johnsen. The company practices standard employment contracts and standard terms and conditions regarding notice period and severance pay for the Akastor management. Karl Erik Kjelstad and Leif Borge both have a six months' notice period as part of their employment contracts, while Paal E. Johnsen has a three months' notice period.

The main purpose of the executive remuneration is to encourage a strong and sustainable performance-based culture, which supports growth in shareholder value. Compensation to the executive management has a fixed element which includes a base salary which pursuant to the company's benchmarking is competitive with other investment companies. In addition, the executive management has variable remuneration, as further described below. All variable pay shall be subject to a cap.

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

Amounts in NOK	Job title	Base salary	Variable pay [1]	Other benefits [2]	Total taxable remuneration	Pension benefit earned/ cost to company [3]
2018						
Karl Erik Kjelstad	CEO	**4 649 849**	**2 040 378**	**23 236**	**6 713 463**	**247 849**
Leif Borge	CFO	**3 664 895**	**1 642 653**	**17 997**	**5 325 544**	**257 006**
Paal E. Johnsen	Investment director	**3 007 080**	**1 350 117**	**17 213**	**4 374 410**	**179 791**
Total		**11 321 824**	**5 033 148**	**58 446**	**16 413 418**	**684 646**
2017						
Kristian Monsen Røkke	CEO	3 715 309	2 669 856	9 625	6 394 790	88 280
Leif Borge	CFO	3 617 375	3 151 128	32 191	6 800 694	149 515
Karl Erik Kjelstad	Investment director	3 757 822	3 273 929	40 541	7 072 293	142 411
Paal E. Johnsen	Investment director	2 971 861	2 595 046	17 922	5 584 829	89 489
Total		**14 062 368**	**11 689 959**	**100 279**	**25 852 605**	**469 695**

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

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

[3] *Pension benefits include the standard employee pension scheme, a disability pension scheme and certain management pension rights related to the wound up schemes and early retirement schemes.*

Benefits

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

Performance based remuneration

In addition to the fixed compensation set out above, the executive management (as well as other members of the corporate organization) participates in a variable pay program. The objective of the program is to incentivize the management to contribute to sound financial results for the company, recruit and retain key personnel as well as executing leadership in accordance with the company's values and business ethics. The potential payment under the variable pay program is set individually, with 100 percent of the annual base salary as the maximum.

The payments under the variable pay program are determined based on three components:

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

Since the variable pay program for the executive management is partly linked to the development of the Akastor ASA share price, it requires approval by the general meeting and the guidelines will thereafter be binding.

Further, the executive management may be offered additional variable pay arrangements going forward which differs from the ordinary variable pay program described above. The variable pay arrangements offered to the executive management may in its entirety be linked to the development of the company's share price. The executive management may from time to time be granted a discretionary variable pay. There was no discretionary pay paid out for 2017 or 2018.

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

Share purchase program for Akastor's executive management team

The company had no regular share purchase program in 2018. Should the board of directors decide to launch a share purchase program in 2019, the executive management will be invited to participate. Shares purchased under any such programs will be subject to a three year lock-up period during which the acquired shares may not be sold or otherwise disposed of.

Directors' and executive management's shareholding

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

	Job title	2018	2017
Karl Erik Kjelstad	CEO	**123 074**	123 074
Leif Borge	CFO	**250 000**	250 000
Kristian Monsen Røkke	Chairman	**200 000**	200 000
Frank O. Reite	Chairman (2017)	**200 000**	200 000
Lone Fønss Schrøder	Deputy chairman	**4 400**	4 400
Kathryn Baker	Director	**45 683**	45 683
Sarah Ryan	Director	**5 000**	5 000

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

04.b. FINANCIALS AND NOTES

AKASTOR ASA

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Akastor ASA | Income statement
For the year ended December 31

Amounts in NOK million	*Note*	**2018**	2017
Operating revenue	*2*	**8**	27
Operating expenses	*2*	**(37)**	(47)
Operating profit (loss)		**(29)**	(21)
Net financial items	*3*	**(277)**	726
Profit (loss) before tax		**(306)**	706
Income tax benefit (expense)	*4*	**6**	(42)
Profit (loss) for the period		**(300)**	664
Profit (loss) for the period distributed as follows			
Other equity		**(300)**	664
Profit (loss) for the period		**(300)**	664

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

Amounts in NOK million	*Note*	**2018**	2017
Assets			
Investments in group companies	*5*	**5 022**	5 298
Non-current interest-bearing receivables on group companies	*7*	**830**	3 156
Other non-current interest-bearing receivables		**2**	2
Total non-current assets		**5 855**	8 456
Current interest-bearing receivables on group companies	*7*	**-**	81
Current interest-bearing receivables on related parties		**257**	-
Other receivables on group companies	*7*	**243**	800
Derivative financial instruments, assets	*10*	**9**	76
Other current receivables		**-**	14
Total current assets		**510**	971
Total assets		**6 365**	9 427
Equity and liabilities			
Issued capital		**162**	162
Treasury shares		**(2)**	(2)
Share premium		**2 000**	2 000
Other paid in capital		**2 003**	2 003
Other equity		**231**	531
Total equity	*6*	**4 395**	4 695
Non-current borrowings, external	*8*	**588**	824
Deferred tax liability	*4*	**14**	19
Total non-current liabilities		**602**	843
Current borrowings, external	*8*	**14**	32
Current borrowings from group companies	*7*	**1 306**	3 698
Current tax liabilities		**1**	18
Other liabilities to group companies	*7*	**-**	45
Derivative financial instruments	*10*	**9**	68
Other current liabilities		**39**	28
Total current liabilities		**1 368**	3 889
Total liabilities		**1 970**	4 733
Total equity and liabilities		**6 365**	9 427

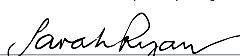
Fornebu, March 14, 2019 I Board of Directors of Akastor ASA

Kristian Røkke | Chairman

Lone Fønss Schrøder | Deputy Chairman

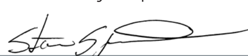
Øyvind Eriksen | Director

Kathryn M. Baker | Director


Sarah Ryan | Director

Henning Jensen | Director

Asle Christian Halvorsen | Director


Stian Sjølund | Director

Karl Erik Kjelstad | CEO

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

Amounts in NOK million	*Note*	**2018**	2017
Profit (loss) before tax		**(306)**	706
Adjustments for non-cash effects			
Impairment of receivables and shares	3	**301**	195
Group contribution		**-**	(800)
Changes in other net operating assets		**37**	-
Net cash from operating activities		**31**	101
Payment related to increase in interest-bearing receivables		**(154)**	-
Net cash from investing activities		**(154)**	-
Proceeds from borrowings		**924**	620
Repayment of borrowings		**(1 154)**	(901)
Changes in borrowings from group companies		**(106)**	(1 899)
Changes in borrowings to group companies		**1 999**	52
Change in overdraft cash pool		**(2 303)**	931
Payment of group contribution		**800**	1 000
Net cash from financing activities		**160**	(197)
Effect of exchange rate changes on cash and cash deposits		**(38)**	(40)
Net increase (decrease) in cash and bank deposits		**-**	(135)
Cash in cash pool system at the beginning of the period		**-**	135
Cash in cash pool system at the end of the period [1]	7	**-**	-

[1] *Unused credit facilities amounted to NOK 2.0 billion as of December 31, 2018 (NOK 1.4 billion in 2017).*

Note 1 | Accounting principles

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

Revenue recognition

Operating revenue mainly comprise parent company guarantees (PCG) recharged to entities within the group. The revenue is recognized over the guarantee period.

Investments in subsidiaries

Investments in subsidiaries are measured at cost in the parent company accounts, less any impairment losses. The investments are impaired to fair value if the impairment is not considered temporary. Impairment losses are reversed if the basis for the impairment loss is no longer present. Investments in subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment.

Dividends, group contributions and other distributions from subsidiaries are recognized as income the same year as they are recognized in the financial statement of the provider. If the dividends or group contributions exceeds withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and is recognized as a reduction of carrying value of the investment.

Classification

Current assets and current liabilities include items due within one year or items that are part of the operating cycle. Other balance sheet items are classified as non-current assets/debts.

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

Measurement of borrowings and receivables

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

Trade receivables and other receivables are recognized in the balance sheet at nominal value less provision for expected losses.

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

Cash in cash pool system

Akastor ASA has a cash pool that includes the parent company's cash as well as net deposits from subsidiaries in the group cash pooling system owned by the parent company. Correspondingly, Akastor ASA's current debt to group companies will include their net deposit in the group's cash pool system.

Share capital

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

Cash flow statement

The statement of cash flow is prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments.

Functional currency and presentation currency

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

Foreign currency

Transactions in foreign currencies are translated at the exchange rate applicable at the date of the transaction. Monetary items in a foreign currency are translated to NOK using the exchange rate applicable on the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement as they occur.

Derivative financial instruments

All financial assets and liabilities related to foreign exchange contracts are remeasured at fair value in respect to exchange rates at reporting date.

Tax

Tax income (expense) in the income statement comprises current tax, withholding tax and changes in deferred tax. Deferred tax is calculated as 22 percent of temporary differences between accounting and tax values as well as any tax losses carry-forward at the year end. Net deferred tax assets are recognized only to the extent it is probable that they will be utilized against future taxable profits.

Note 2 | Operating revenue and expenses

Operating revenue comprises NOK 8 million in income from parent company guarantees (NOK 25 million in 2017), of which NOK 5 million from related parties (NOK 12 million in 2017).

There are no employees in Akastor ASA and hence no salary or pension related costs and also no loan or guarantees related to the executive management team. Group management and corporate staff are employed by other Akastor companies and costs for their services as well as other parent company costs are recharged to Akastor ASA.

NOK 3.2 million has been allocated to payable fees to the Board of Directors for 2018 (2017: 3.1 million). Remuneration to and shareholding of the Board of directors and CEO is described in note 36 Management remunerations in Akastor's consolidated financial statements.

Fees to the auditors

Fees to KPMG for statutory audit amounted to NOK 2.9 million (2017: 2.5 million).

Note 3 | Net financial items

Amounts in NOK million	*Note*	**2018**	2017
Interest income from group companies		**162**	223
Interest expense to group companies		**-**	(4)
Net interest group companies		**162**	219
Interest income from related parties		**2**	-
Net interest related parties		**2**	-
Interest income		**12**	12
Interest expense		**(96)**	(117)
Net interest external		**(84)**	(105)
Income on investment in subsidiary (group contribution)		**-**	800
Impairment on receivables to group companies	7	**(25)**	(98)
Impairment of shares		**(276)**	(98)
Other financial expense		**(1)**	-
Foreign exchange gain (loss)		**(55)**	8
Net other financial items		**(357)**	612
Net financial items		**(277)**	726

Note 4 | Tax

Amounts in NOK million	**2018**	2017
Calculation of taxable income		
Profit (loss) before tax	**(306)**	706
Write down internal shares	**276**	98
Loss on receivables	**(395)**	98
Permanent differences	**(16)**	(1)
Changes in timing differences	**7**	8
Group contribution without tax effect	**-**	(800)
Generated (utilized) tax loss	**435**	(107)
Taxable income	**-**	-
Taxable (deductible) temporary differences		
Unrealized gain (loss) on forward exchange contracts	**-**	8
Other temporary differences	**(19)**	(20)
Tax loss carry-forward [1]	**82**	96
Basis for deferred tax	**63**	84
Tax rate	**22%**	23%
Deferred tax assets (liability)	**(14)**	(19)
Tax expense		
Origination and reversal of temporary differences in income statement	**6**	(23)
Withholding tax	**1**	(19)
Income tax benefit (expense)	**6**	(42)

[1] *Akastor ASA has unrecognized tax loss carry forwards of NOK 1.4 billion. A significant part of these tax loss carry forwards (NOK 951 million) originates from 2016 and is currently being subject to inquiries from Norwegian Tax Authorities.*

Note 5 | Investments in group companies

Amounts in NOK million	**Registered office**	**Share capital**	**Number of shares held**	**Percentage owner- / voting share**	**2018**	2017
Akastor AS	Fornebu, Norway	1 004	1	100%	**5 022**	4 191
AKOFS Offshore AS [1]	Oslo, Norway			-	**-**	1 107
Total					**5 022**	5 298

[1] *The shareholding of 55.49 percent in AKOFS Offshore AS was transferred to Akastor AS as contribution-in-kind in 2018. An accounting loss of NOK 276 million was recognized in the accounts.*

Akastor AS financial information 2018

Amounts in NOK million	**2018**
Profit (loss) for the period	**(239)**
Equity as of December 31	**5 401**

Note 6 | Shareholders' equity

Amounts in NOK million	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total
Equity as of January 1, 2017	162	(2)	2 000	2 003	(133)	4 031
Profit (loss) for the period	-	-	-	-	664	664
Equity as of December 31, 2017	**162**	**(2)**	**2 000**	**2 003**	**531**	**4 695**
Profit (loss) for the period	-	-	-	-	(300)	(300)
Equity as of December 31, 2018	**162**	**(2)**	**2 000**	**2 003**	**231**	**4 395**

The share capital of Akastor ASA is divided into 274 000 000 shares with a nominal value of NOK 0.592. The shares can be freely traded. An overview of the company's largest shareholders is to be found in note 12 Shareholders.

The number of treasury shares held by the end of 2018 are 2 776 376 and are held for the purpose of being used for future awards under any share purchase program for employees, as settlement in future corporate acquisitions or for other purpose as decided by the board of directors.

Note 7 | Receivables and borrowings from group companies

Amounts in NOK million	2018	2017
Group companies deposits in the cash pool system	1 306	3 592
Akastor ASA's net borrowings in the cash pool system	(1 306)	(3 592)
Cash in cash pool system	**-**	-
Current interest-bearing receivables on group companies	-	81
Non-current interest-bearing receivables on group companies	830	3 156
Current borrowings from group companies [1]	(1 306)	(3 698)
Net interest-bearing receivables on group companies	**(475)**	(461)
Group contribution receivable	-	800
Other receivables on group companies	243	-
Other payables to group companies	-	(45)
Total other receivables on group companies	**243**	755
Current interest-bearing receivables on related parties	257	-
Total interest-bearing receivables on related parties	**257**	-

[1] *Include Akastor ASA's net borrowings in the cash pool system*

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

In 2018, interest-bearing receivables on MHWirth Do Brasil Equipamentos Ltda and Step Oiltools BV were sold to Akastor AS for BRL 96 million and USD 32 million respectively related to recapitalization of these entities.

An impairment of NOK 25 million has been recognized related to interest-bearing receivables in 2018, mainly related to impairment of the receivable on Step Oiltools BV (NOK 98 million in 2017).

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

The cash pool system has a net overdraft of NOK 13 million as of December 31, 2018 (net overdraft of NOK 30 million in 2017). The amount is reported in Akastor ASA's accounts as external borrowings.

Note 8 | Borrowings

Amounts in million	Currency	Nominal currency value	Carrying amount (NOK)	Interest rate	Interest margin	Interest coupon	Maturity	Interest terms
2018								
Revolving credit facility (NOK 1 250 million)	NOK	588	**588**	1.18%	2.25%	3.43%	Dec 2021	NIBOR + margin
Revolving credit facility (USD 155 million)	USD	-	**-**		2.25%		Dec 2021	USD LIBOR + margin
Overdraft facility			**13**					
Total borrowings			**601**					
Current borrowings			**14**					
Non-current borrowings			**588**					
Total			**601**					
2017								
Revolving credit facility (NOK 1 005 million)	NOK	350	348	0.76%	2.25%	3.01%	July 2019 [2]	NIBOR + margin [1]
Revolving credit facility (USD 147 million)	USD	58	478	1.49%	2.25%	3.74%	July 2019 [2]	USD LIBOR + margin [1]
Overdraft facility			30					
Total borrowings			856					
Current borrowings			32					
Non-current borrowings			824					
Total			856					

[1] *The margin applicable to the facility is decided by a price grid based on the leverage ratio and level of utilization. Commitment fee is 35 percent of the margin (2017: 40 percent).*

[2] *The maturity date reflects maturity date as defined in the loan agreements.*

All facilities are provided by a bank syndicate consisting of high quality Nordic and international banks. The terms and conditions include restrictions which are customary for these kinds of facilities, including inter alia negative pledge provisions and restrictions on acquisitions, disposals and mergers and change of control provisions. The facilities include no dividend restrictions.

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

- The company's gearing ratio shall not exceed 1.0 times and is calculated from the consolidated net total borrowings to the consolidated equity.
- The ICR shall not be lower than 3.0 when gearing ratio is below 0.5, calculated from the consolidated EBITDA to consolidated Net Finance Cost.
- The ICR shall not be lower than 4.0 when gearing ratio exceeds 0.5, calculated from the consolidated EBITDA to consolidated Net Finance Cost.
- Minimum liquidity amount shall exceed NOK 500 million on consolidated level

The covenants are monitored on a regular basis by the Akastor Treasury department to ensure compliance with the loan agreements, and are tested and reported on a quarterly basis. Akastor was not in breach with any covenants as of December 31, 2018, and on the basis of the covenants and its forecasts, management believes that the risk of covenant being breached is low and that the group will continue as a going concern for the foreseeable future. See more information in note 29 Capital management in the Akastor Group consolidated accounts.

Financial liabilities and the period in which they mature

Amounts in NOK million	Carrying amount	Total undiscounted cash flow [1]	6 months and less	6–12 months	1–2 years	2–5 years [2]
2018						
Revolving credit facility (NOK 1 250 million)	588	**662**	11	10	21	621
Revolving credit facility (USD 155 million)	-	**-**	-	-	-	-
Overdraft facility	13	**13**	13	-	-	-
Total borrowings	**601**	**675**	**24**	**10**	**21**	**621**
2017						
Revolving credit facility (NOK 1 005 million)	348	365	7	5	353	-
Revolving credit facility (USD 147 million)	478	505	9	9	487	-
Overdraft facility	30	30	30	-	-	-
Total borrowings	856	900	46	14	840	-

[1] *The interest costs are calculated using the last fixing rate known by year end (plus applicable margin).*
[2] *Repayment of the loan in the table is according to maturity date of the facility in the loan agreement.*

Note 9 | Guarantees

Akastor has provided the following guarantees on behalf of wholly owned subsidiaries and related parties as of December 31 (all obligations are per date of issue):

Amounts in NOK million	**2018**	2017
Parent Company Guarantees to group companies [1]	**1 422**	3 438
Parent Company Guarantees to related companies [2]	**2 894**	502
Counter guarantees for bank/surety bonds, group companies [3]	**1 055**	973
Counter guarantees for bank/surety bonds, related parties [3]	**5**	-
Total guarantee liabilities	**5 376**	4 913
Maturity of guarantee liabilities:		
6 months and less	**237**	244
6–12 months	**418**	52
1–2 years	**66**	403
2–5 years	**107**	428
5 years and more	**4 548**	3 786

[1] *Parent Company Guarantees to support subsidiaries in contractual obligations towards clients.*
[2] *Parent Company Guarantees to support related parties in contractual obligations towards clients, mainly AKOFS 1 AS, AKOFS 3 AS and DOF Deepwater AS.*
[3] *Bank guarantees and surety bonds are issued on behalf of Akastor subsidiaries, and counter indemnified by Akastor ASA.*

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

US pension plan

AK Wilfab Inc, a wholly owned subsidiary of Akastor, is together The Resource Group TRG AS and Akastor ASA sponsoring the US pension plan named the Kvaerner Consolidated Retirement Plan. Akastor Group holds one third of the liability of the sponsors for the underfunded element of the plan and The Resource Group TRG AS holds two thirds of the ultimate liability. Aker ASA guarantees for The Resource Group TRG AS' liability and covers for all its expenses related to the pension plan.

Note 10 | Financial risk management and financial instruments

Currency risk

Subsidiaries may enter into financial derivative agreements with the parent company to hedge their foreign exchange exposure. Accordingly, derivatives from external banks are used to mitigate the foreign exchange exposure from the financial derivative agreements with the subsidiaries. In addition, Akastor ASA may have cash flow exposure towards its financial assets and liabilities. Akastor ASA may enter into financial derivative agreements to hedge these potential cash flow exposures.

As of 31 December 2018, Akastor ASA had entered into a limited number of forward exchange contracts with subsidiaries, and these are hedged back-to-back with external banks.

Amounts in NOK million	**2018** Assets	**2018** Liabilities	2017 Assets	2017 Liabilities
Forward exchange contracts with group companies	**9**	**-**	57	(20)
Forward exchange contracts with external counterparts	**-**	**(9)**	19	(48)
Total	**9**	**(9)**	76	(68)

Interest rate risk

The company is exposed to changes in interest rates because of floating interest rate on loan receivables and loan payables. The company does not hedge transactions exposure in financial markets, and does not have any fixed interest rate loan receivables nor loan payables. The company is therefore not exposed to fair value risk on its outstanding loan receivables or loan payables. Interest bearing loan receivables and loan payables expose the company to income statement and cash flow interest risk.

Interest-bearing borrowings to group companies reflect the cost of external borrowing, reducing the interest risk exposure for Akastor ASA.

Credit risk

Credit risk is the risk of financial losses to the company if a customer or counterparty fails to meet contractual obligations. Credit risk relates to loans to subsidiaries and associated companies, hedging contracts, guarantees to subsidiaries and associated companies and deposits with external banks. External deposits and hedging contracts are done according to a list of approved banks and primarily with banks where the company also have a borrowing relationship.

Loss provisions for interest-bearing receivables are made in situations of negative equity if the company is not expected to be able to fulfil its loan obligations from future earnings. NOK 25 million was impaired in 2018 (NOK 98 million in 2017). See note 7 Receivables and borrowings from group companies for more information about receivables.

Liquidity risk

Liquidity risk relates to the risk that the company will not be able to meet its debt and guarantee obligations and is managed through maintaining sufficient cash and available credit facilities. Due to the dynamic nature of the underlying businesses, Akastor Treasury maintains flexibility in funding by maintaining availability under committed credit lines. Development in the group's and thereby Akastor ASA's available liquidity is continuously monitored through weekly and monthly cash flow forecasts, annual budgets and long term planning.

Note 11 | Related parties

Transactions with subsidiaries and related parties are described in the following notes:

Transactions	**Info in note**
Other services	Note 2
Financial items	Note 3
Cash pool, receivables and borrowings	Note 7
Guarantees	Note 9
Foreign exchange contracts	Note 10

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

Note 12 | Shareholders

Shareholders with more than 1 percent shareholding

Company	*Note*	Nominee	Number of shares held	Ownership
2018				
Aker Kværner Holding AS			**110 333 615**	**40.27%**
Goldman Sachs & Co		Nominee	**39 600 376**	**14.45%**
Aker ASA			**23 331 762**	**8.52%**
Morgan Stanley & Co. LLC		Nominee	**19 535 505**	**7.13%**
Euroclear Bank S.A./N.V.('BA')		Nominee	**11 444 917**	**4.18%**
Jefferies LLC SP. RES. A/C FBO CUS		Nominee	**8 765 881**	**3.20%**
ODIN Norge			**7 840 060**	**2.86%**
Skandinaviska Enskil SEB STO, SFMA1			**3 115 302**	**1.14%**
Fond Finans Norge			**3 000 000**	**1.09%**
Akastor ASA	*6*		**2 776 376**	**1.01%**

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

05. AUDITOR'S REPORT

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To the Annual Shareholders' Meeting of Akastor ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Akastor ASA (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the income statement and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Akastor ASA and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2018, and income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway ("NGAAP").
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

Basis for Opinion

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

Key Audit Matters

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

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund

Auditor's Report - 2018
Akastor ASA

1. Valuation of investments

Reference is made to Note 3 Significant accounting policies, Note 4 Significant accounting estimates and judgements, Note 18 Other investments, Note 25 Other non-current liabilities, Note 32 Financial instruments, and the Board of Directors Report.

The key audit matter	*How the matter was addressed in our audit*
In May, the Group made an investment in preferred equity in Odfjell Drilling, yielding 10% annual interest plus a warrant structure for up to 5,925,000 common shares in Odfjell Drilling. At year-end the valuation of the preference shares and warrants, with carrying values of NOK 672 million and NOK 33 million respectively, is considered to be a risk area due to the complexity involved in applying judgements and valuation techniques in determining their fair value. Owing to the unquoted and illiquid nature of the warrants, the valuation has been determined through a Monte Carlo simulation using level 3 inputs, including expected share volatility. The valuation of the warrants is judgmental and dependent on the input variables.	Our audit procedures in this area included, among others: • We read the contracts for these transactions and analysed the rights and obligations of the Group in these transaction; • We used KPMG valuation specialists to verify the mathematical and methodological integrity of management's valuation models and to evaluate the valuation technique methodology applied regarding the warrants; • We tested the underlying valuation model of the preference shares and the assumptions used in those models, including verification to observable market inputs, and assessed this model in relation to the terms of contract for this asset; and • We evaluated the adequacy and appropriateness of the disclosures related to these financial instruments. From the audit evidence obtained, we consider management's assessment of the carrying value of the investment in financial instruments issued by Odfjell Drilling Ltd. to be in accordance with the requirements under the relevant accounting standards.

2. Construction contract accounting estimates

Reference is made to Note 2 Basis for preparation, Note 3 Significant accounting policies, Note 4 Significant accounting estimates and judgements, and Note 7 Revenue and other income.

The key audit matter	*How the matter was addressed in our audit*
The majority of the Group's revenues and profits are derived from long-term construction and service contracts. Accounting for such contracts, where revenue from performance obligations are satisfied over time, is considered to be a risk area due to the significant judgement and estimation applied by management as well as the degree of complexity of the contracts currently in the portfolio. IFRS 15 Revenue from contracts with customers ('IFRS 15') was implemented by the Group on 1 January 2018. This new accounting standard	For financially significant contracts and any contracts with a reasonable possibility of being in a significant loss-making position, we applied professional scepticism and critically assessed the accounting estimates and judgments against the requirements of IFRS 15. Our audit procedures in this area included, among others: • We assessed the implementation of IFRS 15, including the Group's updated accounting policies, transition impact assessment, application to construction and service contract accounting and disclosures • We challenged management's measure of progress estimate and evaluated management's process for assessing the

introduces a 'five step model' for revenue recognition and new requirements and guidance relevant to project accounting estimates and judgements. Furthermore, estimating the outcome of disputes and renegotiations on long-term projects is considered to be a risk area due to the significant judgment and estimation applied by management as well as the degree of complexity of the contracts, current market environment and challenges faced by customers. These management estimates and judgments are often complex and involve assumptions regarding future events for which there may be little or no external corroborative evidence available. There are typically a wide range of reasonably possible outcomes, and a high degree of uncertainty on the outcomes of negotiations and disputes linked to complex contract interpretations. As such, these contract accounting estimates also require significant attention during the audit and are subject to a high degree of auditor judgment.	measurement of progress and the method applied; • We updated our understanding of the project performance, changes compared to previous forecasts, sensitivities and risks by reviewing management's project reporting and discussing with relevant management; • We assessed contractual revenue forecasts including corroborating those forecasts with reference to signed contracts and variation orders to assess the contractual basis of estimated future revenues; • We evaluated the calculation of project revenue and cost and contract assets and contract liabilities in relation to the stage of completion and forecasts; • We analysed preliminary rulings or other relevant pronouncements for items in arbitration and historical outcomes of negotiations with customers and other proceedings; • We challenged management on their assessment of probable settlement negotiations regarding liquidated damages and disputes; • We challenged management on the estimate of cost to complete, timing of the cost and the risk assessment related to forecast cost; • We read a selection of correspondence between the Group and the customer and the Group's legal advisors; and • We considered events subsequent to reporting date and challenged management on their impact to the estimates made at year-end. From the audit evidence obtained, we consider construction contract accounting estimates to be consistent with the requirements under the relevant accounting standards.

Other information

Management is responsible for the other information. The other information comprises information in the Annual Report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of our report on Other Legal and Regulatory Requirements below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Auditor's Report - 2018
Akastor ASA

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director ("management") are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the NGAAP, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial

Auditor's Report - 2018
Akastor ASA

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

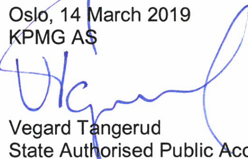
Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 14 March 2019
KPMG AS



Vegard Tangerud
State Authorised Public Accountant

06. ALTERNATIVE PERFORMANCE MEASURES

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

The definitions of these measures are as follows:

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

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

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

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

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

Gross debt - sum of current and non-current borrowings.

Net debt - gross interest-bearing debt minus cash and cash equivalents.

Net interest-bearing debt (NIBD) – net debt minus non-current and current interest bearing receivables.

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

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

Order intake – represents the estimated contract value from the contracts or orders that are entered into or committed in the reporting period.

Order backlog - represents the remaining unearned contract value from the contracts or orders that are already entered into or committed at the reporting date.

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

Net current operating assets (NCOA)

Amounts in NOK million	**2018**	2017
Current tax assets	**4**	21
Inventories	**548**	569
Trade and other receivables	**2 801**	2 263
Current operating assets	**3 354**	2 853
Current tax liabilities	**(8)**	(23)
Provisions, current	**(236)**	(293)
Trade and other payables	**(2 734)**	(1 493)
Current operating liabilities	**(2 979)**	(1 809)
Adjusted by NCOA related to discontinued operations	**-**	(186)
Net current operating assets (NCOA) (Continuing operations)	**375**	857

Net capital employed (NCE)

Amounts in NOK million	2018	2017
Total non-current assets	**5 077**	7 163
Net current operating assets (NCOA)	**375**	857
Other current assets	**-**	51
Non-current interest-bearing receivables	**-**	1
Deferred tax liabilities	**(9)**	(10)
Employee benefit obligations	**(332)**	(349)
Other non-current liabilities	**(390)**	(110)
Non-current provisions	**(166)**	(221)
Adjusted by NCE related to discontinued operations	**-**	184
Net capital employed (NCE)	**4 556**	**7 566**

Gross debt/Net debt/NIBD

Amounts in NOK million	2018	2017
Non-current borrowings	**588**	2 133
Current borrowings	**14**	399
Gross debt	**601**	2 533
Cash and cash equivalents	**(198)**	(168)
Net debt	**403**	2 364
Non-current interest-bearing receivables	**-**	(1)
Current interest-bearing receivables	**(257)**	-
Net interest-bearing debt (NIBD)	**146**	2 363

Equity ratio

Amounts in NOK million	2018	2017
Total equity	**4 317**	5 277
Divided by Total assets	**9 005**	10 328
Equity ratio	**48%**	51%

Liquidity reserve

Amounts in NOK million	2018	2017
Cash and cash equivalents	**198**	168
Undrawn committed credit facilities	**2 000**	1 400
Liquidity reserve	**2 198**	1 568

07. BOARD OF DIRECTORS

Kristian M. Røkke | Chairman

Kristian Røkke is currently the Chief Investment Officer of Aker ASA and has extensive experience from offshore oil services, shipbuilding and M&A. Mr. Røkke was CEO of Akastor ASA from August 2015 to December 2017. He is a board member of TRG Holding AS, Aker Capital AS and Aker Solutions ASA. Mr. Røkke holds an MBA from The Wharton School, University of Pennsylvania.

As of December 31, 2018, Mr. Røkke holds, through a privately owned company, 200 000 shares in Akastor ASA and has no stock options. Mr. Røkke is both a Norwegian and American citizen and has been elected for the period 2018-2020.

Lone Fønss Schrøder | Deputy Chairman

Lone Fønss Schrøder has experience from CEO and Senior Management positions at the Danish shipping and oil group A.P. Møller-Maersk A/S. She is Executive Director of Geely Financials Denmark, Director and Chairperson for the audit committee at Volvo Cars and Valmet Oy, and Director of Ikea Group. Ms. Fønss Schrøder has a fintech portfolio of her own.

Ms. Fønss Schrøder has a law degree from the University of Copenhagen and of economics from Copenhagen Business School. As of December 31, 2018, she holds 4 400 shares in the company and has no stock options. She is a Danish citizen and has been elected for the period 2018-2020.

Øyvind Eriksen | Director

Øyvind Eriksen joined Aker ASA in January 2009. Mr. Eriksen holds a law degree from the University of Oslo. He joined Norwegian law firm BA-HR in 1990, where he became a partner in 1996 and a director/chairman from 2003. At BA-HR, Mr. Eriksen worked closely with Aker and Aker's main shareholder, Kjell Inge Røkke. Mr. Eriksen is chairman of Aker BP ASA, Aker Solutions ASA, Cognite AS, Aker Capital AS and Aker Kværner Holding AS, and a director of several companies, including Aker Energy AS, The Resource Group TRG AS, TRG Holding AS and Reitangruppen AS.

As of December 31, 2018, Mr. Eriksen holds no shares or stock options in Akastor directly; he has an ownership interest through his holding of 219 027 shares in Aker ASA. He also holds, through a privately owned company, 0.2 percent of the B-shares in TRG Holding AS, the largest shareholder in Aker ASA. Mr. Eriksen is a Norwegian citizen and has been elected for the period 2018-2020.

Kathryn M. Baker | Director

Kathryn M. Baker has 30 over years of business experience in a broad range of industries and roles. She currently serves on the Executive Board of the Central Bank of Norway (Norges Bank), where she is also a member of the audit and the risk and investment committees. Other current board positions include Chairman of Catena Media Plc, board member of DOF ASA as well as a member of the Investment Committee of Norfund. Ms. Baker also serves on the European Advisory Board of the Tuck School of Business and leads the Ethics Committee of the Norwegian Private Equity and Venture Capital Association (NVCA), where she previously served as Chairman. Ms. Baker was a partner at the Norwegian private equity firm Reiten & Co for 15 years. Prior to that, she was a management consultant at McKinsey & Company in Oslo and a financial analyst at Morgan Stanley in New York.

Ms. Baker holds a bachelor degree in Economics from Wellesley College and an MBA from the Amos Tuck School of Business at Dartmouth College. She holds 45 683 shares in the company. Ms. Baker is an American citizen and has been elected for the period 2018-2020.

Sarah Ryan | Director

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

Dr. Ryan was energy advisor, Investment director and equity analyst at Earnest Partners, a US-based investment management firm. Prior to that, she held various senior management, technical and operational roles during her 15 years with Schlumberger.

Dr. Ryan holds a BSc in Geology from the University of Melbourne, a BSc (Hons) in Geophysics and a PhD in Petroleum Geology and Geophysics from the University of Adelaide. As of December 31, 2018, she held 5 000 shares in the company and had no stock options. Ms. Ryan is an Australian citizen. She has been elected for the period 2018-2020.

Henning Jensen | Director

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

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

As of December 31, 2018, Mr. Jensen holds no shares or stock options in the company. Mr. Jensen is a Norwegian citizen and has been elected for the period 2017-2019.

Asle Christian Halvorsen | Director

Asle Christian Halvorsen currently works as Senior Engineer in Mud Products dept at MHWirth AS. He began his career with the Aker group in 2011 when he joined STEP Offshore. Mr. Halvorsen holds a BS c in mechanical engineering from Sør-Trøndelag University College. As of December 31, 2018, he holds no shares or stock options in the company.

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

Stian Sjølund| Director

Stian Sjølund currently works as Performance Optimization Engineer at MHWirth AS. Mr. Sjølund joined the Company in 1998 as an Engineer in Drilling Lifecycle Services department. He has since then held various positions in the company in Norway and abroad.

Mr. Sjølund holds a technical college degree in electrical engineering from Grimstad Technical College. As of December 31, 2018, Mr. Sjølund holds no shares or stock options in the company. Mr. Sjølund is a Norwegian citizen and has been elected for the period 2017-2019.

08. MANAGEMENT

Karl Erik Kjelstad | Chief Executive Officer

Karl Erik Kjelstad joined the Aker group in 1998 and has held various CEO and executive positions throughout the Aker group, including EVP of Aker Solutions, Aker ASA and CEO of Aker Yards. Mr. Kjelstad holds an MSc in Marine Engineering from the Norwegian University of Science and Technology (NTNU) and an AMP from Harvard Business School. As of March 14, 2019, he holds, through a privately-owned company, 300 000 shares in the company and had no stock options. Mr. Kjelstad is a Norwegian citizen.

Leif Borge | Chief Financial Officer

Before joining Akastor, Leif Borge served as CFO of Aker Solutions in 2008-2014. He was CFO of Aker Yards in 2002-2008, CFO of Stento ASA/ Zenitel NV in 1998-2001, CFO of Vitana (a subsidiary of Rieber & Søn ASA in the Czech Republic) in 1994-1997, and prior to that Financial Manager in Union Bank of Norway.

Mr. Borge holds an MBA from Pacific Lutheran University in Washington State, and is a Norwegian citizen. As of March 14, 2019, Mr. Borge holds, directly and through a privately owned company, 300 000 shares in the company, and had no stock options.

Paal E. Johnsen | Executive Vice President – Investment Director

Paal E. Johnsen joined Akastor from a senior position within Investment Banking at DNB Bank ASA. From 2009 to 2014, he was CEO of an investment company and held several board positions in both public and private companies across several industries. From 1996 to 2008, Paal E. Johnsen held several executive positions in Carnegie Investment Banking, both on equity research and investment banking.

Mr. Johnsen holds a Master of Science (MSc) in Economics and Business Administration from Norwegian School of Economics. As of March 14, 2019, he holds no shares in the company and had no stock options. Mr. Johnsen is a Norwegian citizen.

09. COMPANY INFORMATION

Reports on the Internet

The half-year and annual reports of Akastor are available on the internet. Akastor encourages its shareholders to subscribe to the company's annual reports via the electronic delivery system of the Norwegian Central securities Depository (VPS). Please note that VPS services (VPS Investortjenester) are designed primarily for Norwegian shareholders. Subscribers to this service receive annual reports in PDF format by email. VPS distribution takes place at the same time as distribution of the printed version of Akastor's annual report to shareholders who have requested it. Half-year reports, which are generally only distributed electronically, are available on the company's website and other sources. Shareholders who are unable to receive the electronic version of interim reports may subscribe to the printed version by contacting Akastor's investor relations staff.

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