



Aker ASA Q3 2023:

Letter from the
President and CEO

Dear fellow shareholders,

We are approaching the end of a year where both markets and companies have veered between optimism for the future and more pessimistic recalibrations of strategy and outlook. At Aker, we are continuing into the final months of the year executing on growth projects, driving progress towards higher and even more sustainable energy production, leveraging new and existing partnerships, and continuously finding ways to develop and deploy innovative digital solutions and technologies.

At time of writing, the conflict between Israel and Hamas is rapidly escalating with devastating consequences. Unimaginable scenes are filling news reports and the world is left on edge as it waits to determine whether the war will sink the world into deeper chaos or if there will be a path towards stability, and hopefully one day, peace. The escalating tension in the Middle-East adds to an already ruinous war between Ukraine and Russia, and an increasingly complex geopolitical landscape is changing markets and business strategies in ways not seen for decades. Our task to create shareholder value is, however, unchanged. Our method of work is capital allocation and active ownership, including M&A as a tool for value creation. The third quarter was no exception.

Looking back on an extraordinary third quarter through Aker lenses, we closed the period with a Net Asset Value of NOK 64.1 billion, up NOK 6.9 billion or 12.1 percent from the previous quarter. The share price stood at NOK 659.50 at the end of the quarter, an increase of 8.4 percent, compared to a 6.3 percent increase for the Oslo Stock Exchange Benchmark Index and a 22.6 percent increase in Brent prices during the period. With a strong momentum across our portfolio, Aker's Board of Directors has approved to pay an additional cash dividend of NOK 15.0 per share in the fourth quarter, bringing the total dividend to NOK 30.0 per share for the full year.

Shortly after quarter-end, Aker Solutions, SLB and Subsea7 announced the final closing of the OneSubsea joint venture. This marks a defining moment in Aker Solutions' strategy to streamline and focus its businesses. Combining SLB's and Aker Solutions' individual subsea businesses creates an even stronger combination with the largest installed base of subsea trees in the entire industry. OneSubsea has an extensive subsea technology portfolio and offering, world-class manufacturing- and integration capabilities, strong long-term customer relationships, solid financial performance, and a global footprint with 11,000 highly skilled employees across all key regions. In my view, OneSubsea will be the most prosperous subsea company in the world measured both by quality of its offerings and by its customer base. This, combined with the strong market outlook makes OneSubsea uniquely positioned to deliver strong results for its customers and stakeholders going forward, including the potential to pay attractive dividends to the three owners. Furthermore, Aker Solutions has received total transaction proceeds of USD 700 million and will retain a 20 percent ownership in OneSubsea.

Another milestone after the close of the quarter was Aker's agreement with Solstad Offshore, AMSC, DNB and Export Finance Norway (Eksfin) for an overall refinancing of Solstad. The new corporate structure will consist of 35 high-end AHTS and CSV vessels and will establish a robust industrial platform with significantly reduced financial risk. Combined with the strong market outlook globally, the substantially deleveraged structure provides a solid basis for increased value creation with a clear ambition to initiate quarterly dividend payments already in 2024. This will further strengthen and diversify upstream dividends in Aker.

Moving on to another topic and looking ahead, we are just a few short weeks away from COP28 in Dubai. While conversations around climate action and impact and commitments are plenty, the world – and perhaps especially the industries that will develop the solutions – still lack a clear roadmap to move forward. Ahead of this year’s conference, many experts are raising concerns about whether we will fail to progress. Climate change is a highly complex matter, and no single technology or solution will solve it.

One of numerous challenges in the dialogue at COP28 and other venues is the lack of transparent and neutral criteria for measuring the highest “environmental returns” on investments to be made by both Governments and private business enterprises. One interesting idea currently being explored by top researchers is to put this into a ‘labeling system’ – one common language to quantify the environmental footprint, like carbon emissions of a product, and allowing consumers, policy makers and businesses to make better, fact-driven choices. As an illustration, this labeling system may have similarities with the nutrition labels on food products that provide information about the number of calories, fat, protein and other nutrients. By providing information about the amount of emissions associated with a product throughout its value chain and expected “lifetime”, we will be better informed and equipped to prioritize the products or solutions designed to contribute most to “Net Zero”. This would help adhering the highest “environmental returns” on investments and avoiding unrealistic targets, immature technologies and actions of more symbolic nature without global impact of significance.

Technology and artificial intelligence will undoubtedly play an increasingly critical role in this work going forward, as it is in so many parts of our lives and businesses. Industries that were traditionally offline are connecting their operational technology at an increasing rate. Aker’s industrial software company, Cognite, recently launched Cognite.AI which makes Generative AI work for industry by providing simple access to complex industrial data. Cognite was built for this moment – founded to empower subject matter experts with accessible, trustworthy, and real-time contextualized data. With Cognite.AI, the company will only accelerate this mission; empowering domain experts with even more innovative ways to use data to reshape operations to be more efficient, profitable, and sustainable.

However, industrial digitalization also brings new vulnerabilities that many businesses are not currently prepared for. Coupled with a shifting, volatile geopolitical landscape, the risk of cyber-attacks on critical infrastructure is rapidly increasing. According to a recent report by Waterfall Security Services, there was a 140 percent surge in cyberattacks against industrial operations in 2022, resulting in more than 150 incidents. The report continued to say that “at this rate of growth, we expect cyberattacks to shut down 15,000 industrial sites in 2027, that is: in less than five years.” Cyber criminals are not just targeting distant nations such as the US and Ukraine; a disproportionate number of attacks are happening right here on our doorstep in the Nordics. Whether this is due to our location in Northern Europe, or our comparatively high level of digitalization, is unclear. Whatever the cause, the issue cannot be ignored.

When comparing organizations from the EU to their US counterparts, data from a 2020 study by ENISA revealed that EU organizations allocate on average 41 percent less to cybersecurity than their US counterparts. To address this issue, the EU is introducing new regulations to ensure that businesses step-up their cybersecurity preparedness, particularly those with critical infrastructure. The NIS2 Directive is one example of new stricter EU-wide legislation on cybersecurity that has been expanded to include energy and manufacturing sectors.

In the private sector, cybersecurity companies (typically based in the US or Israel) have been highly focused on the IT side of the problem but have had little expertise on the specific impact an attack could

have on industrial operations. To address this issue, we joined forces with Telenor last year to launch Omny, a new Nordic-founded venture. Omny leverages the industrial capabilities and networks of Telenor and Aker to build and provide software technologies and corresponding services that detect cyber crime attempts, defend against attacks, and limit the consequences of compromised industrial operations.

In summary, activity remains high across Aker's portfolio, both in the "bread and butter" business and in our newer ventures. Our active ownership priority through the year has been to execute on growth projects – especially in Aker BP – while simultaneously driving growth in other segments, including increased and diversified upstream dividend in Aker as a main strategic objective. This focus remains as we head into the final months of the year and continue into 2024.

All the best,

Øyvind Eriksen