Personal reflections

In 2013, we – the shareholders in Aker – became NOK 2 billion richer, measured in net asset value and paid dividends. My goal was to double Aker's net asset value, including dividends, in five years. The result was a 50 percent increase in the period from 1 January 2009 to 31 December 2013.

Aker grew on average by 8.8 per cent per year during the period, while my target was 15 per cent.

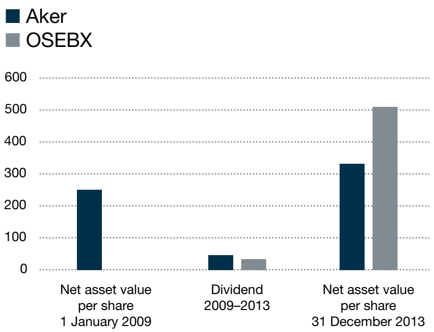
I can only quote cross-country skier Petter Northug Jr. who, after failing to win a medal at the Sochi Winter Olympics, commented: "I felt I was in good shape, but I didn't win the gold."

If we take a close look, we find we have much to be satisfied with, and even more to reflect upon. The picture is complex.

- **The development of our net asset value over the past 10 years:** Aker's shareholder value has increased by twice as much as the Oslo Stock Exchange benchmark OSEBX index since the company's listing in September 2004 and up until the end of 2013. During this period, net asset value has grown by an average of 22.7 per cent per year. OSEBX has risen by an average of 11 per cent annually.
- **The development of our share price over the past five years:** Aker's share price on the Oslo Stock Exchange, including dividends, has almost doubled in five years, from NOK 137 to NOK 222 plus dividends of NOK 46 as of the end of 2013. The Aker share has generated an average annual return to shareholders of 16 per cent, including dividends, during this five-year period. The OSEBX achieved 18 per cent.
- **The development of our share price this past year:** In 2013 alone, the Aker share generated a return of 10 per cent, while OSEBX rose by 24 per cent. Net asset value per share increased by 3.5 per cent in 2013, and dividends paid to shareholders equalled 3.7 per cent of net asset value at the beginning of 2013.

The graph below illustrates the situation at the beginning of 2014.

Development of shareholder value
(NOK)



If we in Aker had invested the company's net asset value in an index fund that tracked OSEBX on 1 January 2009, the NOK 250 would have increased to NOK 510 by the end of 2013. In addition, the index fund would have paid NOK 33 in dividends, based on average dividends paid by the OSEBX companies. During the same period, Aker's net asset value increased from NOK 250 to NOK 332 per share and dividends totalling NOK 46 per share were paid. My aim was to exceed NOK 500 per share, including dividends, in five years.

In other words, in five years, NOK 250 of shareholder value in Aker has been turned into NOK 378, whereas investing in an index fund would have produced NOK 543. The difference is NOK 165 per share. To keep up with the index, Aker would have had to create NOK 12 billion more in net asset value and dividends paid to shareholders. This is something to reflect over.

At the beginning of 2009, Aker's share holdings totalled NOK 8.7 billion and accounted for less than half of Aker's net asset value. The other half of Aker's capital and assets was almost dormant at the beginning of 2009. I will comment on the main features of the portfolio.

Aker's share holdings have appreciated from NOK 8.7 billion to NOK 26.4 billion in the period 2009–2013. Aker Solutions, Det norske oljeselskap and Kvaerner accounted for NOK 13.7 billion of this increase, including NOK 6.2 billion in new investments. Aker Drilling was sold at a loss of NOK 0.8 billion, but released NOK 3.3 billion in cash. An additional NOK 2.1 billion in assets was divested.

In total, Aker achieved an average annual return of 18 per cent on its portfolio in the period 2009–2013, on par with the main Oslo Stock Exchange index. However, the performance behind the figures varies considerably.

Aker Solutions has been the strongest value driver during the period: the return on Aker's holdings in Aker Solutions shares has on average increased by 40 per cent annually (IRR). The holdings in Converto Capital Fund have posted an IRR of 29.5 per cent, while Det norske oljeselskap achieved 16.5 per cent and Ocean Yield 12.5 per cent. Kvaerner, Aker BioMarine and Havfisk had disappointing results compared to Aker's required return on equity, as did Aker Drilling, which was sold in 2011.

The other half of the January 2009 portfolio comprised cash, interest-bearing receivables from Aker-owned companies and assets other than investments in shares.

We have written down NOK 1.8 billion worth of assets. Guarantees related to the rocket-launching company Sea Launch have cost Aker NOK 0.8 billion. We have financed subsidiaries at a lower interest rate than Aker's required rate of return. Aker has borrowed money to build up a cash buffer. This was a deliberate choice. The return on the cash holdings and interest-bearing receivables has averaged approximately 4 per cent per year.

In short: half of Aker's portfolio was generating low returns. The balance sheet has now been normalised, and we have again put more of our capital to work.

My good partner chief executive Øyvind Eriksen and I remind each other that Aker has achieved a lot in the past five years.

Aker's foundation has become stronger, and our latitude and flexibility have increased. Some of the results achieved since 2009 can be summed in the following five points:

- The risk exposure of the investment portfolio has been reduced, and the balance sheet has gradually become healthier and stronger.
- Upstream cash flow has increased, giving us greater flexibility.
- The operating companies have streamlined their activities to focus on core areas.
- Our position in the oil and gas sector in general, and on the Norwegian continental shelf in particular, has been strengthened.
- The organisational structures of Aker and most Aker-owned companies have been further refined, establishing positive, clear role models.

We have become Det norske oljeselskap's largest and leading owner. Our ownership interest in Aker Solutions was increased through the direct purchase of 6 per cent of the company's share capital in 2013. Det norske and Aker Solutions together account for more than 50 per cent of Aker's total investments.

At a time when investors are taking a wait-and-see attitude towards the oil service sector and oil companies, Aker has chosen to go against the flow. When we have done so in the past, our shareholders have benefited. Aker has a firm belief in the oil and gas sector in general, and in Aker Solutions and Det norske in particular.

Despite the fact that the increase in shareholder value was less than I had aimed for, and less than the OSEBX, I am pleased with Aker's progress. How can I say something so self-contradictory?

The share prices reflect the stock market's view. They do not necessarily give us the right picture of Aker's ability to generate and deliver value in the future.

Aker and the portfolio companies have improved during Øyvind Eriksen's five-year tenure as chief executive. Aker ASA is composed of 51 talented employees who make us a professional and highly competent investment company. Our investment team manages assets worth NOK 30 billion, and includes leading experts on industry, investments, the capital market, funding, finance, accounting, office administration, IT, HR, IR and communications.

In Aker we work hard and focused to generate long-term shareholder value. At the beginning of 2014 the oil and gas sector accounted for 56 per cent of the value of Aker's assets. Now that Ocean Yield has been listed, maritime assets account for 14 per cent of Aker's value. Seafood and marine biotechnology represent 9 per cent, cash holdings 8 per cent and property development 4 per cent. Other assets account for a total of 9 per cent.

I see growth potential in this portfolio. The trend over the past five years shows underlying progress, and that makes me more optimistic for the future.

While I rarely make statements to the media, not a day goes by without the Norwegian media mentioning me. In 2013 I

made only one public statement. That requires some discipline, dear shareholders.

This letter to our shareholders is my channel for communicating views and reflections that I consider important and relevant.

I have admitted mistakes openly and honestly, expressed my opinions and shared reflections. Both in the past and present, I believe I have communicated matters and topics important to Aker and its shareholders. My letters to the shareholders chronicle a journey.

Looking back we see that the portfolio companies have gradually become more streamlined and more robust. The journey tells us much about the future direction of Aker and the operational companies.

- Aker Solutions has increasingly specialised on selected areas such as engineering and subsea. The company is among the global leaders in subsea control systems and technology. The final pieces are about to fall into place for an even more streamlined Aker Solutions.
- Kvaerner has been revived after a demerger from Aker Solutions. The company has more than 40 years of track record on the Norwegian continental shelf, and together Kvaerner/Aker Solutions have participated in more than 80 per cent of the field developments on the NCS. In addition, Kvaerner is the world's leading provider of offshore concrete structures.
- Aker Exploration has merged with Det norske, putting Aker in the driver's seat of a company holding 80 licenses on the Norwegian continental shelf at the end of 2013, including 33 operatorships. Interest in the Norwegian continental shelf is high after several exploration successes. There is an exciting future ahead for both the Norwegian continental shelf and Det norske.
- Ocean Yield is a new addition to the family, with a large dividend potential. This ship-owning company has delivered strong returns to shareholders since its listing on Oslo Stock Exchange in the summer of 2013. Thus far, Ocean Yield has concluded long-term contracts that will generate NOK 10 billion in EBITDA over the next 7-8 years. The company has a solid platform for further growth.
- Aker BioMarine is a rapidly growing company and the world's leading supplier of krill-based ingredients. Superba™ Krill Oil contains omega-3 fatty acids in phospholipid form. Every day, there are 4.7 million people who take the red capsule with its documented health benefits. Aker BioMarine is a wholly-owned "wild card" in Aker's portfolio.
- Havfisk is being focused as a trawler company, and owns 10-11 per cent of Norwegian cod quotas. The company accounts for 2 per cent of Aker's value.
- The financial investments portfolio has turned challenges into billion-kroner gains. In 2009 Aker gathered 12 non-core companies into the Converto fund. Assets worth NOK 1.6 billion have since grown to NOK 3.7 billion, including divestments. The Converto team has created substantial shareholder value from high-risk investments.

Øyvind continues to streamline Aker Solutions with the aim of making it a leading provider in the area of Subsea Factory and Field Design.

At Aker Solutions, Øyvind and his management team have redesigned complex structures. The company is now better organised and, through Øyvind's eyes, Aker has acquired a far broader and deeper insight into Aker Solutions. We are focused on strengthening and refining the company's core operations.

There are still measures to implement in Aker Solutions before our goals are reached. The company is undergoing a transformation and a renewal, and is no longer a victim of Newton's first law – the law of inertia – where an object will remain stationary or maintain a constant speed if no external force is applied to it, or if the sum of the applied forces is zero.

Aker Solutions' customer base includes the world's leading oil companies, and their interests determine the company's priorities and development. Aker Solutions' customer focus has given us access to networks and circles that were previously inaccessible. Today, we have a seat at the table when major oil and gas industry issues are discussed.

In Det norske, executive chairman Sverre Skogen is leading the charge after both the CEO and the board chairman stepped down last year. Sverre's most important task has been to recruit a new CEO for Det norske. We now look forward to Karl Johnny Hersvik taking over as Det norske's new chief executive by 1 May. Hersvik, 41 years old, has 15 years of management experience from Statoil and Hydro, and will join Det norske from his current position as Senior Vice President of Statoil's Research and Development division.

Aker has played a part in the Norwegian oil adventure since the very beginning. The company's history shows that it was one of the pioneers behind the establishment of the exploration company Norwegian Oil Consortium (NOCO) almost 50 years ago. In the 1990's I was involved in efforts to open the Norwegian Continental Shelf to new market participants. With great ambitions, I had nurtured an oil dream for many years before we finally established Aker Energy, and the company was prequalified as a licensee on the Norwegian continental shelf in 1999.

In February 2002, we made a bet on the Agat field, located 65 kilometres northwest of Florø and slightly north of the Gjøa oil field. The German oil company RWE-DEA owned 51 per cent of the field, while Aker Energy owned 49 per cent. The well was dry, and Aker's pockets were almost as empty as Agat due to the financial challenges that arose in the aftermath of our Kvaerner takeover. In the autumn of 2003 Aker Energy was sold, together with a loss carry-forward, to Lundin Petroleum.

In 2006 we made a fresh start with the exploration company Aker Exploration and later we began to buy shares in Det norske. The two companies merged on 22 December 2009, and since then Aker has been Det norske oljeselskap's principal active shareholder.

Det norske won't pay dividends to shareholders until 2020 at the earliest. This means that it will have taken more than 20 years from Aker plowed new grounds, until we reap the fruits of what we sowed.

The oil business is for long-term investors, not impatient ones. I become patient when I sit down and calculate Det norske's value and its potential future cash flow. The Johan Sverdrup field will be the company's cornerstone for decades to come.

Statoil, the operator, expects Johan Sverdrup to produce oil for 50 years after production starts in late 2019. The field is currently estimated to contain Stock Tank Original Oil In Place (STOOIP) totalling 4 billion barrels of oil equivalents.

A recovery factor of 60 per cent will result in a total production of 2.4 billion barrels. Based on an oil price of USD 100 per barrel and the current NOK exchange rate, the potential revenue stream will total almost NOK 1 500 billion and, of course, substantially more if one believes in a correlation between oil prices and inflation.

The expected plateau production of 600 000 barrels of oil equivalents per day is likely to generate more than NOK 130 billion in annual revenues. Even after operating expenses and capital costs, and after the State has gotten its share through the 78 per cent tax rate, the licence partners will benefit from a strong long-term cash flow.

A 60 per cent recovery rate will still leave 1.6 billion barrels of oil in the ground. If the recovery factor rises to 70 per cent, Johan Sverdrup may increase its reserves by an additional 400 million barrels. This corresponds to more than two large field developments on the Norwegian continental shelf. By comparison, the Ivar Aasen field is estimated to contain approximately 150 million barrels of oil equivalents.

Today, an additional 400 million barrels means an additional value of NOK 240 billion. It will require investments in new wells, technology and equipment, but these barrels are highly profitable. Nevertheless, these barrels will be assigned a low value in a cash flow analysis because production will occur later in the lifetime of the field and much of the value will thus will be discounted away.

The experts will argue about whether a 70 per cent recovery factor is too low or too high. I am a technology optimist. This, combined with the field's high reservoir quality, makes me believe that the potential recovery factor will exceed 70 per cent. As they say, "Time will tell."

Historically speaking, large fields tend to become larger. The quality of the Johan Sverdrup field makes it a "world-class asset".

Just look at what Ekofisk and Statfjord have become compared to the initial forecasts. The two fields have built oil companies and generated shareholder values that few believed to be possible. As an active owner of Det norske, Aker is focused on contributing to a robust long-term funding solution for Det norske that does not involve undue commitments of equity.

The Johan Sverdrup diagram puts me in a good mood on behalf of Det norske and Aker's shareholders, and it warrants a closer study. In the interest of simplicity, I have used a nominal annual return of 10 per cent. In this model an investment of NOK 1 billion in Johan Sverdrup in 2014 will be worth NOK 5 billion in 2030 and NOK 200 billion in 2070, after 50 years of oil production. Correspondingly, the accrued income of NOK 1 billion in 2030 is worth only NOK 200 million, if the amount is discounted to current value. The Johan Sverdrup will continue to generate substantial cash flow from 2030 onwards. This cash flow is assigned only a marginal value at present. Given a recovery factor of 70 per cent, some 40 per cent will remain in 2030.

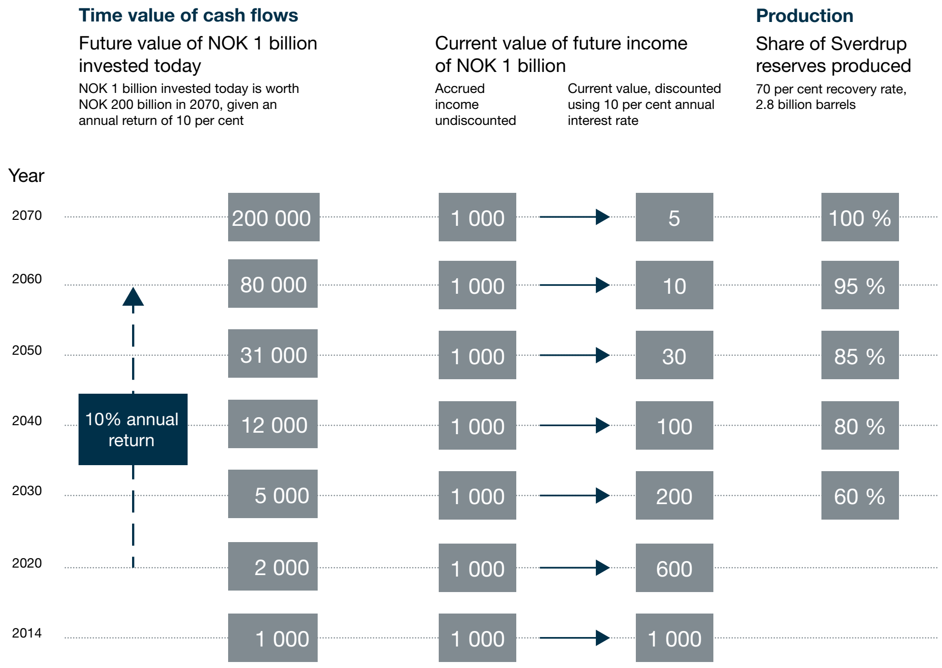
Views will differ as to what the figures in the diagram tell us. If you, like me, believe in the potential of a greater recovery rate and expect oil prices to stay relatively high in future, we get a relatively inexpensive option to potentially generate large cash flows in the future.

The profitability of Johan Sverdrup will be affected by investments, operating costs, the recovery rate and the production profile. These are factors which we to some degree can influence, while we obviously have no say on what oil prices over the next 50 years will be. At Aker we maintain the view that, over the long term, oil prices will remain stable above USD 90–100 per barrel in 2014 dollars, although there will be cycles during which prices will rise above or fall below this level. This view forms the foundation of our sector outlook, and investors are free to disagree or agree with it.

Irrespective of how Johan Sverdrup's potential is calculated, the field is a robust project and a value generator. For Det norske, participation in the field is a "company-maker." I'm not concerned that Johan Sverdrup will fail to deliver considerable shareholder value. As a shareholder, I am more concerned about how Det norske spends the money generated by Johan Sverdrup.

Johan Sverdrup production and value over time*

(Figures in NOK million)



*Johan Sverdrup production estimated by Aker ASA, based on public data.

Johan Sverdrup is also crucial for Kvaerner's offshore yards at Verdal and Stord.

In last year's letter, I gave considerable attention to Kvaerner and the competition from Asian yards. My analysis remains unchanged. I have become even more convinced that ordering from Norwegian yards reduces the risk of cost overruns and delays compared to placing orders in Asia. This applies particularly to smaller operators and larger oil companies lacking extensive experience with developments on the Norwegian continental shelf.

Delivering engineering, procurement and construction work bundled together in a single contract – referred to as an EPC contract for complex offshore assignments – is a demanding task, particularly due to the NORSOK standard. Norwegian yards have more than 40 years' knowledge and experience of developments on the Norwegian continental shelf.

Lundin awarded Kvaerner the EPC contract for the construction of the Edvard Grieg field in 2012. It is natural that some oil companies turn to Asia, but the scale of the trend and the way it occurred surprised me. Edvard Grieg will be a reference project as regards what is optimal in terms of cost, timetable and quality. In my opinion, the Lundiners have a highly experienced and competent team, and the Edvard Grieg project is being developed in an exemplary fashion.

Over the past year Kvaerner has restructured its business model, preparing for the next wave of tenders that will come with Johan Sverdrup. In the meantime, Kvaerner's order backlog and impetus are sufficient to allow it to make adjustments.

The general cost inflation in the offshore sector provides food for thought. Oil prices have long remained stable above USD 100 per barrel. It is alarming to hear oil companies say that it is unprofitable to develop fields at this price level. Not long ago, oil companies assumed USD 20 per barrel in their long-term development forecasts and made money at that level.

The supplier industry also has a responsibility to help reduce costs. One of the most important things suppliers can do to reduce costs is to successfully implement more efficient and robust execution models. The interaction between developers and builders can be improved, and the coordination of the engineering and construction phases can be optimised.

I am convinced that the Norwegian supplier industry will remain an important partner for oil companies in the future. My conviction rests on the tremendous knowledge base that has been built up by Norwegian specialised industry clusters.

Right on our doorstep we have what will remain one of the world's largest offshore markets for many decades to come: the Norwegian and UK continental shelves. To address future challenges, the entire industry needs the injection of new knowledge and top talent able to help boost recovery rates, reduce environmental impacts and implement projects more quickly and cost-effectively. My ambition is that the Aker family will continue to make an important contribution to raising the level of knowledge in the oil industry.

Oil accounts for well over half of Aker's investments and value, but in 2013 the greatest growth was seen in other areas.

The figures show that Aker's net asset value increased by NOK 1.1 billion in 2013. The investments in Converto, Ocean Yield, Aker BioMarine and Havfisk grew by NOK 3.1 billion, while a decline in the share prices of Det norske, Aker Solutions and Kvaerner totalled NOK 2 billion. Value has been created in the Converto portfolio, where we feared that value had been lost. On paper, the value of Aker's oil-related investments declined in 2013, however we see considerable potential for value growth in the sector.

When I look back on the development in the share prices of Det norske, Aker Solutions and Kvaerner, I must ask myself: "Have the companies' ability to generate shareholder value been reduced?" If so, value has of course been eroded, and those who have sold their shares did the right thing.

Aker's share investments in Det norske, Aker Solutions and Kvaerner had a total value of NOK 15.7 billion at the end of 2013, following share price declines totalling NOK 2 billion. Based on Aker's required rate of return of 12 per cent per year, the share investments in these three companies should have a value of close to NOK 20 billion.

Does this mean that Aker has had a loss of NOK 4 billion? I don't think so, but I don't expect everyone to agree with me. In industrial terms, the three companies are developing in line with our plans and objectives. The dividend payments Aker receives from Aker Solutions and Kvaerner are generally consistent with our expectations.

Share prices in the oil service, oil production and exploration sectors have generally fallen in the past year. In my view, the long-term trend is continued growth. I've experienced many a downturn since I entered the oil and gas business in 1996. In my experience, these create more opportunities than challenges.

Aker Solutions and Det norske's ability to generate shareholder value has increased. Given that Aker has increased its shareholding in Aker Solutions, our view on this is clear. The company has never been in better shape than it is today. I am no less optimistic with respect to Det norske's future. As regards Kvaerner, there are many positive developments within the company, but I understand why the market is questioning what the future will bring. When Jan Arve Haugan reads this, in his capacity as Kvaerner's chief executive, I do hope that he will be inspired to prove that the company can deliver better results than the market fears.

The companies that contributed to the increase in Aker's shareholder value in 2013 have in common that most of their CEOs are from the Sunnmøre district in Norway. This is not easy for someone from neighbouring Romsdal to admit, but Frank O. Reite, Lars Solbakken, Hallvard Muri and Olav Holst-Dyrnes deserve considerable praise on behalf of their respective teams.

Let me begin with Frank O. Reite, who has worked almost half his life for me and Aker. Under Frank's leadership and with his inspiration, Converto has not only rescued, but also generated values worth billions for Aker's shareholders. Frank and his seven highly competent colleagues deserve credit for their efforts, as do individuals in Converto Fund's operational companies.

Two companies in Converto have accounted for by far the largest value increase in the last few years: American Shipping Company and Aker Philadelphia Shipyard.

The total value of Aker's investments in the two companies has increased from NOK 59 million as of 30 June 2012 to NOK 2.5 billion in January 2014. Yes, the two companies have indeed benefited from the shale-oil boom and optimism in the US Jones Act market. American Shipping Company has completed a demanding, but successful refinancing. So has Aker Philadelphia Shipyard, which has also succeeded in rebuilding a motivated team following a period of major downsizing and the possible closure of the yard. Today, the yard has an order reserve totalling NOK 6 billion and a delivery schedule stretching to the end of 2018. Both companies have excellent operational management teams.

American Shipping Company and Aker Philadelphia Shipyard were the two winners on the Oslo Stock Exchange last year. The two companies have the oldest and youngest chief executive, respectively, of all the companies listed on OSE.

Dag Fasmer Wittusen turns 70 in June. I first met him in 1987. Dag was one of the founders of Orkla Finans, and played a crucial role in funding the F/T American Empress, which I constructed at Langsten yard in Tomrefjord. That was a major step for a 29-year-old fisherman. The project had a value of NOK 238 million. I had limited access to equity and credit financing, but Dag helped me find the way.

In 1995 Dag was hired by my company RGI. Since then, he has been a key figure at Aker and Aker-related companies. In 2011 he was appointed chief executive of American Shipping Company. Age is no barrier to success. Perhaps the opposite is true. According to Warren Buffett, a 70-year old man is just a "spring chicken."

My eldest son Kristian, aged 31, was entrusted with the leadership of Aker Philadelphia Shipyard by the company board in March 2011. At that time, I said: *"If you can make it there, I'm sure you can make it anywhere."*

Kristian has passed the test with flying colours. The yard has completed a successful turnaround, and is now well-positioned for further growth. Kristian is the first member of our family to be educated at an Ivy League university. When he receives his MBA degree from the University of Pennsylvania Wharton School on 17 May, I'll be sitting in the audience. His accomplishment makes a dyslexic, uneducated fisherman who moved to the U.S. in 1980, very proud.

Kristian will now take on a new role as executive chairman of Aker Philadelphia Shipyard, and new assignments are waiting for him in Aker and Aker-owned companies, if he so wishes.

And now back to the people from Sunnmøre: Ocean Yield chief Lars Solbakken holds the unofficial Norwegian national record for dividend capacity and EBITDA per employee in a listed company.

Lars and his efficient team, which is being expanded to five employees as the company grows, have an order backlog in terms of EBITDA of NOK 2 billion per employee. Ocean Yield has a clear and straightforward business model.

The company is as easy to understand as Lars himself. No-nonsense, combined with astuteness and good instincts, and a board loaded with knowledge and experience. The framework is ship shape. The most important thing now is to put the capital that Ocean Yield has at its disposal to good use.

Fornebuporten is putting its capital to work, and Aker has converted NOK 1 billion from loans to equity in the property development company. General Manager Torstein Storækre has recruited a strong team of highly-skilled professionals with knowledge and experience in real estate development and sales. We are engaged in a positive dialogue with Bærum municipality regarding the optimisation of the area, and Fornebuporten will have its own station when the new metro line is completed.

It is satisfying to see the buildings rising from the ground at Fornebu. The first two office buildings – which are due to be completed in the summer of 2015 and the summer of 2016, respectively – will total 67 000 square metres, and are currently being filled with tenants. In addition, 271 of 290 apartments in the first phase of the residential project – which is due to be completed in the second half of 2015 – have been sold. The collaboration with my childhood friend and former Aker head Bjørn Rune Gjelsten and his company Profier, works well.

Fornebuporten has also invested in Aberdeen International Business Park, located in an area that is benefiting from the growth in the UK oil and gas industry. Thus far, 30 000 square metres are under development, but this is expected to increase to 100 000 square metres.

Almost two billion daily doses of Superba™ Krill Oil have been sold in the past year.

I continue to be impressed by Aker BioMarine's achievements under the leadership of Hallvard Muri. The company is growing rapidly, and now has a highly competent staff from 11 nations, including more than 50 employees at Aker Brygge. It has also opened offices in the U.S., China and Australia.

The two krill-harvesting vessels in the Southern Ocean are crewed by a total of 330 hardened fishermen, researchers, technologists and inspectors. Hallvard is a team player leading an international team. Superba™ Krill Oil is the ingredient in the top selling nutritional supplement in the U.S., sold under the MegaRed brand name. In the spring of 2014 the brand-name giant Reckitt Benckiser Group will enter the European market with MegaRed and the ingredient Superba™.

It is clear that Möller's Tran is intimidated, and is therefore running ad campaigns in the Norwegian market challenging MegaRed and Superba™ Krill Oil. Möller's Tran is comparing the price per gram of fish oil with the price per gram of krill oil. To me as a former cross-country skier from Molde who was active when the first fibreglass skis came on the market, this is like comparing fiberglass skis with traditional wooden skis. Möller's Tran argues that you should buy the largest and heaviest skis because they give you the most weight for your money and thus have the greatest effect in the trail. Many sceptics held onto their wooden skis for a long time, but we all know the fate of the ski manufacturers who wouldn't let go of wooden skis.

Möller's Tran is like an old wooden ski, while MegaRed is like a speedmax racing ski made of fiberglass. The last cross-country world champion on wooden skis was Magne Myrmo in 1974.

Superba™ Krill Oil contains omega-3 fatty acids in phospholipid form, and has documented health benefits. All cells in the body have membranes containing phospholipids. In order for the body to utilise omega-3 fatty acids, these first have to pass through the cell membranes. The phospholipids in Superba™ Krill Oil act like a door opener. Other forms of omega-3 find it far harder to penetrate the cell membrane. That is why you need smaller doses of Superba Krill Oil than Møller's Tran. Moreover, you don't have the discomfort of burping Møller's Tran, because the phospholipids in Superba™ Krill Oil mix well in the stomach, whereas Möller's Tran floats on top like oil on water.

Aker BioMarine is cooperating with WWF Norway on the sustainable harvesting of krill resources in the world's cleanest waters. The krill-fishing operation is environmentally certified by the Marine Stewardship Council (MSC), the world's most respected environmental certification organisation for seafood. Every bottle of the product can be traced back to the vessel that harvested the krill and its exact position in the Southern Ocean. Möller's Tran is not marked for such tracing.

The number of daily consumers of the nutritional supplement Superba™ Krill Oil is approaching five million, while Möller's Tran, which was established in 1854, only has a fraction of this. Superba™ Krill Oil is approaching two billion daily doses per year. This is, quite simply, a mind-boggling figure, and the number of consumers is increasing every month.

In comparison, our fish-processing businesses delivered approximately 110 million meals in 2013.

This winter, Havfisk took delivery of the last of three modern trawlers currently ordered. The Gadus series of efficient, environmentally-friendly trawlers is setting a new standard for fisheries and trawler companies operating in harsh weather conditions. Although the Havfisk share doubled in value on Oslo Stock Exchange in 2013, shareholders have had a negative return of more than 50 per cent since the company was listed in May 2005. Olav Holst-Dyrnes and the Havfisk crew are in the process of putting the trawler company right, and the three Gadus trawlers have had a good start, although profitability must improve to justify the trawler investments.

In Norway Seafoods, Thomas Farstad is facing a tough task turning losses into profits, experiencing "lots of pain and no gain". Last year the loss was NOK 56 million, a slight improvement over 2012. Thomas, who is also from Sunnmøre, has long since concluded that it is impossible to earn money given current regulations and production structures. This view has the unanimous support of the board, employee representatives, owners and the Norwegian Confederation of Trade Unions (LO).

The OTC market currently prices Norway Seafoods at NOK 42 million, a group that in 2013 sold processed fish for NOK 1.7 billion to Norwegian and European grocery chains. Norway's whitefish industry flagship is listing. Thomas is the right man to bring the Norwegian whitefish industry back on track, but he cannot do so unless he is allowed to implement some unpopular decisions.

Fish harvesting and processing account for only a tiny share of Aker's investments, but have been important to me.

I devoted considerable attention to our whitefish investments in last year's letter, but won't do so this year. Last year I tried to provide insight into what some of our shareholders' money is invested in.

It is I who have been the driving force here. Had I not been the main shareholder, Aker would not have invested in fish.

Aker's ownership and investments in Havfisk and Norway Seafoods engage many people. If decibels and column inches were the measures of success, Aker's investment in whitefish would be an absolute triumph. In reality, the opposite is unfortunately true.

For 18 years we have tried to create profitability throughout the value chain, from harvesting to processing and sale. Overall, the vessels and the filleting industry have lost money during this period, and every time we try to make adjustments in response to economic realities, we are met with loud protests and egregious accusations.

As we say at Aker: Be careful what you demand or wish for because you may end up getting it.

Certain politicians have accused me of being, among other things, a pirate, a robber and a short-sighted egotist. I have received death threats from anonymous senders. I can to a certain extent live with these things, but Aker's shareholders do not deserve to have capital stuck on death row in the fisheries businesses indefinitely.

When it comes to our involvement in the whitefish sector, I am tempted to quote the American author Jessamyn West, who said of sex: *"Groan, and forget it."*

Unfortunately, things are not that simple. Even in the eye of a storm, we have a duty to remain calm and behave constructively, for the sake of the employees, customers, society and, not least, our shareholders.

I have much to say about fish, but I do not wish to burden the shareholders here. Instead I intend to expand on my views later, for those who are particularly interested in the whitefish industry.

Fortunately, as a fisherman, I can still take pleasure in the fact that we have developed the Norwegian krill-harvesting industry from practically nothing into a world-leading, environmentally friendly, sustainable industry while cooperating closely with WWF Norway. We will krill on.

In the newsroom of the Norwegian daily business newspaper DN, it is believed that Elvis is still alive and that pigs can fly.

The fishing industry has attracted much media attention in northern Norway, but nothing has astounded me more than DN's articles in 2013/2014 on the Aker Wayfarer transaction back in 2009.

DN's series of articles remind me of the TV series "Dead Famous DNA" and the program's analysis of Elvis Presley and a strand of hair from the King of Rock 'n' Roll's black mane. To my mind, the program makes it easier to understand how the media can spin the strangest tales. According to a doctor – a so-called expert – the DNA test result indicated that it was not Presley's lifestyle that led to his death, but rather a genetic muscular disease. The reporter concluded that Presley had a DNA defect and, according to the Norwegian national daily newspaper VG, stated that: "I am absolutely certain that it's Elvis' DNA, but I can't prove it. I cannot guarantee to you 100% that it's Elvis' DNA. That wouldn't be possible."

The media publish the strangest stories and allegations, irrespective of how shaky the factual grounds may be. Prejudiced journalists and experts with access to media are a dangerous combination, yet they garner attention and generate stories.

Under the heading "The Aker Wayfarer

transaction," DN and three professors have alleged that value was unlawfully transferred from Aker Solutions to Aker through procedures that breached the Limited Liability Companies Act. All of this was repudiated in 2009, and repudiated again this year by means of thorough, comprehensive accounts from Aker Solutions, Aker and the board of Aker Kvaerner Holding.

Untruths in DN do not become truths no matter how many times they are repeated and spread across more than 30 newspaper pages. In Aker's view, the case was constructed by a journalist who became intoxicated by his own calculations and theories.

In other words, it was a news story as far-fetched as the one involving a strand of hair from the King of Rock 'n' Roll's head, and was about as true as that Elvis Presley is still alive.

The essence of DN's articles and allegations is that Aker "robbed" Aker Solutions of NOK 300 million, and that I am behind a conspiracy implemented by an alliance of people from Aker's management and the boards of both Aker and Aker Solutions, ably assisted by legal and financial advisers. DN's spreadsheets produce figures based on given assumptions, and these amounts have been interpreted as suspicious indicators. The professors have used them to claim that unlawful and immoral acts have been committed. The matter is personified using my name and picture, claiming that I, as the owner of two-thirds of the shares in Aker, have robbed Aker Solutions of NOK 200 million.

As I have previously said, I feel like a combination of a clairvoyant and Don Corleone when I read the media's representations of my supernatural abilities.

If DN's allegations contained even a shred of truth, I would have first had to convince Aker's management that the company should commit a financial fraud on Aker Solutions in the spring of 2009. I would then have duped Aker's board and misled highly competent directors with extensive commercial, financial and political experience.

Thereafter, I would have manipulated the administration of Aker Solutions, withheld information from financial advisers, completely fooled legal advisers from three of Norway's largest law firms and brainwashed the independent members of Aker Solutions' board.

In short, I would have pulled on hidden strings and forced about 50 managers, board members and advisers to act as my puppets, solely to increase my taxable net wealth by one or two per cent.

The story does not end there. According to DN, I blocked the annulment of the Aker Wayfarer transaction in 2010 because the price was too low. Aker Solutions took the initiative to buy the vessel because the market for high-end offshore services and bank financing had improved since the winter of 2009. Aker Solutions and Aker agreed to annul the transaction at book value. Apparently, I once again used my supernatural powers and made the board of Aker Kvaerner Holding block the annulment because I wanted a higher price. In other words, I overrode the agreement between Aker Solutions and Aker in some mystical and invisible manner. This is nonsense from beginning to end. Certain journalists at DN think they can make pigs fly, if they use enough pink newspaper and ink.

A quick reminder of the facts: On 1 April 2009, Aker/Aker Ship Lease signed an agreement with Aker Oilfield Services to purchase a contract for the construction of a specialised ship at book value. On the same day, Aker Solutions' subsidiary AMC International signed a 10-year agreement to lease the ship (Aker Wayfarer), from the autumn of 2010. Both the purchase of the construction contract and the lease agreement were concluded at the market prices applicable at the time. DNB Markets conducted a separate valuation for Aker Solutions in March 2009. The conclusion was that the agreements were sound in relation to comparable prices and transactions in the market.

Aker has said all that it has to say about the Aker Wayfarer transaction. DN is free to believe, think and write what it wishes, including that Elvis is still alive. I have accepted that Elvis Presley died on 16 August 1977.

In the TRS case, DN asked critical and relevant questions, something for which it deserves credit.

Like many other participants in the capital market, Aker and I have regarded total return swap (TRS) agreements as a long-term instrument to facilitate funding and financial exposure to shares. In April 2013 Aker entered a TRS agreement with financial exposure to 1.5 million shares in Aker Solutions.

Aker had three options to increase its exposure to Aker Solutions. Firstly, we could have used Aker's cash holding to acquire Aker Solutions shares. Another alternative would have been to borrow money and buy Aker Solutions stock with collateral in the shares. The third option was to enter a TRS agreement with a brokerage firm. The first two alternatives would not have created any problems. We went for a TRS, and that proved to be problematic.

The extension of the TRS agreement on 1 November 2013 was scheduled to take place automatically. At the time of the extension, Aker's management and myself had insider information regarding the upcoming sale of one of Aker Solutions' business areas. Insider lists had been established by both Aker Solutions and Aker. Unfortunately, this was not taken into consideration when the TRS agreement was extended. The extension was conducted in accordance with the correct procedures, in that a stock exchange notice was immediately published. The oversight resided in the fact that no connection was made between the insider list and the TRS extension.

The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Oekokrim) recently concluded that the extension of the TRS agreement was in breach of insider trading rules. Oekokrim served Aker a penalty of NOK 51 million, composed of the confiscation of NOK 17 million in theoretical gains made on the TRS agreement in November 2013, together with a fine based on twice the gains.

To put the extension in an economic context: On 29 April 2013 Aker entered a TRS agreement with an economic exposure of NOK 125 million. When the agreement was extended on 1 November, the swap price stood at NOK 82 per underlying Aker Solutions share, the same as when the agreement was entered into six months prior. Approximately three weeks later, subsequent to Aker Solutions' announcement of the sale of a business area, Oekokrim calculated a theoretical gain for Aker of NOK 17 million as a result of Aker Solutions' share price gain. The unrealised gain is at the same level today. Later in November, Aker acquired 16.44 million shares in Aker Solutions in the market for NOK 1.9 billion. Aker has today an unrealised loss of NOK 325 million on this acquisition.

The penalty of NOK 51 million should be evaluated against the realities and consequences we were confronted with. Whether the amount is correct or not I leave for others to decide. Based on an evaluation of the alternatives, Aker concluded that it was sensible to reach an agreement with Oekokrim and accept the penalty. This has not been an easy decision. We at Aker have always acknowledged the facts of the case and we have chosen to take the consequences of Oekokrim's finding. Giving excuses will not correct the error. We take responsibility for our actions and we learn from them, even when it is painful.

On behalf of Aker, I can only apologise to shareholders and all other stakeholders, and say that this is a case of "Good intentions, bad execution." From my perspective, the TRS case is one of the most dismal incidents I have experienced at Aker, aside from accidents that have resulted in injury or the loss of human life.

This is a case where DN's journalist asked the right questions, and we at Aker must take the uncomfortable consequences. One is not remembered for the headlines – that is not what defines one. It is how one deals with the headlines that does.

We now put this case behind us and look ahead.

If you don't acknowledge and accept where you come from, and you don't have any objectives for what you wish to achieve or avoid in the future, you cannot make the right decisions in the present.

Today Aker manages assets with a total value of NOK 30 billion, and NOK 26.4 billion of this amount is invested in shares. In five years, the share proportion has increased from under 50 per cent to almost 90 per cent of Aker's gross asset value.

The majority of Aker's capital has been put to work in solid companies, but we should not be blinded by current balance sheets. Aker must allocate capital with a firmer hand. Today, too much remains tied up in sub-optimal investments and structures.

At Aker we must become more conscious of the fact that capital has no other purpose than to serve the shareholder community. In other words, special local, regional or national interests should not be among our investment criteria.

Havfisk and Norway Seafoods are examples of investments where Aker has invested in my nostalgia. Aker Kvaerner Holding is not an optimal ownership model for Aker's interests in Aker Solutions and Kvaerner. Previously we have learned that carbon capture and Aker Clean Carbon – a venture developed at the interface of politics, public administration, business and technology development – incurred losses of NOK 400 million for Aker.

Public debate centering on my persona should not affect Aker's investments. If I wish to enter into sub-optimal transactions and investments, I would do so through our family company, TRG, not through Aker. My aim is to distinguish more clearly between Aker and Aker-owned companies on the one hand and myself as a private individual on the other. Øyvind Eriksen and Aker's board of directors are also focused on this, and Head of Corporate Communication Atle Kigen has an important role to play in ensuring that investors, politicians and the general public perceive and understand the difference.

Wiser by experience, I will not be making new predictions as to Aker's value in five years' time.

Before you decide whether to sell, hold or buy stock in Aker, I would like to share some reflections. TRG does not intend to sell any of its Aker shares. In my view, Aker will over time meet TRG's return and risk profile requirements.

Over 70 per cent of Aker's gross asset value comprises listed shares that investors can acquire directly in the market. Cash holdings total 8 per cent of Aker's assets. Two wholly-owned subsidiaries – the biotechnology company Aker BioMarine and the property development company Fornebuporten – account for over half of the remaining 19 per cent of Aker's assets. Aker BioMarine and Fornebuporten are reported in the NAV at book price.

Aker's operating costs totalled NOK 236 million in 2013, corresponding to 0.8 per cent of Aker's total net asset value. Looking forward, we hope to gradually reduce our operating costs as a percentage of asset value.

To ensure that we have the latitude and flexibility we want, Aker maintains a cash buffer. Aker has NOK 5.4 billion in interest-bearing liabilities, cash holdings totalling NOK 2.5 billion, interest-bearing receivables of NOK 0.6 billion and an equal amount of shares in funds. A portion of this, approximately NOK 2-3 billion, was considered "buffer capital" at the start of 2014. At current interest levels, Aker is paying approximately 3 percentage points on its "buffer capital." That is the delta between the interests on our outstanding bonds and our bank deposits. This expense, which amounts to NOK 60-90 million per year, can be viewed as an insurance premium of 0.2-0.3 per cent of the company's total assets. Aker's buffer capital enables it to act quickly when opportunities arise, and allows Aker's management, and me, to sleep better at night.

The amount puts what the stock market calls the "Røkke discount" into perspective. Investors in Aker currently get Aker BioMarine, Fornebuporten, our investments in the Norron fund and Oslo Asset Management as well as cash holdings of NOK 2.5 billion for free when they buy Aker shares.

In recent years, the Aker share has traded at a price that is 30 to 40 per cent lower than the value of the underlying assets. At the beginning of 2014, the discount was 33 per cent.

To understand the future, you have to know the past. The graph on the next page is interesting. Øyvind and I have spent time analysing Aker's assets, notably to evaluate whether the composition of the balance sheet is optimal. The picture shows the development of Aker's total assets from the company's listing in 2004 until the end of 2013.

A positive aspect is that Aker has managed to recoup some of the value I had thought to be lost. American Shipping Company and Aker Philadelphia Shipyard have largely regained lost ground, while Aker BioMarine is at book value.

The British author Evelyn Waugh aptly wrote, *"Sometimes, I feel the past and the future pressing so hard on either side that there's no room for the present at all."*

This is a fitting observation with which to end a long letter to the shareholders. Aker's core is healthy, but we will benefit from avoiding investing capital in sub-optimal investments and structures. I believe that Aker has put together a good portfolio of investments. The portfolio and the portfolio companies will provide opportunities and flexibility going forward, and we have the right team of talented people on board to exploit these opportunities. All of our main sectors – energy, seafood, marine biotechnology and maritime assets – are being driven by growing demand.

Aker has gone against the flow, investing even more heavily in oil and gas. Energy needs will continue to rise, and hydrocarbons will remain the dominant energy source for decades to come. Aker Solutions has reported that, in the long term, demand for its core products will grow by an average of 8 to 10 per cent per year, while annual growth in the subsea segment is estimated at 15 to 20 per cent.

Our view assumes that oil prices will, in the longer term, remain stable above USD 90–100 per barrel in 2014 dollars. The Norwegian continental shelf and Det norske face exciting times ahead. As a technology and knowledge company, Aker Solutions is well-positioned for profitable growth.

The present is now. One krone in net asset value trades today at 0.6-0.7 krone on the stock exchange. This is the reality more than 14 000 Aker shareholders face today, and the discount is a topic our largest investors bring up regularly. Aker's 20 biggest shareholders own over 82 per cent of the company.

I often ask myself questions such as: How can investors obtain more for every krone in Aker's net asset value? How can shareholders get greater access to the values they own, but that are not priced by the stock market?

These are some of the questions that we've addressed, but have not found good answers to. I've previously written that the Aker share could well become a transactional currency used for growth. We're nowhere near this today due to the gap between Aker's underlying values and the share price on Oslo Stock Exchange. I'll leave the topic as food for thought for the time being, but can ensure you that Aker continues to work on crystallising and developing the values in the company portfolio in a way that benefits our shareholder community.

Along with my colleagues at Aker, the employee representatives and the boards of Aker and Aker-owned companies, I look forward to seeing what the future will bring.

At the same time, I would remind you of what I said three years ago:

I provide no guarantees. If you want a guarantee, buy a toaster.

Kjell Inge Røkke
On behalf of the family

PS: As in previous years, I would like to thank my wife and fellow shareholder Anne Grete for her help with the writing, form, content and spelling of this year's letter to the shareholders.

Aker Brygge, 7 April 2014

Equity balance development in Aker