Halfway through the race

The inspiration for this year's letter to the shareholders comes from my runs with Anne Grete – my wife and Aker's second-largest private shareholder. She likes to run. I enjoy being a few paces behind – in the "zone" and with a good view. It makes my thoughts take flight.

The hills are getting steeper. Heartbeats get stronger. I am getting out of breath. Sweating is profuse. Muscles ache from lactic acid.

For me this is the beginning of an arduous, painful period, but I know that further ahead it will turn into something good. It's about persevering. Letting willpower prevail. Using your inner drive to reach the goal.

Most organisms and bodies are built to tolerate intensity. Vital to endurance is a body's ability to generate sufficient energy for the tasks at hand. I may at times be perceived as explosive. I would rather call it engaged.

Following a stint of tough, intensive exercise, energy regenerates the spirit. It's that great feeling when you top a hill, the body pumping endorphins. What the sports world calls a "runner's high" does not follow a tranquil walk. It is earned through long-distance running.

I don't necessarily run because I want to, but rather because I know it's for my own good.

Anne Grete gets me outdoors. She shows the way. As a runner, I'm a tad laid-back and seek flatter terrain. Anne Grete tends to be faster and a few steps ahead of me, often on new paths, her eyes scanning the heights. I don't let up. But a rapid pulse and heavy legs trigger thoughts of comforts and excuses to slacken the pace.

My thoughts churn: Take a break, tie my laces once more; perch on a rock to catch my breath. But no! There are those who inspire achievement and set the pace. When we close in on a hilltop, Anne Grete tends to spot yet another hill and some new terrain to explore. If you intend to reach the mountaintop, you can't stop half way. Some find the paths that others miss.

This is also true at Aker. Some are leaders and show the way. They possess the strength and conditioning to push the pace – even when the hills getting steeper and the challenges abound.

2010 has been a year of hard, intense work. Every day, several thousand individuals worldwide – in companies owned by Aker – are performing at their best, doing good, honest work. Of course, it is important to get the job done at the right time and on the agreed terms. What separates average companies from an industry front-runner is that the latter clearly leads the way and is a goal-oriented achiever. Winners by nature, front-runners at Aker leave their mark as they develop our companies. They deserve some extra acclaim.

Aker companies' front-runners often think and act off the beaten path. They pursue ambitious goals toward value creation. They clear overgrown paths and seek ways to profitable growth. None are conformists. Some may not say much but do the most. Many have go-getter attitudes and grasp ideas and opportunities as they arise. A shared characteristic of our top performers is that they chase good, clever solutions, to the benefit of the companies' shareholders, employees, customers, and society at large.

He or she – the ones who seize tasks with energy and drive – gets people working together to deliver groundbreaking achievements. We need facilitators. But we also need to attract the frontrunners who impart vision and demonstrate professionalism and the way to succeed in demanding markets. I like what I am seeing, feeling, and experiencing at Aker.

Over the past year, fundamental value creation has taken place at Aker. That value has yet to be expressed in the company's share price.

Aker ASA has found its form as an equity investor and a streamlined industrial investment company. We set clearly defined goals for the companies that we own and proactively contribute to their development. Aker ASA has become even more sharply focused, as well as a more demanding and, consequently, a better owner. We are often challenged by co-shareholders, boards of directors, operating management, and other interested parties, and we vigorously challenge others to share our ambition to accelerate the development of our industrial enterprises. Where there is room for a frank exchange of views, improvement tends to follows.

At Aker Solutions, a masterpiece has been achieved. Having been active on so many fronts, operations are now being deepened and the focus sharpened. Aker Solutions is being streamlined into a technology, services, and engineering company, and it will spin off a specialized offshore EPC company that will be publicly listed. The company has sold off activities outside of its future core business - the upstream oil and gas industry – for over NOK 7 billion. The company's net interest-bearing debt has been reduced from NOK 7.5 billion to zero. This provides financial freedom and industrial clout with which to pursue profitable growth.

Historically, Aker Solutions has provided its shareholders with a 33-percent average annual yield including dividends, following its listing in April 2004. We are happy with that performance, and have built a solid foundation for continued growth going forward.

Aker Drilling has taken a big step forward. Only one year ago, some critics considered the company a failure. Aker Drilling hit back to deliver excellent operations. Over a period of five years, a first-class operational organization of highly skilled, experienced professionals has been put in place. The company was able to select its employees from more than 20 000 job applicants. Now Aker Drilling is standing on its own and has been relisted with Aker as a significant minority shareholder. Aker Drilling is well positioned for targeting promising growth markets in deep-water and harsh-weather regions. Ahead of the relisting, other industrial players showed considerable interest in acquiring Aker Drilling and purchasing its two rigs, but we opted to steer our own course. The offshore drilling industry is in a consolidation phase, which will create opportunities for Aker Drilling.

In February 2011, the drilling company made its comeback on the Oslo Stock Exchange after we delisted it in April 2008. Aker took responsibility for the company's two rigs through a demanding construction phase and guiding it into robust operational status. Regrettably, this cost Aker a lot of money. However, now I can feel a "runner's high," with the company attained excellent operations, sound earnings, and considerable potential for growth. Aker Drilling boss Geir Sjøberg and the other employees are doing a fantastic job.

Aker BioMarine is moving ahead at lightning speed in the omega-3 market. Advance follows advance in close sequence. Each day, 1.3 million dosages of the company's Superba™ Krill dietary supplement are consumed, and the number of customers is increasing by 2 200 every day. The Antarctic krill business achieved its first-ever operating profit (EBITDA). The company was the first in the world to achieve MSC environmental certification of krill harvesting activities in the Southern Ocean. Sustainable krill harvesting has given Aker BioMarine a competitive edge. Aker BioMarine's chief, Hallvard Muri, impresses me.

In 2010, we succeeded in visualizing value in the former Natural ASA, a biotechnology company Aker acquired in 2006. At the outset, the company was hardly our most successful acquisition. However, working with management and staff we have developed new technology and brought Lindsay Goldberg onboard as a partner. Now we feel confident this will be a good investment. The acquisition of Epax, a world-leading producer of high-concentrate fish oils will drive additional growth. Working with our partner Lindsay Goldberg, we have established a development trajectory for pharmaceutical ingredients.

Once again, I am reminded that there isn't necessarily a close match between the figures on a spreadsheet and the underlying fundamental value creation.

All muscles that are challenged grow larger and stronger. Aker Solutions, Aker Drilling, and Aker BioMarine show strong growth trends. The companies are on their way toward conquering new heights.

Aker Clean Carbon is at the forefront of the international market for capturing the greenhouse gas carbon dioxide (CO_2). Carbon capture is vital to any solution to the world's climate challenges. Aker has responded to a clear political vision for the future. We have invested in carbon capture technology and deployed our petroleum-industry expertise.

In Norway, the full-scale CO_2 capture project at Mongstad has been postponed once again, and its ultimate fate is uncertain. The postponement weakens Norway's industrial drive to lead in carbon capture management. This situation is regrettable for Norway. The argument cited to justify postponement is the risk of cancer. However, Aker would never deliver a facility that poses a risk to health. Period.

Aker has opted to target CO_2 capture. We stand by that decision and our confidence in such projects remains strong. Aker's experience is that we will find good solutions under way in partnership with others. Aker Clean Carbon's CEO, Liv Monica Stubholt, has the drive, courage, and competent staff needed to advance the company. Long-term international success will require us to team up with one or more partners.

Among our industrial investments, Det norske oljeselskap, for which I serve as board chairman, experienced a downturn in 2010. Weak exploration results led Det norske to lose ground in the stock market. Nevertheless, the company is relentlessly moving ahead with a more targeted exploration strategy. Truly, "He who seeks shall find."

Too little exploration is conducted on the Norwegian continental shelf. For example, compared with the UK sector of the North Sea, exploration activity along Norway's coast must be stepped up dramatically.

The oil and gas industry depends on the Statoil locomotive, yet we need additional environments for exploration and production. The multitude of available expertise provides valuable alternative exploration models and interpretation of geological data. Exploration drilling that identifies commercially viable resources or results in dry wells that are plugged, both provide important information that will increase the likelihood of a major find in the future.

When some object that it is unreasonable for the government to reimburse 78 percent of oil companies' exploration costs, it bears remembering that that the government gets back 78 percent of total value creation when oil is produced. This distribution between government and oil company results in a reasonable division of secure revenues from production and exploration investments that have uncertain outcomes.

Regardless, the largest profit-maker on the Norwegian continental shelf is the nation. Some 90 percent of value creation from oil and gas returns to the government and is applied to further develop Norwegian society. Still there are sufficient incentives for exploration environments and oil companies to continue their operations. I am convinced that there are many exciting and profitable decades ahead for Norway's knowledged based services and oil industry.

Det norske's boss Erik Haugane has probably felt his bow tie pressing a bit tighter of late. If I'm not mistaken about Erik and his colleagues, they are strongly motivated to deliver results going forward. I think they will succeed. Challenges, opportunities, and millions of barrels of oil are waiting to be found on the Norwegian continental shelf over the next few years.

The Aker-controlled Converto Capital Management was established in 2009 to rescue value in more risk-prone companies. Frank O. Reite and his Converto team are implementing strategic measures and are in the process to turn around Aker Seafoods, Aker Philadelphia Shipyard, Aker Floating Production, and Bjørge. Working with our good partner HitecVision, Bjørge has been reorganized into three focused businesses.

I hired Mr. Reite in Seattle in the mid-1990s when he was a young lad. I continue to see him as a youngster from Norway's west-coast. Although Frank has passed the age of 40, he exudes robust performance and promising results.

To sum it up: I am 100 percent confident that 2010 was a year when the foundation was put in place for creating major values in Aker.

Those of you who read my 2009 letter to the shareholders will remember that I wrote that Aker must generate NOK 10 million in value growth each day to achieve a satisfactory yield. Unfortunately, that is not what happened in 2010. On paper, Aker's value declined nearly NOK 4 million per day. Considering the expectations I held out to Aker shareholders one year ago, Aker's share price performance was miserable.

Nevertheless, I am satisfied. How in the world can I be? Simple: Because companies in the Aker portfolio have been restructured and they have toughened their muscles for stronger earnings. As a long-term industrial owner, I fundamentally believe that Aker's investments in companies, over time, should provide 12-percent annual value creation before tax. That remains the goal. Thus, what I wrote in my 2009 letter to shareholders remain equally valid today.

Historically, we have nothing to be ashamed of. From the time that Aker was listed in September 2004 through year-end 2010, the average annual yield was 30 percent, including dividends. This is more than double the yield of the Oslo Stock Exchange (OSEBX index) average.

2010 was a weak year on the stock exchange for Aker shares. The per-share price at the beginning of the year was NOK 161.50, and it closed at NOK 140 after a NOK 8 per-share dividend payment. In 2010, the Aker share had a negative yield of 13.3 percent, while the Oslo Stock Exchange's benchmark index (OSEBX) rose 18.3 percent.

Nevertheless, I stand by my claim that fundamental value creation took place at Aker over the past year, which contrasts sharply with Aker's share price development.

I believe we have to go back to the three-way division of the then-Aker Kværner (Aker Solutions) and the streamlining of Aker in 2004 to find a year in which greater value was created in real terms. Back then, it took a while until Aker's share price climbed on the Oslo Stock Exchange. The year 2004 marked a water shed in Aker's history following a near-death experience and the three-way split that brought out major values.

2010 will stand out as an important year in Aker's recent history.

I am convinced that Aker this last year has created significant value growth potential. This potential is not reflected in the company's share price as we enter 2011.

Now any sensible financial analyst would probably ridicule my reasoning and say that investors and analysts make their own calculations and analyses. The stock market is always right, they say overbearingly, and point out that each company's share price is determined by supply and demand. Nothing motivates me more than being ridiculed. I am not afraid of ridicule, and it doesn't get me down.

The stock market might become right, I say – and straight away, I'll hear critics saying that I'm just trying to mislead or seduce investors. Cynics will surely claim that I am using the opportunity to puff up values because I'm stuck holding Aker shares. This is nonsense. I make no attempt to dress up the situation, but I would like to share some views and reflections.

Let me state it clearly: My family and I will neven sell a single Aker share.

I will not exclude the possibility that Aker at some time in the future will enter into mergers or that it will turn to the market to raise equity. If Aker's share price rises on the Oslo Stock Exchange, my assets and asset tax will increase. Viewed from this perspective, I should probably be smart enough to shut up or whine about the industrial climate in Norway, in the hope that the share price will stay low. But I see no reason to complain. Instead, I have many reasons to boast about the thousands of individuals who work hard for Aker and the companies that we own.

I believe that Aker's net asset value (NAV) is substantially higher than the NOK 18.4 billion reported by the company at year-end 2010 – a NAV corresponding to NOK 254 per share. I want Aker shareholders who hold on to their stock and trust my opinion regarding their value growth potential, to know that I'll do everything I can to avoid disappointing them. Just to be on the safe side, I repeat what I have written in past letters to shareholders: I give no guarantees. If you want a guarantee, better buy a toaster.

I have a profound faith in the markets for oil and gas investments and for omega-3. These are markets in growth, and Aker-owned companies are well-positioned in them. The overall market outlook is bright; still, I'm not claiming that we will deliver values overnight or in the short run.

What began as a vision to recapture and create value has now become concrete and attainable goals, the background of which I will reveal now: Early in 2008, I began a dialogue with Øyvind Eriksen to convince him that the two of us could join forces to stake out the course and facilitate value creation. And so we prepared a plan two and a half years ago, with Øyvind as Aker's CEO and me as an active Board Chairman.

As of the spring of 2011, we are about halfway to our goal. The feeling I have today is the same as when Anne Grete and I turn back home on one of our runs. We know exactly where we are going, but are prepared to put in some extra kilometers. Detours can turn out to be the most interesting of all. They can offer both surprises and experiences that are worth the extra effort.

In December 2008, the vision was to double Aker's net asset value from NOK 250 to NOK 500 per share by year-end 2013. In other words: In this period, we will recapture values and at least return to the value peak thus far reached in the first quarter of 2007. My map shows we're well on our way. The vision has turned into a goal that is within reach. This awakens competitive instincts. Activity levels at Aker are high; this makes me an optimist and puts me in a good mood. It has been said that it is the positive feeling in and of itself – not the effort – that releases the endorphin. At least, that is how it feels.

Going forward, we will manage Aker within certain financial guidelines. The investment company will maintain an equity ratio of no less than 85 percent. Our cash and cash equivalents will amount to at least 15 percent and no more than 25 percent of Aker's total assets.

Sharp analysts and investors may claim that this is a less than optimal balance sheet allocation. They might say that more capital should be put to work and invested in the hunt for profits. Since I began my own business and purchased a 69-foot trawler in 1982, I have learned the hard way through my own experience that it is never wrong to have capital available.

Big game hunting in Norway has a fixed period in which to bag your limit. The hunting season for the stock market, on the other hand, is not dependent on the calendar. When share prices drop and the pricing is imperfect, attractive purchasing opportunities can suddenly surface. I dream of big game that fit Aker's portfolio. We have the firepower to bag this game, the capital and resources, and we are prepared to fire when others are more cautious, if the right price is in our sights.

Typically, Aker's interest-bearing debt, including guarantees, should normally be less than half of the company's cash and cash equivalents. Nevertheless, we know that situations will arise that make us deviate from this in the short term.

On this journey, I have with me Aker's ten essential "commandments" for safe conduct on treacherous terrain:

1. We exercise an active ownership role
2. We have an in-perpetuity investment horizon
3. We are willing to take significant risk in certain engagements or projects
4. We only invest where we add more than capital
5. We never risk Aker's financial soundness
6. We only invest in equity instruments in our engagements
7. Trade unions have been and will remain important working partners
8. We develop long-term relations and partnerships
9. All decision-making is subject to advance discussions in an open and frank dialogue.
10. We never say, "I told you so!" once a decision has been made (this is a special reminder to the company's main shareholder).

At Aker, we set our eyes on the future and continue to develop our active ownership role. My spirit rises when I know that Aker has created value that is not yet reflected in its share price. This situation can result in an upswing. In contrast are companies that make money without their management understanding how and why. That could easily spell the beginning of a downward spiral.

On our return, the terrain and run feel lighter. In the "zone", a few steps behind Anne Grete, my thoughts take flight.

Powerful snippets of music, long burned into the core of my brain, fill my heart with emotion. The lyrics by Bjørn Eidsvåg and Odd Børretzen inspire reflection. They can make me breathe deeply and stimulate vision.

In 2004, I began working less. I stepped down in April 2005 and left Aker's board and executive management. My own economic life has been divided into three phases: Perform, enjoy, and share. I am moving to the right on this scale. At this time, I am located somewhere along the comfort zone between enjoying and sharing.

Aker turns 170 years old in 2011, and I am planning for Aker in the perspective of infinity. Aker will live on, while realistically, I have passed the midpoint of my career.

My engagement will always burn brightly for Aker. Nevertheless, Anne Grete and I must have a life separate and independent of Aker. In the fall of 2008, I consulted her on whether it would be OK for me to enter into an intensive period at Aker for two to three years. After Leif-Arne Langøy became ill, I again assumed an active role as Aker board chairman from December 2008. Øyvind has taken the reins as president and CEO. A new team of leaders and key personnel have joined Aker. We are now establishing a long-term incentive program fully aligned with shareholders' interests.

Aker is made up of talented individuals who motivate each other. The system works. That makes it possible for Øyvind to combine his responsibilities as president and CEO of Aker and executive board chairman of Aker Solutions for a period. Some have raised concerns about whether this constitutes good corporate governance. It's a fair question, and I believe the answer is self-evident: Naturally, a major shareholder should assume responsibility, but it is not "good family governance." The Eriksen family is making enormous sacrifices that enable Øyvind to work tirelessly for both Aker and Aker Solutions. Investors, staff, and employee representatives who realized the efforts that Øyvind and Aker expend on behalf of Aker Solutions, like what they see.

Øyvind's efforts deserves a grateful "Thank you!" from shareholders of Aker and Aker Solutions. Together with his colleagues, he will make sure that the restructuring of Aker Solutions is brought safely to shore. Thereafter, the time has come to turn over the helm to a new captain.

As for myself, I spend a great deal of time on numerous projects, processes, and potential transactions in Aker's universe of investments and companies.

I will continue to serve as Aker board chairman for many, many years to come – long after 2013. I promise to continue my considerable engagement, but with greater flexibility. A more robust Aker will allow more free time for my family and me.

I will continue to be hands-on at the company, but have periods with greater geographic distance from Aker Brygge headquarters. Aker has become more streamlined and transparent. It is now possible to understand the company by looking at a single A3 spreadsheet. The ability to create value is greater than in the past several years. To briefly sum up impressions of recent years, two of Bjørn Eidsvåg's melodies and texts stick with me: Kyrie and The land further behind. The lyrics make a strong impression; they are about people, life choices, and life's vicissitudes.

Hopefully, I will have more time to enjoy my life as a fisherman on board the trawler *Trygg*. Photographer Tom Sandberg has taken the photographs of *Trygg* that illustrate this letter to shareholders.

Anne Grete and I look forward to sailing around the world on our new boat. When I listen to the fourth verse of Odd Børretzen's *Sailor's waltz*, and the melody by Lars Martin Myhre, I am certain that our voyage will occur:

It ain't easy to start, but this is the first verse
Of a waltz about a sailor who sails with the wind across
Not any old sailor, this is a waltz about me
Sailing with the sheets slack on the river of life.

Perhaps some will criticize me for sailing away on my large sailboat. Anne Grete is totally right when she says I suffer from an incurable disease: gigantomania. She has tried to cure me, but given up. We had agreed to build a sailboat of 66. Anne Grete meant 66 feet; naturally, I was thinking in meters. It ended up at 66 meters.

For my part, I had the notion that I could get a 66-meter sailboat for the price of a 66-footer. I explained to Anne Grete the saga of the 1998 sale of shares in the Danish finance company Gefion to Kurt Thorsen, for which full settlement failed to materialize as agreed. Hostile accusations rained down on me from the usual cheering squad of that time. However, the Danish hight court vindicated me; it determined that I was in the right and had acted correctly. I was ultimately paid about NOK 150 million – good seed capital for a wet boat dream. And the 12-year wait was wort.

I am comfortable in the flow zone. Freedom feels great, and resistance is less.

Being the first and showing the way requires so insanely much more. All the while, I can withdraw to Odd Børretzen's voice as I run: *Winter Song*, *Aphorisms*, and *Waiter! (Kjell Adamtzen's last song)*.

The lyrics regularly come to mind, particularly: Sometimes it's all right.

I am the proud father of four wonderful children. My oldest son, Kristian, has shown an interest in Aker's business. He is educated in the UK, Norway, and the United States, and also has a background as a skilled worker and trainee, and he has experience from various management roles. Lately, he has received a great education at Aker Philadelphia Shipyard. The board of the publicly listed shipbuilding company has hired Kristian as its new chief executive. He replaces Jim Miller, who has done an outstanding job as a leader in a very demanding period and played a pivotal role in achieving a solution that secures continued yard operations through at least the first half of 2013. Jim will take over as board chairman of the shipyard company and will move on to an executive management position at the EPC (engineering, procurement, and construction) company that will be spun off from Aker Solutions.

The board of directors of Aker Philadelphia Shipyard offered Kristian a fine opportunity. I advised him to accept the challenge, and said, "You will be facing a challenging task, but will have an opportunity to learn. It costs to be a front-runner. The U.S. Jones Act market for modern vessels is limited and shipbuilding is a demanding business, especially in the United States. If you can make it there, I'm sure you can make it anywhere."

I hope employees, the market, and the Philadelphia community will judge Kristian for what he does and not on the basis of his surname. At Aker, your family name does not grant special privileges. On the contrary, it heightens demands regarding personal qualifications. At Aker and companies owned by Aker, we depend on attracting skilled professionals, administrative staff, and managers. At Aker, employees advance their careers based on achievements, performance, and attitude.

My engagements may at times irritate some, but hopefully inspire others.

Going forward, I will continue my policy of refraining from investing in companies or projects outside of Aker. The exceptions are some real estate investments in Oppdal arising from involvement in the local community and some financial placements. Dividends from Aker go into our family company TRG. All significant available capital is placed in bank deposits. I am driven to continue to create value for all Aker shareholders within the guidelines and limitations I have laid down for my own life. The shareholders must make money from Aker.

I may sound optimistic and satisfied. Yes, that's what I am. I am satisfied this year.

Kjell Inge Røkke
Board chairman and fisherman
Aker Brygge, 23 March 2011

***PS:** As you can see, I have a lot to say from the bottom of my heart to Aker shareholders, employees, and other stakeholders. Aker ASA's annual report is my channel for conveying viewpoints and reflections that I feel are important, thought-provoking, and pertinent.*