AKER

Aker ASA Q4 2023:

Letter from the President and CEO

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Dear fellow shareholders,

Aker demonstrated progress across several key metrics in the final three months of 2023 and delivered positive value to shareholders through both share price appreciation and dividends. Thus, we ended the year with positive momentum for growth, despite ongoing macroeconomic challenges and a fractured geopolitical landscape.

By the numbers, Aker's Net Asset Value was NOK 64.3 billion at the end of the fourth quarter, before dividends paid, compared to NOK 64.1 billion the previous quarter. The share price rose to NOK 666, up 3.3%, with dividend added back, compared to the Oslo Stock Exchange Benchmark Index (OSEBX) which saw a 1.2% increase and Brent oil's 16% decrease. Aker paid NOK 1.1 billion in dividends in the quarter, representing NOK 15 per share and bringing the total dividend distribution in 2023 to NOK 2.2 billion (NOK 30 per share).

The global economy also ended the year with positive momentum, after exhibiting signs of resilience during the quarter. Most notably, inflation began to ease and market interest rates saw a decline, leading to an upswing in equity markets as the calendar turned a page to a new year. However, headwinds remain, especially geopolitical uncertainty with the devastating wars in Ukraine and the Middle East, where further escalation could cause renewed disturbances in global supply chains. Furthermore, 2023 proved to be a turbulent year for the energy transition. Both high equipment and financing costs have forced industry players to reconsider strategies, delay, or even cancel projects, and we are seeing both authorities and Non-Governmental Organizations (NGOs) play an increasingly important role.

Transcending their traditional watchdog function, NGOs are now more active than ever, venturing beyond oversight and advocacy. Aiming to impact governments, public opinion, and corporations alike, NGOs are no longer content with mere dialogue and engaging in public consultations for stricter climate legislation. They increasingly exert more tangible influence on policymaking. In what they see as absence of climate action, we are witnessing environmental organizations taking more bold and aggressive measures, including legal action. Several recent cases in Norway, related to both Oil & Gas and Renewables alike, demonstrate the new reality facing corporations and business leaders whereby a new set of strategic considerations have to be made to ensure future value creation for both shareholders and society. While acknowledging the value of the NGO's passionate advocacy for climate action and sense of urgency, recognizing the significant complexity of the energy system and its vulnerabilities is crucial to finding effective solutions. Tackling this complex challenge requires nuanced understanding and dialogue to bridge gaps and work towards a common ground. At Aker, we remain committed to engaging in respectful dialogue and exploring avenues for collaboration to achieve a more sustainable future. As an active owner, we will leverage our decades long history of stakeholder dialogue, working with local communities and collaboration with employee representatives, which has been part of the Aker Model for decades.

Moreover, I cannot understate the power of public-private collaboration. We need look no further than the COVID-19 vaccine rollout to see its powerful potential. While it historically takes upwards of a decade, or longer, to develop and distribute a vaccine, the COVID-19 vaccines rolled off production lines in less than a year after the outbreak. This unprecedented achievement would not have been possible without consensus-driven, broad, and effective public-private collaboration. Unfortunately, the example stands in stark contrast to the public-private collaboration seen in the global energy transition challenge, which has been anything but consensus-driven, targeted, and effective. The urgency of decarbonization and the global commitment to Net Zero present a monumental challenge in order to transition to a clean energy future. The reality is that energy transition is both capital-intensive, infrastructure reliant and faces headwinds including elevated inflation levels and supply chain challenges. At the same time global emissions are increasing and it is becoming clear that climate change mitigation is not working fast enough. Regrettably the imbalance, to put it bluntly, makes it unrealistic to succeed with 'Net Zero' within targeted timeframes. Reversing this trend, transforming our energy systems, and achieving significant CO2 reductions in the coming decades will require renewed and concerted efforts from all stakeholders, particularly authorities and governments. I want to highlight a few key challenges that should demand their urgent attention:

- *Policy and regulatory clarity*: long-term, stable, and predictable policy frameworks are crucial to guide investments and stimulate innovation. Governments must establish supportive and ambitious regulatory frameworks that remove barriers and incentivize market participation.
- *Infrastructure development*: the energy transition necessitates significant investments in both grid modernization, expanding electricity transmission capacity, and in building new infrastructure for renewable energy sources and carbon

capture. Authorities must therefore facilitate efficient permitting processes, public-private partnerships, and innovative financing models to accelerate infrastructure development.

- *Ensuring a just and equitable transition*: Governments must actively manage social and economic considerations simultaneously. E.g. potential job losses in carbon-intensive sectors will require investing in workforce retraining, while simultaneously ensuring energy affordability and energy security.
- *International collaboration:* to accelerate the development and deployment of cleaner technologies, governments can spearhead collaborative research initiatives, facilitate technology transfer between countries, and harmonize international standards to foster a conducive environment for global decarbonization efforts.

In contrast to the collaboration needed to succeed with the energy transition, regional differences are already striking. The EU, since the start of the energy crisis in 2021, has allocated an estimated EUR 540 billion just to shield consumers from soaring electricity prices[1]. The US, on the other hand, is rather investing similar levels to support the development and investments into clean energy, through its Inflation Reduction Act[2]. When it comes to China, data from Bloomberg New Energy Finance (BNEF) shows the country allocated around USD 550 billion to energy transition investments in 2022 alone, almost the same amount as that of all the other countries combined[3].

When it comes to our home market, a report by Statistics Norway published in December[4] caught my attention recently, as it revealed just how significant the contribution from the oil and gas sector is to the Norwegian economy and society. Notably, it showed that in 2022, oil and gas companies accounted for a staggering 84% of all corporate income tax paid to the Norwegian state during the year (883 billion kroner out of a total 1,050 billion kroner). In the report, Aker BP stands out as the single largest privately owned taxpayer in Norway in 2022, contributing a remarkable 88 billion kroner[5]. To put this into perspective, Aker BP's contribution of 88 billion dwarfs the combined tax revenue of 79 billion from all the 390,965 non-offshore related companies in Norway combined[6,7,8]. The figures underscore the undeniable dependence of the Norwegian economy and its welfare state on the oil and gas industry. It highlights the crucial role this sector plays and necessitates responsible management and careful evaluations to ensure long-term sustainability in a changing energy landscape, and in order to succeed with the energy transition.

Moving from the 'big picture' to the Aker universe. Perhaps most notable is Solstad on January 16 this year announcing its successful refinancing. The agreements between Solstad, Aker, AMSC, DNB, and Eksfin secured a satisfactory solution to Solstad's significant financial challenges and secured a robust industrial platform for value creation going forward. Together with Solstad, Aker managed to preserve values for all stakeholders involved, in a decisive and critical refinancing situation for the company. Aker contributed NOK 2.25 billion in new equity and AMSC contributed NOK 1.00 billion equity in-kind. Furthermore, as time was running out before NOK 11.4 billion of senior secured debt was due to expire in March 2024 and to ensure completion of the refinancing, Aker increased its ownership in Solstad Offshore from 23% to 32.9% in December 2023. Following the completion, a NOK 750 million share issue is expected to be launched during the second quarter. The share issue, which is fully underwritten by Aker, will be directed towards all other shareholders in Solstad who will be given the opportunity to subscribe for shares in Solstad Maritime on similar terms as the refinancing transaction announced on October 23, 2023.

The refinancing has ensured gains for all stakeholders and Solstad can now look ahead. Close to 13,000 shareholders in Solstad Offshore have, from the announcement on October 23 last year until completion on January 16 this year, enjoyed a positive return of 14%, and will on top of this receive the value of the subscription rights in Solstad Maritime. The lenders have been repaid in full, a robust capital structure has been established, and Solstad's roughly 2,500 employees can look forward to operating in a strengthening offshore market. For Aker, Solstad remains a solid industrial platform for further growth and value creation, aligned with our strategic objective of diversifying and increasing upstream dividends. With one of the industry's most modern fleets of high-end vessels and a healthy balance sheet, Solstad Maritime is uniquely positioned for growth. Backed by the Aker group's substantial industrial competence and a positive market outlook, we have an ambition to initiate dividends to shareholders in the second half of 2024.

Moving on to Industry Capital Partners (ICP). Not unlike our peers, Aker's investment in the renewable segment has faced headwinds, which, in turn, has impacted the pace and scale of ICP's work. While negative performance in the renewables sector does not change Aker's strategic direction, it does impact the ambition level, capital allocation, and pace of development. Thus, we have decided to put our plans for a venture capital fund on hold, and we have streamlined the set-up with increased efforts on what has always been the main focus for ICP, namely the renewables industry and energy transition more broadly.

ICP Asset Management will launch during 2024. This will be a long-only global equities fund investing broadly in companies positioned to benefit from the transition toward a low-carbon world. The fund will combine world-leading asset management experience with the industrial expertise in the wider Aker group and will invest in the full breadth of energy transition. The focus is on proven, profitable businesses globally, exposed to investment led growth. ICP Asset Management is headed up by Petter Johnsen, formerly the Chief Equities Officer at Norges Bank Investment Management (NBIM). Furthermore, Aker and ICP have signed a letter of intent to acquire the remainder of Norron Asset Management, of which Aker currently controls 42%. The asset manager has a proven track-record within long-only equities, fixed income, and multi strategy in the Nordics, spanning more than a decade. It currently has approximately 7 billion Swedish kroner of assets under management. The transaction is planned to be completed by the end of the third quarter this year.

Over to the tech-universe, where generative AI dominated the headlines in 2023, fueling strong gains is tech stocks. Its transformative potential is undeniable, and what previously seemed to be unimaginable futures have suddenly become possibilities. Its ability to learn, adapt, and create – promises to reshape industries across healthcare, manufacturing, energy, and beyond. From predicting disease outbreaks to optimizing production lines and generating personalized experiences, the possibilities are truly exciting. However, as with any powerful technology, responsible development and deployment are paramount. Data privacy, algorithmic bias, and ethical considerations demand careful attention. Notably, the potential for "hallucinations," where AI generates inaccurate outputs, necessitates robust solutions to maintain trust in critical sectors and related to critical infrastructure. Cognite is committed to unlocking the true potential of generative AI for industries while navigating these challenges responsibly. Leveraging the company's expertise in industrial data management, and having worked with more than 100 global energy, utility, and manufacturing companies, Cognite AI is a solution that integrates generative capabilities with contextualized and accurate data. This unique approach aims to mitigate hallucinations and foster trust in sensitive domains. The adoption of Cognite AI by leading companies including Microsoft, Rockwell Automation, SLB and Ørsted, showcases the diverse applications and positive impact of responsible use of AI. With cautious optimism, I believe that by acknowledging the vast potential alongside the challenges, and by prioritizing responsible development and implementation, we can harness this technology to drive impactful innovation, create long-term value, and navigate the exciting future of generative AI.

Overall, we are navigating a complex macroeconomic environment that is challenging established truths and changing market dynamics and business strategies in new ways. However, Aker's strategy and commitment to long-term shareholder value creation stays firm. Our method of work remains active ownership and capital allocation, including M&A as a tool for value creation.

As we embark on 2024, we face a global landscape rife with political and economic uncertainties beyond our control. However, it is important to remember that challenges often give rise to opportunities. By leveraging our robust foundation, we are well-positioned to navigate the year with resilience and agility to seize potential opportunities. In 2024, we will continue to focus on strategic initiatives that enhance the competitive edge and growth potential of our portfolio companies. Our solid project portfolio, substantial industrial expertise, and outstanding workforce ready to adapt to evolving trends, serve as a firm foundation for sustained growth. I am confident that our active ownership agenda and strategic initiatives will continue to be potent catalysts for shareholder value creation also moving forward. In closing, I would like to express my gratitude for your continued support and eagerly anticipate sharing further progress updates in the coming quarters.

All the best,

Øyvind Eriksen,
President & CEO

[1] www.bruegel.org/dataset/national-policies-shield-consumers-rising-energy-prices
[2] www.mckinsey.com/industries/public-sector/our-insights/the-inflation-reduction-act-heres-whats-in-it
[3] https://about.bnef.com/blog/global-low-carbon-energy-technology-investment-surges-past-1-trillion-for-the-first-time
[4] www.ssb.no/virksomheter-foretak-og-regnskap/skatt-for-naeringsvirksomhet/statistikk/skatt-for-selskaper/artikler/rekord-for-selskapsskatten-i-2022
[5] www.skatteetaten.no/presse/nyhetsrommet/rekordhoy-petroleumsskatt-pa-883-milliarder-kroner-for-2022-
[6] www.ssb.no/virksomheter-foretak-og-regnskap/skatt-for-naeringsvirksomhet/statistikk/skatt-for-selskaper
[7] www.ssb.no/statbank/table/08762
[8] The category 'non-offshore' companies (Norwegian: landbasert virksomhet) exclude electric power producers and financial companies