The Global Spin-Off Report

July 12, 2011

Aker Solutions ASA

Demerger of Engineering, Procurement & Construction Division (i.e., Kvaerner ASA)

Pre-Demerger: Aker Solutions ASA

Price:	NOK 109.50 per share	**Ticker:**	AKSO NO
Est. FV (s.1/s.2/s.3):	NOK 120.95 /146.32/179.47 per sh.	**Dividend:**	NOK 2.75 per share
52-Week Range:	NOK 67.00 – 129.70 per share	**Yield:**	2.51%
Shares Outstanding:	274,000,000		
Market Capitalization:	NOK 30,003 million		
Est. Fair Value Mkt Cap:	NOK 33,002/39,882/48,919 million		

Post-Demerger: Aker Solutions ASA

Est. FV (s.1/s.2/s.3):	NOK 93.50/104.45/128.24 per sh.	**Ticker:**	AKSO NO
Est. Shares Outstanding:	274,000,000	**Dividend:**	n/a
Est. Fair Value Mkt Cap:	NOK 25,618/28,620/35,137 million	**Yield:**	n/a

Demerged Entity: Kvaerner ASA

Est. FV (s.1/s.2/s.3):	NOK 27.45/41.87/51.24 per sh.	**Ticker:**	KVAER NO
Est. Shares Outstanding:	269,000,000	**Dividend:**	n/a
Est. Fair Value Mkt Cap:	NOK 7,384/11,262/13,782 million	**Yield:**	n/a

Note: The distribution is being conducted on a one-for-one basis, excluding treasury shares. Aker Solutions holds approximately five million shares in treasury.
1 USD =5.3652 NOK
Data As of July 1,2011

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Aker Solutions ASA Board of Directors Announces Proposed Demerger of Kvaerner ASA:[1]	Thursday, December 9, 2010
Aker Solutions ASA Board of Directors Issues Listing Prospectus:	Wednesday, June 15, 2011
General Meeting of Aker Solutions ASA Shareholders:	Friday, May 6, 2011
Last Day to Trade in Aker Solutions ASA Shares to Participate in the Demerger:	Thursday, July 7, 2011
Aker Solutions ASA Shares Trade Ex-Entitlement; Kvaerner ASA Shares Trade on a When-Issued Basis:	Friday, July 8, 2011
Record Date:	Tuesday, July 12, 2011
Kvaerner ASA Shares Trade Regular-Way:	Wednesday, July 13, 2011
Distribution Ratio:	1 AKSO NO : 1 KVAER NO
Tax Status:	Tax Free
Prerequisites:	None
Primary Reason:	Disparate business models

Ownership (Bloomberg):	Holders	Share Ownership	Percent of Shares
	Aker Holding AS	110,333,615	40.27%
	Fidelity Management & Research	18,451,268	6.73%
	State Street Bank & Trust	15,952,766	5.82%
	JP Morgan Chase Bank NA	13,854,855	5.06%
	Government Pension Fund - Norway	9,913,804	3.62%
	Bank of New York Mellon Corp	7,328,176	2.67%

[1] For more information on the spin-off, please see the following link: http://www.akersolutions.com/en/Global-menu/Investors/Information-Memorandums-and-Prospectuses/Kvaerners-listing-prospectus/

Investment Thesis

Aker Solutions ASA is a leading Norwegian oil services, engineering and construction company serving a variety of industries, namely oil and gas, refining and chemicals, mining and metals, and power generation. In 2010, Aker Solutions operated with four reportable business segments: Energy Development & Services (ED&S), Subsea, Products & Technologies (P&T), and Process & Construction (P&C). On December 9, 2010, the company announced its intention to split its existing operations into three independent companies: New Aker Solutions, Aker Contractors (i.e., Kvaerner ASA), and Process & Construction International.

As the first step of the separation process, it was envisioned that Process & Construction International would be listed on the Oslo Stock Exchange through an initial public offering; however, on February 1, 2011, the company completed the sale of the division to U.S.-based Jacobs Engineering Group, Inc. (JEC US) for a total purchase price of approximately NOK 5.5 billion (i.e., USD 913 million). Care of approximately NOK 1.1 billion in cash, the net purchase price amounted to NOK 4.4 billion, or approximately 8.5 times and 8.8 times 2010 EBITDA and EBIT, respectively; with total debt of NOK 354 million, the implied equity value of approximately NOK 5.1 billion represented 14.6 times 2010 net income of NOK 352 million.[2]

With the sale of Process & Construction International, Jacobs Engineering Group acquired the majority of the P&C business, which focuses on the supply of engineering and construction services to certain *onshore* industry segments, namely mining and metals projects, power generation facilities, and other downstream processing facilities. According to Jacobs' management:"Aker Solutions' P&C operations significantly expand Jacobs' global presence in the mining and metals market; provide a new geographic region with South America; and strengthen Jacobs' presence in China. Jacobs' regional presence in Australia, Europe and North America is also enhanced as a result of the transaction."[3]

Upon completion of the demerger, Kvaerner will comprise certain engineering, procurement, and construction operations of the ED&S business segment—as well as retaining certain components of the P&C business—with a primary focus on the upstream North Sea oil and gas field development market and a secondary focus on the downstream oil and gas, energy, environmental, and industrial construction market. During the fiscal

[2] Though historically part of the process and construction (P&C) segment within Aker Solutions, the U.S.-based engineering, process, and construction (EPC) centre in Houston and the Union Construction business located in the U.S. and Canada will be transferred to the new Aker Contractors company (i.e., Kvaerner). Union Construction and EPC Centre U.S. had revenues of approximately NOK 4 to 5 billion per year between 2007 and 2009 and an average of NOK 150 million in EBITDA, or approximately 27 percent of the total EBITDA of the P&C business area in that period. These figures have been excluded from the purchase price multiple calculations above. As of September 30, 2010, total cash amounted to NOK 1,053 million. Financials for the sold and retained P&C businesses can be found here and here, respectively.
[3] Source: Jacobs Engineering Group, Inc. 8-K dated December 21, 2010.

year ended December 31, 2010, the company's upstream and downstream operations accounted for 69 percent and 31 percent of total revenues, respectively (i.e., NOK 9,279 million and NOK 4,126 million). More importantly, EBITDA for the upstream and downstream operations amounted to NOK 860 million and *negative* NOK 390 million, respectively.

New Aker Solutions will retain the remaining operations of the ED&S, Subsea, and P&T business segments, with a focus on providing product, field life, and engineering solutions for the upstream oil and gas industry. During 2010, the product, field life, and engineering solutions business segments accounted for 56 percent, 34 percent, and 11 percent of total revenues, respectively, and 51 percent, 40 percent, and 9 percent of total EBITDA, respectively.

The demerger has been designed to enable New Aker Solutions to retain a pure focus on the upstream oil and gas markets, with Kvaerner providing services to both upstream and downstream markets across a more diversified group of industry segments (i.e., not solely oil and gas). Moreover, New Aker Solutions will focus on providing more sophisticated, higher-technology, less capital intensive products and services (e.g., drilling risers, water injection systems, well maintenance services, engineering solutions, etc.), whereas Kvaerner will retain its traditional focus on constructing facilities more commonly associated with heavy industry (e.g., topside facilities, floating facilities, gravity base structures, steel jackets, etc.).[4]

Before discussing the potential valuations of Kvaerner and New Aker Solutions, it should be noted that while the lowest of the fair values presented below is derived from the *current* level of profitability, the cyclicality of both businesses is suggestive of significantly higher valuations. This is especially true for Kvaerner. During the last twelve months, the company has reported pro forma EBITDA of approximately NOK 686 million; however, this is inclusive of a *loss* of NOK 485 million in the downstream business segment.

This is the result of a decline in revenues caused by the recent completion of the company's Cameron Liquid Natural Gas Project and a reversal of previously recognized profits related to the construction of a 700 megawatt coal fired power plant (i.e., the Longview Project).[5] And, though such losses may very well be of a one-time nature, the recent order backlog and order intake histories are not yet suggestive of increased

[4] See the *Company Overview* section of this report for descriptive information about such products.

[5] According to the company: "The project is currently delayed and the cost of the work to be performed by Kvaerner North American Construction Inc. has increased materially. In Kvaerner's opinion, the cost increases are largely due to, inter alia, third party actions in furnishing design and engineering services, equipment and materials, force majeure events and changes to the project, all of which have directly and adversely impacted the project work of Kvaerner North American Construction Inc. and could entitle it to additional compensation and schedule extentions and to defences if claims are asserted against it by other parties involved in the project." See page 96 of the Listing Prospectus for more information.

profitability. However, should the downstream business continue to struggle, the mere sale of the group is all that is required to significantly increase Kvaerner's profitability. Moreover, the division is indeed salable; therefore, it would likely be sold for a meaningful figure to a strategic buyer. Ergo, its potential value must be taken into account.

This brings up the broader issue of the motivation behind the spin-off. The background of the parent company and its owner is quite interesting. Aker Solutions is one of many companies owned and operated by Norwegian billionaire Mr. Kjell Inge Røkke. Mr. Røkke seems to be quite cognizant of differing clearing prices for assets in the constellation of related industries with which he is familiar, along with their cyclical characteristics. Given both the greater business volatility of Kvaerner, including the temporarily weakened sales and earnings of Kvaerner's smaller downstream business—which is masking overall potential earnings—the spin-off of Kvaerner can have the expectation of producing a higher multiple for New Aker Solutions. Obviously, this should be great important to Mr. Røkke, since New Aker Solutions is expected to support a market capitalization many times that of Kvaerner. Such a transaction could be very productive for Mr. Røkke in terms of cost of capital for the combined businesses. He is, after all, going to own both pieces. Ultimately, with an owner-operator in charge, such transactional decisions appear to come down to a desire to improve the overall cost of capital.

With respect to the potential valuation, if one were to capitalize the New Aker Solutions and Kvaerner businesses at conservative enterprise value-to-EBITDA multiples of 8.0 times (i.e., Kvaerner) and 9.5 times (i.e., New Aker Solutions), the combined market capitalizations result in sum-of-the-parts fair values of NOK 120.95, NOK 146.32, and NOK 179.47 per share. That is, for New Aker Solutions, NOK 93.50, NOK 104.45, and NOK 128.24 per share; and, for Kvaerner, NOK 27.45, NOK 41.87, and NOK 51.24 per share. At the current share price of NOK 109.50, such per share fair values are equivalent to cumulative rates of return of 10.5 percent, 33.6 percent, and 63.9 percent, respectively.

The potential for improved profitability in the downstream segment—or, more simply, the complete divestment of the downstream business—and the macroeconomic dynamic of increasing demand for offshore resources lend credence to the supposition that a recovery in overall profitability is possible. The corresponding rates of return in such scenarios—even in the most conservative case—suggest that the reader carefully consider both Kvaerner and New Aker Solutions as potential investment opportunities. This is especially true for Kvaerner, whose opening share price as of July 8th of NOK 14.00 is suggestive of very little in the way of improving profitability.

The last day to trade in the shares of Aker Solutions with entitlement to participate in the demerger was Thursday, July 7, 2011. Kvaerner shares will trade on a 'when-issued' basis beginning on Friday, July 8, 2011, with 'regular-way' trading beginning on Wednesday, July 13, 2011. Shareholders will receive one Kvaerner share for every one Aker Solutions share held as of the record date on Tuesday, July 12, 2011. Importantly, the distribution of such shares is expected to be tax free.

Company Overview

History

Kvaerner ASA was founded in Oslo in 1853 as an engineering and construction services company. Beginning in the late 1980s, however, Kvaerner engaged in a series of transactions, which resulted in the assemblage of a collection of engineering and industrial businesses, including shipping and shipbuilding, off-shore oil and gas platform construction, and the production of pulp and paper manufacturing equipment. This acquisitive period culminated in the company's purchase of UK conglomerate Trafalgar House plc in June of 1996.

At the time of the acquisition, Trafalgar House's interests included property investment, property development, engineering and construction, shipping, hotels, energy, and publishing.[6] Unfortunately, Kvaerner's acquisitive strategy, over leveraged capital structure, and challenging macroeconomic conditions during the late 1990s resulted in a series of divestitures, beginning in May 1998 with the company's sale of the Cunard Cruise Ship Line to Carnival Corp.

This series of divestitures—ultimately amounting to over three dozen—culminated in Kvaerner's acquisition by Aker Maritime ASA in March 2002.[7] The merger brought together Kvaerner's building and heavy construction expertise with Aker Maritime's oil field machinery and equipment operations. The new company was subsequently renamed Aker Kvaerner ASA and became Aker Solutions on April 3, 2008.

Aker Solutions is one of many companies owned and operated by Norwegian billionaire Mr. Kjell Inge Røkke. Through his primary holding company Aker ASA, Mr. Røkke owns direct interests in five industrial operating companies, as well as several indirect interests thorough the company's majority ownership of three fund management companies. The direct holdings include Aker Solutions, Aker Drilling, Det Norske Oljeselskap, Aker BioMarine, and privately-held Aker Clean Carbon.

[6] The history of Trafalgar House plc is interesting in and of itself. In the 1950s and with the backing of a small financial concern called Eastern International, a young developer named Nigel Broackes began buying and developing former World War II bomb sites across Britain. Such investment activity formed the basis of what became Trafalgar House. The company was listed on the LSE in 1963 when Broackes was only 29. See *A Growing Concern* by Nigel Broackes and *Property Boom* by Oliver Marriott for more information. At the time of the acquisition, Hongkong Land Holdings Limited (HKL SP) owned approximately 26 percent of Trafalgar House equity. Hongkong Land is 50 percent-owned by Jardine Strategic Holdings Limited (JS SP), which, in turn, is 81 percent-owned by Jardine Matheson Holdings Limited (JM SP). The history of 'Jardines' is commended to the readers' attention as well, notably through such books as *Jardine Matheson: Traders of the Far East* by Robert Blake, *China Trade and Empire: Jardine, Matheson & Co. and the Origins of British Rule in Hong Kong, 1827-1843* by Alain Le Pichon, *A Business in Risk: Jardine Matheson and the Hong Kong Trading Industry* by Carol M. Connell, *The Thistle and The Jade: A Celebration of 175 Years of Jardine, Matheson & Co.* by Maggie Keswick, and *Western Enterprise in Late Ch'ing China: A Selective Survey of Jardine, Matheson & Company's Operations, 1842-1895* by Edward LeFevour.

[7] At the time, the competing offer for Kvaerner was from Russian oil firm Yukos.

The majority-owned fund management companies include Converto Capital Management, Oslo Asset Management, and Norron Asset Management.[8] Through such funds, Mr. Røkke controls—or, exercises significant influence over—Aker Seafoods ASA, Aker Floating Production ASA, Aker Philadelphia Shipyard ASA, and American Shipping ASA, among others.

The Aker Group of Companies (Publicly Traded)

Ticker	Company	Primary Shareholder	Close. Held	Mkt Cap (NOK)	Mkt Cap (USD)	Effect Mkt Cap (USD)
AKER NO	Aker ASA	TRG Holding	66.7%	10,096	1,835	612
AKSO NO	Aker Solutions ASA	Aker Holding	40.3%	29,619	5,382	3,215
AKD NO	Aker Drilling ASA	Aker Capital	41.1%	4,787	870	513
DETNOR NO	Det Norske Oljeselskap ASA	Aker Capital	40.4%	3,122	567	338
AKBM NO	Aker BioMarine ASA	Aker Seafoods Holding	83.3%	1,911	347	58
AKS NO	Aker Seafoods ASA	Converto Capital Fund	65.9%	671	122	42
AMSC NO	American Shipping ASA	Converto Capital Fund	19.9%	138	25	20
AKFP NO	Aker Floating Production ASA	Converto Capital Fund	72.3%	63	12	3
AKPS NO	Aker Philadelphia Shipyard ASA	Converto Capital Fund	71.2%	68	12	4

Source: Company Reports, Bloomberg

By way of background, Mr. Røkke began his business career with the purchase of a 69-foot trawler in Alaska in 1982 at the age of 24. Following this seemingly inconsequential purchase, Mr. Røkke gradually built a leading worldwide fisheries business, focused on the harvesting and ocean-going processing of white fish. In 1996, the Røkke controlled company RGI purchased enough Aker shares to become Aker's largest shareholder, later merging RGI with Aker. As of May 30, 2011, Mr. Røkke—through his investment company TRG Holding AS and subsidiaries—held 66.67 percent of Aker ASA.

[8] Per Aker ASA's website: "Of Aker's NOK 21.4 billion total assets, NOK 1.6 billion are invested in Converto Capital Fund and AAM Absolute Return Fund . . . The funds' capital is actively managed by Converto Capital Management and Oslo Asset Management. In 2010, Aker co-establish Norron Asset Management in Stockholm. Norron will launch its first funds in 2011, with Aker investing in fund shares . . . Oslo Asset Management (formerly Aker Asset Management) established and has managed the hedge fund AAM Absolute Return Fund since December 2005. The fund's total [return], since start-up in 2005 through year-end 2010 is 72.3 percent . . . Of the USD 410 million managed by AAM Absolute Return Fund, Aker's investment is 12.5 percent. External investors hold 87 percent of fund shares . . . Oslo Asset Management is owned [50.1] percent by Aker; the management company's employees own the remaining 49.9 percent . . . Converto Capital Management, which was established 1 July 2009, manages Converto Capital Fund. The fund is a leading shareholder in the listed companies Aker Seafoods (65.9 percent), Aker Floating Production (72.3 percent), Aker Philadelphia Shipyard (67.1 percent), American Shipping Company (19.9 percent), Bokn Invest—the holding company for former Bjørge ASA (39.9 percent), and Ocean Harvest (100 percent). Converto Capital Fund adopts an active and opportunistic methodology in its efforts to further develop the companies in its portfolio. From its establishment through year-end 2010, the securities portfolio had a [return] of 6.3 percent. In 2010, the value of the portfolio grew 1.3 percent to NOK 1.46 billion. Aker holds 99.8 percent of the fund's capital. Aker owns 90 percent of the fund's management company, Converto Capital Management." Notably, Mr. Røkke—through Converto—has placed a focused on establishing a presence in the U.S. Jones Act shipping and shipbuilding market. His son recently became President and CEO of Aker Philadelphia Shipyard ASA. Though quite small, the company trades at little more than 10 percent of book value. Moreover, there has been a significant degree of both parental support (i.e., loan guarantees) and local political support. See Philadelphia Inquirer article for more background information.

Old Aker Solutions

In 2010, Aker Solutions operated with four reportable business segments. Per the company's annual report, the business segments might be characterized as follows:

Energy Development & Services (ED&S) develops new oil and gas production facilities offshore and on land, as well as life cycle services for the operational phase of such installations. The business area delivers the full value chain from studies, front-end design and detailed engineering, through procurement, project management, fabrication and hook-up, to installation, maintenance and modifications. The engineering, procurement, and construction business (i.e., Kvaerner), operated as part of ED&S.

Subsea is a global provider across the value chain of subsea and sub-surface technologies, solutions and services. Subsea offerings cover all phases of the life of fields, from concept screening and design through manufacturing, installation and commissioning to operational support and maintenance services. Subsea's ability as a provider of subsea production systems is backed by an extensive portfolio of additional capabilities such as well services, marine operations and geological services.[9]

Products & Technologies (P&T) is a leading global provider of specialized products and services to the upstream oil and gas industry, based on proprietary technology and know-how. Key deliverables include advanced drilling equipment, systems and risers, upstream processing technology and mooring systems, as well as loading and offloading technology.

Process & Construction (P&C) is a global provider of onshore engineering and construction services to the natural resources and energy markets. P&C supplies niche process expertise with high-technology content and know-how for projects across chemicals, polymers, syngas and refining, mining and metals, onshore liquefied natural gas (LNG) receiving terminals, power generation, biofuels, carbon capture, acid plants, nuclear plants, and water treatment.

New Aker Solutions & Kvaerner

Upon completion of the demerger, Kvaerner will retain its traditional business of providing engineering, procurement, and construction services for both the upstream and downstream markets. The upstream business segment will focus on the development of deepwater and harsh environment oil and gas production facilities, with the downstream business segment focusing on the oil and gas, energy, environmental, and industrial construction markets. New Aker Solutions will retain a pure focus on upstream oil and gas projects, providing product, field life, and engineering solutions for new and aging deepwater developments.

[9] On March 1, 2011, Aker Solutions completed the sale of subsidiary Aker Marine Contractors (AMC) to Singapore-listed Ezra Holdings Ltd. In the transaction, AMC was valued at USD 250 million. Ezra will pay Aker Solutions USD 50 million in cash, USD 100 million in shares in Ezra Holdings Ltd, and USD 50 million in a convertible bond with maturity after 36 months. The final USD 50 million will be settled in cash on and subsequent to delivery of the AMC connector vessel. Upon delivery of AMC connector, Ezra will take 50 percent ownership in the vessel owning company. AMC is part of Subsea business area.

Kvaerner's primary products are both upstream and downstream in orientation and are organized across two business segments: upstream and downstream & industrials. The Upstream business segment includes four different business areas, namely North Sea, Jackets, Concrete, and International. The company's primary products are expected to be as follows:

- *Onshore upstream oil and gas facilities in Norway*
- *Offshore topside facilities for the North Sea market and selected international markets*: The company's topside facilities have been designed and built for installation on steel jackets and concrete gravity base structures (described below), as well as for various types of floating facilities. Topside facilities include the following types of facilities: oil and gas treatment; oil and gas storage, offloading, and export; utility and process support systems; drilling facilities; and living quarters. Shown below is the Gjøa semisubmersible with topside by Kvaerner (i.e., facilities on top of the green pillars).

- *Floating oil and gas facilities for the North Sea market and selected international markets*: Floating oil and gas facilities include semisubmersible drilling and production platforms (e.g., Gjøa semisubmersible production platform shown above; floating production, storage, and offloading vessels (FPSO); and tension leg platforms. Shown below are the Aker H-6e and H-3 drilling rigs and, in the distance, the Norne FPSO.

- *Concrete gravity base structures for offshore platforms globally*: Kvaerner provides design, construction, and installation of marine concrete structures for the upstream oil and gas industry, including concrete substructures for offshore platforms (fixed and floating), concrete gravity base structures (GBS) for liquefied natural gas (LNG) production and receiving terminals, concept development and front-end engineering and design (FEED), engineering and construction management, site construction and marine operations. Shown below are concrete GBSs for the Sakhalin-II field development project in offshore Russia.

- *Steel jackets for the North Sea oil & gas market and steel wind jackets for the European wind industry*: An oil and gas production platform may be said to consist of two components: the substructure and the superstructure. The superstructure—also referred to as the 'topside'—is mounted on the substructure, which is typically either a steel tubular jacket or a pre-stressed concrete structure (highlighted above). Shown below is the jacket delivered by Kvaerner to the Valhall field in the North Sea.

- *Field Development Services*: in addition to the construction and heavy machinery operations highlighted above, the field development sub-segment also comprises FEED and EPC contracts, onshore receiving and processing facilities, riser systems, studies and front end services, including technology development, flow assurance, dynamic process simulation, weight and cost estimating, value engineering, third party verification, hazop and hazid management, safety analyses, and structural analysis;

Kvaerner's primary downstream products are expected to be as follows:

- *Onshore industrial facilities for the North American construction market*: This segment includes the environmental solutions and technologies business of Union Construction and the operations associated with the engineering, procurement, and construction of power generation facilities, steel mills, as well as the construction of vapor recovery units for oil and gas industry, among other industries.

New Aker Solution's primary products are all upstream in orientation and are organized across three business segments: Product Solutions, Field Life Solutions, and Engineering Solutions. The primary products are expected to be as follows:[10]

- *Drilling Equipment and Services*: BOP handling equipment, compensators and tensioners, control rooms and cabins, drillfloor equipment, drilling control and monitoring systems, drilling equipment simulators, drilling fluid management, drilling rig packages, drilling risers, handling tools, hoisting systems, hydraulic power units, mud pumps, personnel lifting, pipe handling equipment, top drives; drilling lifecycle services, deck machinery, mooring and loading systems, loading arms, and steering gear;

- *Maintenance, Modification, and Operations Services*: studies and front-end services, including decommissioning and technology services. The group's technology services include riser and umbilical analysis, structural reanalysis, structural fire analysis, advanced hydrodynamic analysis, structural inspection and maintenance, asset integrity management, technical integrity management services, weight and stabilit/y services, safety integrity level analysis, hazop analysis, asset management, dynamic process simulations, 3D laser scanning, and flow assurance.

- *Subsea and Subsurface Equipment and Services*: reservoir evaluation services; subsea lifecycle services; subsea production systems and technologies, including subsea intervention and workover systems, manifolds and structures, power, processing and boosting systems, control systems, wellheads, umbilicals and power cables, subsea trees, and tie-in connection systems; surface trees and wellheads; and well intervention services.

- *Wellstream Processing Equipment and Services*: ancillary systems—such as chemical injection, lubrication and hydraulic systems—crude oil separation, gas processing, heavy oil, hydrate inhibition, process fabrication, water injection, and process systems lifecycle service and support.

[10] In the digital version of this report, each of the product names is linked to a more detailed description of that product. All product descriptions can be found on the company's website at www.akersolutions.com.

Valuation

The competitive landscape in which Aker Solutions operates is comprised of companies across a range of industries, including building and heavy construction, oil field services, engineering and research and development services, and shipbuilding, among others.[11] As well, the company operates in both the upstream and downstream markets. The company's primary, publicly traded competitors are listed below, as are their historical EBITDA and net profit margins.[12] One will undoubtedly observe that Aker Solution's historical margins have been lower than the margins of most of its competitors. It is important to note, however, that the company's lower margins are, in part, the result of a higher percentage of revenue being derived from procurement activities, especially in the company's Energy Development & Services business segment. It is this business segment in which Kvaerner has historically operated (i.e., the engineering, procurement, and construction business).

Company Historical EBITDA & Profit Margins

EBITDA Margins (%)

Co. (Fiscal Yrs. Vary)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Avg	Stdev	Coef
Petrofac Ltd	14.6	15.1	12.6	12.2	10.7	7.5	9.4	7.9	n/a	n/a	11.3	2.9	0.25
Hyundai Heavy Ind.	17.5	12.6	13.0	13.8	10.0	4.4	2.9	7.6	9.5	11.8	10.3	4.4	0.43
WorleyParsons Ltd	9.2	11.2	11.9	9.4	8.7	8.5	10.2	8.7	9.8	n/a	9.7	1.2	0.12
Technip SA	12.6	12.9	10.8	5.5	7.5	7.0	7.2	7.3	7.8	8.0	8.7	2.5	0.29
Samsung Heavy Ind.	9.9	8.2	9.3	7.9	4.7	3.0	3.5	6.6	7.9	9.3	7.0	2.5	0.35
Chicago Bridge & Iron C	9.8	7.9	1.2	5.5	6.1	3.2	6.6	7.6	8.7	8.2	6.5	2.6	0.40
Foster Wheeler AG	8.6	10.1	9.6	10.6	9.5	8.4	3.2	3.2	-2.6	1.7	6.2	4.5	0.72
AMEC PLC	8.7	7.9	8.0	5.5	5.9	4.2	3.5	4.0	3.5	3.8	5.5	2.0	0.37
Aker Solutions ASA	8.2	8.3	5.8	6.8	5.8	5.2	3.8	3.2	1.7	0.8	5.0	2.6	0.52
Fluor Corp	3.5	5.9	5.3	4.5	3.6	3.0	3.9	3.9	3.3	2.9	4.0	1.0	0.25
KBR Inc	6.7	4.9	5.1	3.8	2.2	4.0	-2.6	n/a	n/a	n/a	3.4	3.0	0.87
Average	9.9	9.5	8.4	7.8	6.8	5.3	4.7	6.0	5.5	5.8	7.1	2.7	0.42

Profit Margins (%) (As Reported, Not Adjusted for XO Items)

Co. (Fiscal Yrs. Vary)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Avg	Stdev	Coef
Petrofac Ltd	12.8	9.7	8.0	7.7	6.5	5.0	3.5	3.6	n/a	n/a	7.1	3.2	0.45
WorleyParsons Ltd	5.8	6.7	7.5	6.5	5.8	5.3	8.2	6.9	3.7	n/a	6.3	1.3	0.21
Hyundai Heavy Ind.	16.8	10.2	11.3	11.2	5.7	1.8	0.4	1.4	-3.2	-1.1	5.4	6.6	1.21
AMEC PLC	7.8	6.8	7.7	14.6	10.3	0.1	1.1	1.4	0.3	1.4	5.1	5.0	0.97
Samsung Heavy Ind.	6.8	5.1	5.9	5.7	2.4	1.3	-0.7	3.6	2.5	1.3	3.4	2.4	0.71
Chicago Bridge & Iron C	5.6	3.8	-0.4	3.8	3.7	0.7	3.5	4.1	4.4	1.8	3.1	1.8	0.59
Technip SA	6.9	2.6	6.0	1.6	2.9	1.7	2.2	-0.4	-0.7	3.0	2.6	2.4	0.93
Aker Solutions ASA	4.2	4.6	2.5	4.1	7.4	3.0	1.4	-1.1	-0.5	-2.2	2.3	3.0	1.28
Fluor Corp	1.7	3.1	3.2	3.2	1.9	1.7	2.0	1.8	1.6	0.2	2.0	0.9	0.45
KBR Inc	3.2	2.4	2.8	3.5	1.9	2.4	-2.5	n/a	n/a	n/a	1.9	2.0	1.06
Foster Wheeler AG	5.3	6.9	7.7	7.7	7.5	-5.0	-10.7	-4.2	-14.9	-9.9	-1.0	8.9	-9.26
Average	7.0	5.6	5.6	6.3	5.1	1.6	0.8	1.7	-0.7	-0.7	3.5	3.4	-0.13

Source: Company Reports, Bloomberg

[11] The industry designations are as follows: building and heavy construction: Aker Solutions, CB&I; oil field services: AMEC, Technip, Petrofac; engineering and research and development services: Fluor, Foster Wheeler, KBR, WorleyParsons; shipbuilding: Hyundai Heavy Industries and Samsung Heavy Industries.

[12] Private competitors include companies such as Bechtel.

The company's EPC business—and EPC businesses, in general—often procure a substantial amount of third-party products and services for their end customers. For Kvaerner, typically between 40 percent and 70 percent of revenue from projects is derived from procurement activities. These procured products and services are either sold to customers at cost or at a relatively low profit margin. Although such lower margin procurement activities are necessary in a projects business, and provide both revenues and profits, they have a negative effect on the overall profit margin.

Comparatively, Kvaerner's competitors who do not install entire projects tend to report higher profit margins due to their limited procurement activities. On a pro forma basis—that is, after taking into account the recent sales of a portion of the company's P&C business to Jacobs Engineering Group and 50 percent of Aker Marine Contractors to Singapore-based Ezra Holdings—the margin impact of Kvaerner's procurement activities is reflected in the wide differential between the margins of New Aker Solutions and Kvaerner, as illustrated in the exhibit below.[13]

New Aker Solutions ASA & Kvaerner ASA Pro Forma Performance

	Revenue			EBITDA			EBITDA Margin		
Division	AKSO	KVAER	Total	AKSO	KVAER	Total	AKSO	KVAER	Total
2008	39,476	13,253	52,729	3,555	-845	2,710	9.0%	-6.4%	5.1%
2009	37,532	12,324	49,856	3,804	291	4,095	10.1%	2.4%	8.2%
2010	33,030	13,241	46,271	3,118	488	3,606	9.4%	3.7%	7.8%
Q1 10	7,437	3,213	10,650	936	281	1,217	12.6%	8.7%	11.4%
Q2 10	7,904	2,851	10,755	808	-35	773	10.2%	-1.2%	7.2%
Q3 10	7,863	3,242	11,105	745	97	842	9.5%	3.0%	7.6%
Q4 10	9,826	3,935	13,761	629	145	774	6.4%	3.7%	5.6%
Q1 11	7,646	3,732	11,378	620	479	1,099	8.1%	12.8%	9.7%
Avg.	8,135	3,395	11,530	748	193	941	9.4%	5.4%	8.3%
L12M	33,239	13,760	46,999	2,802	686	3,488	8.4%	5.0%	7.4%
Alloc. (%)	71%	29%	100%	80%	20%	100%	n/a	n/a	n/a

Source: Company Reports

[13] The company has only provided pro forma figures for Kvaerner from 2008 through 2010. Historically, Kvaerner operated as part of Aker Solution's Energy Development & Services business segment, some of which will remain with New Aker Solutions. Also, detailed pro forma figures are not provided for New Aker Solutions for 2008, 2009, and 2010; however, one can arrive at estimates for 2008, 2009, and 2010 using information provided in the company's 2010 Annual Report (i.e., pages 37 and 38), 2008 Annual Report (i.e., pages 85 and 86), and in the company's press release—specifically, appendix 1 and appendix 2—regarding the sale of a portion of the P&C business to Jacobs Engineering Group. Specifically, New Aker Solutions 2009 and 2010 revenue estimates of NOK 37,532 million and NOK 33,030 million use 2009 and 2010 total revenue (i.e., adjusted for the Ezra Holdings transaction and the P&C sale to Jacobs) of NOK 49,856 million and NOK 46,271 million, less Kvaerner's pro forma 2009 and 2010 revenue of NOK 12,324 million and NOK 13,241 million. The same process was used for New Aker Solutions 2009 and 2010 EBITDA estimates. For New Aker Solutions 2008 revenue and EBITDA estimates, revenue and EBITDA provided for the sold P&C business in appendix 1 and appendix 2 were deducted from total revenue and EBITDA as they appear in the 2008 Annual Report. The 2008 estimates do not adjust for the sale of Aker Marine Contractors to Ezra Holdings.

During the last twelve months, the upstream and downstream business segments have accounted for 73 percent and 27 percent of total revenue, respectively. Though Kvaerner's procurement activities may account for a certain degree of the margin differential, both the upstream and downstream businesses have struggled, albeit at different times during the last three years. For example, on a pro forma basis, Kvaerner has reported trailing twelve month EBITDA of NOK 686 million; however, this includes the performance of the downstream operations, which reported EBITDA of *negative* NOK 485 million. If the downstream operations were to merely break even, Kvaerner's trailing twelve month EBITDA would amount to approximately NOK 1,171 million.[14]

Kvaerner ASA Pro Forma Segment Performance

	Revenue			EBITDA			EBITDA Margin		
Division	Up	Down	Total	Up	Down	Total	Up	Down	Total
2008	8,714	4,539	13,253	-1,018	173	-845	-11.7%	3.8%	-6.4%
2009	7,050	5,274	12,324	-24	315	291	-0.3%	6.0%	2.4%
2010	9,192	4,049	13,241	928	-440	488	10.1%	-10.9%	3.7%
Q1 10	2,145	1,068	3,213	233	48	281	10.9%	4.5%	8.7%
Q2 10	1,739	1,112	2,851	29	-64	-35	1.7%	-5.8%	-1.2%
Q3 10	2,195	1,047	3,242	234	-137	97	10.7%	-13.1%	3.0%
Q4 10	3,113	822	3,935	431	-286	145	13.9%	-34.8%	3.7%
Q1 11	3,059	673	3,732	476	3	479	15.6%	0.4%	12.8%
Avg.	2,450	944	3,395	281	-87	193	10.5%	-9.8%	5.4%
L12M	10,106	3,654	13,760	1,171	-485	686	11.6%	-13.3%	5.0%
Alloc. (%)	73%	27%	100%	171%	-71%	100%	n/a	n/a	n/a

New Aker Solutions will operate across three business segments: Product Solutions, Field Life Solutions, and Engineering Solutions. During the last twelve months, Product Solutions, Field Life Solutions, and Engineering Solutions have accounted for 56 percent, 34 percent, and 10 percent of total revenue, respectively. While longer-term pro forma figures are not available at the business segment level, total revenue and EBITDA for 2008 through 2010 reflect the greater stability of the services oriented New Aker Solutions business (i.e., as opposed to the building and construction orientation of Kvaerner).

New Aker Solutions ASA Pro Forma Segment Performance

	Revenue				EBITDA				EBITDA Margin			
Division	Prod.	Field	Engin.	Total	Prod.	Field	Engin.	Total	Prod.	Field	Engin.	Total
2008	n/a	n/a	n/a	39,476	n/a	n/a	n/a	3,555	n/a	n/a	n/a	9.0%
2009	n/a	n/a	n/a	37,532	n/a	n/a	n/a	3,804	n/a	n/a	n/a	10.1%
2010	18,403	11,113	3,514	33,030	1,591	1,235	292	3,118	8.6%	11.1%	8.3%	9.4%
Q1 10	4,024	2,472	941	7,437	541	242	153	936	13.4%	9.8%	16.3%	12.6%
Q2 10	4,468	2,682	754	7,904	483	362	-37	808	10.8%	13.5%	-4.9%	10.2%
Q3 10	4,171	2,820	872	7,863	382	293	70	745	9.2%	10.4%	8.0%	9.5%
Q4 10	5,740	3,139	947	9,826	185	338	106	629	3.2%	10.8%	11.2%	6.4%
Q1 11	4,351	2,670	625	7,646	414	139	67	620	9.5%	5.2%	10.7%	8.1%
Avg.	4,551	2,757	828	8,135	401	275	72	748	9.2%	9.9%	8.3%	9.4%
L12M	18,730	11,311	3,198	33,239	1,464	1,132	206	2,802	7.8%	10.0%	6.4%	8.4%
Alloc. (%)	56%	34%	10%	100%	52%	40%	7%	100%	n/a	n/a	n/a	n/a

Note: The three segments are Product Solutions, Field Life Solutions, and Engineering Solutions.
Source: Company Reports

[14] Note that in the table, the sum of upstream and downstream does not always equal the total figure for the Kvaerner Group as reported in the Listing Prospectus due to eliminations and corporate costs.

Despite the fact that longer-term pro forma business segment figures are not available, one should note the performance of the Energy Development & Services, Subsea, Products & Technologies, and Process & Construction business segments, as reported historically by the company. While such segments do not precisely coincide with the division that will result from the demerger of Kvaerner, generally speaking, Subsea and Products & Technologies will stay with New Aker Solutions, as will components of the ED&S business segment. A larger portion of the ED&S segment will be transferred to Kvaerner, as will the portion of the Process & Construction business segment not sold to Jacobs Engineering Group.[15] As illustrated below—and as confirmation of the relative stability and consistency of New Aker Solutions margins—the Subsea and Process & Technology business segments (i.e., New Aker Solutions) have historically been far less sensitive to the vagaries of macroeconomic conditions than those segments that will comprise Kvaerner.[16]

Aker Solutions ASA Historical Operating Performance

			Revenue		
AKER	ED&S	Subsea	P&T	P&C	Total
2007	26,125	9,851	12,353	10,393	58,722
2008	22,684	11,206	14,216	10,702	58,808
2009	19,827	12,972	12,729	9,534	55,062
2010	20,876	11,844	10,206	8,703	51,629
Avg.	22,378	11,468	12,376	9,833	56,055

			EBITDA					EBITDA Margins		
AKER	ED&S	Subsea	P&T	P&C	Total	ED&S	Subsea	P&T	P&C	Total
2007	1,421	960	959	746	4,086	5.4%	9.7%	7.8%	7.2%	7.0%
2008	-475	1,228	1,448	904	3,105	-2.1%	11.0%	10.2%	8.4%	5.3%
2009	1,116	1,399	1,304	484	4,303	5.6%	10.8%	10.2%	5.1%	7.8%
2010	2,040	1,170	859	213	4,282	9.8%	9.9%	8.4%	2.4%	8.3%
Avg.	1,026	1,189	1,143	587	3,944	4.7%	10.3%	9.2%	5.8%	7.1%

			EBIT					EBIT Margins		
AKER	ED&S	Subsea	P&T	P&C	Total	ED&S	Subsea	P&T	P&C	Total
2007	1,294	848	887	722	3,751	5.0%	8.6%	7.2%	6.9%	6.4%
2008	-568	1,062	1,263	879	2,636	-2.5%	9.5%	8.9%	8.2%	4.5%
2009	940	949	1,133	461	3,483	4.7%	7.3%	8.9%	4.8%	6.3%
2010	1,906	653	730	183	3,472	9.1%	5.5%	7.2%	2.1%	6.7%
Avg.	893	878	1,003	561	3,336	4.1%	7.7%	8.0%	5.5%	6.0%

Source: Company Reports

With respect to valuation, the prevailing multiples of the company's competitors operating in the building and heavy construction and shipbuilding segments are suggestive of a discount to those companies in the oil field services and engineering and research and development services industries—that is, the heavy construction groups tend to trade at

[15] For the financials of the Process & Construction business segment retained by Kvaerner, as well as the financials for that portion sold to Jacobs Engineering Group, please see Appendix C of this report.

[16] Though, one must allow for the fact that this, too, is a relatively brief observation period. One can use a longer observation period than that shown here, though this business segment reporting format changes before 2007. Also, please note that the figures presented above are total revenue, total EBITDA, and total EBIT unadjusted for eliminations and do not include revenue, EBITDA, or EBIT derived from unassigned groups within Aker Solutions. The figures above are presented in this format to illustrate only the ED&S, Subsea, P&T, and P&C business segments, which comprise substantially all of the revenue, EBITDA, and EBIT of Aker Solutions.

approximately 9.0 times earnings before interest, taxes, depreciation and amortization, whereas the services groups tend to trade at approximately 10.5 times. More broadly, the median Western European heavy construction company trades at a multiple of approximately 8.0 times, whereas the median oil services company trades at approximately 9.5 times. Therefore, for Kvaerner a multiple range of 8.0 to 9.0 times and for New Aker Solutions a multiple range of 9.5 to 10.5 times seem appropriate as a first approximation.

As of July 01, 2011, In Millions NOK

Ticker	Company	Mkt. Cap.	Entp. Val.	2010 Sales	D&A / Sales	P/E	Est. P/E	P/B	P/S	EV / EBITDA	'10 Net Marg.	Div. Yld.
AKSO NO	Aker Solutions ASA	30,003	29,108	46,109	1.93%	13.3	13.5	2.2	0.63	8.35	4.2%	2.5%
CBI US	Chicago Bridge & Iror	21,347	19,620	22,020	2.00%	18.8	16.6	3.6	1.05	8.99	5.6%	n/a
AMEC LN	AMEC PLC	31,592	25,231	27,548	1.28%	15.1	16.0	2.9	1.22	10.56	7.8%	2.7%
TEC FP	Technip SA	63,649	53,682	48,698	2.39%	18.7	18.6	2.5	1.28	8.78	6.9%	2.0%
PFC LN	Petrofac Ltd	45,550	40,167	26,324	2.20%	14.9	16.4	10.7	1.91	10.42	12.8%	2.4%
FLR US	Fluor Corp	59,947	47,980	126,046	0.91%	27.0	19.4	3.3	0.54	10.66	1.7%	0.8%
FWLT US	Foster Wheeler AG	20,289	15,509	24,592	1.33%	22.6	20.4	3.8	0.92	9.45	5.3%	n/a
KBR US	KBR Inc	30,753	26,734	61,054	0.61%	15.2	16.1	2.4	0.59	6.18	3.2%	0.5%
WOR AU	WorleyParsons Ltd	38,836	41,968	26,630	1.82%	24.2	21.8	4.0	1.27	16.59	5.8%	3.6%
009540 KS	Hyundai Heavy Ind.	171,063	185,250	117,081	2.20%	7.2	8.7	2.0	1.21	9.02	16.8%	1.6%
010140 KS	Samsung Heavy Ind.	55,803	62,465	68,215	2.29%	11.7	12.0	2.7	0.79	9.22	6.8%	1.0%
Median	n/a	38,836	40,167	46,109	1.93%	15.2	16.4	2.9	1.05	9.22	5.8%	2.0%
Median (Services)		38,836	40,167	27,548	1.33%	18.7	18.6	3.3	1.22	10.42	5.8%	2.2%

Source: Company Reports, Bloomberg

During the last twelve months ended Q1 2011, New Aker Solutions and Kvaerner reported EBITDA of NOK 2,802 million and NOK 686 million, respectively. Notably, however, due to the recent underperformance of Kvaerner's downstream segment, the potential earnings power is somewhat masked. That is, Kvaerner's recent performance is comprised of NOK 1,171 million from the upstream segment and *negative* NOK 485million from the downstream segment. Importantly, the downstream segment has not perpetually been an underperforming business; in fact, in 2009, it reported EBITDA of NOK 315 million.

Valuation: New Aker Solutions ASA & Kvaerner ASA

New Aker Solutions	AKSO 1	*AKSO 2*	*AKSO 3*
L12M/Potential EBITDA	2,802	*3,118*	*3,804*
x Multiple	9.50	*9.50*	*9.50*
= Est. Entp. Val.	26,619	*29,621*	*36,138*
Less: Net Debt	1,001	*1,001*	*1,001*
= Est. Mkt. Cap.	25,618	*28,620*	*35,137*
Div: Shs. Out.	274	*274*	*274*
= Est. Px Per Sh.	93.50	*104.45*	*128.24*
Kvaerner	**KVAER 1**	***KVAER 2***	***KVAER 3***
L12M/Potential EBITDA	686	*1,171*	*1,486*
x Multiple	8.00	*8.00*	*8.00*
= Est. Entp. Val.	5,488	*9,366*	*11,886*
Less: Net Debt	(1,896)	*(1,896)*	*(1,896)*
= Est. Mkt. Cap.	7,384	*11,262*	*13,782*
Div: Shs. Out.	269	*269*	*269*
= Est. Px Per Sh.	27.45	*41.87*	*51.24*
Sum-of-the-Parts	120.95	*146.32*	*179.47*
Current Price	109.50	*109.50*	*109.50*
Cuml. ROR	10.5%	*33.6%*	*63.9%*

Source: Company Reports

If one assumes that the downstream segment merely returns to a modest or breakeven level of profitability, Kvaerner's total EBITDA would be NOK 1,171 million; further, if the downstream segment were to perform as it did in 2009 (i.e., NOK 315 million)—given the current level of upstream EBITDA (i.e., NOK 1,171 million)—Kvaerner's total EBITDA would be NOK 1,486 million. As well, New Aker Solution's trailing twelve month EBITDA of NOK 2,802 million is substantially below those figures recorded in 2009 and 2010, or NOK 3,804 million and NOK 3,118 million, respectively.

At the more conservative enterprise value-to-EBITDA multiples of 8.0 times (i.e., Kvaerner) and 9.5 times (i.e., New Aker Solutions), the resulting combined market capitalizations result in sum-of-the-parts fair values of NOK 120.95, NOK 146.32, and NOK 179.47 per share, as illustrated above. At the current share price of NOK 109.50, such per share fair values are equivalent to cumulative rates of return of 10.5 percent, 33.6 percent, and 63.9 percent. With respect to the capital structures of New Aker Solutions and Kvaerner, *pre-demerger* Aker Solutions has total debt of NOK 5,387, total cash of NOK 4,935 million, and total interest bearing receivables of NOK 1,347 million—that is, net debt of *negative* NOK 895 million (i.e., positive net cash).

Upon completion of the demerger Kvaerner will have NOK 500 million in debt drawn from a new term loan, other loans of NOK 6 million, total cash of NOK 2,400 million, and total interest bearing receivables of NOK 2 million—that is, pro forma net debt of *negative* NOK 1,896 million (i.e., positive net cash), implying that net debt for New Aker Solutions will be NOK 1,001 million, a conservative amount of net debt given trailing twelve month EBITDA of NOK 2,802 million and, importantly, a more leveraged capital structure than that of Kvaerner.[17] In other words, the conservative use of relatively greater leverage should ultimately benefit the investor in Aker Solutions. Obviously, such benefits are contingent upon the continued profitability of the business; however, the historical record is suggestive of relatively stable performance.[18]

[17] One should note that while the current net cash position is NOK 1,896 million, by year end 2011, one might expect net cash closer to approximately NOK 1,300 million due to certain customer payments.
[18] Note that the available history is limited; though, it is inclusive of the 2007 though 2010 period, during which time New Aker Solutions—and the business segments now part of New Aker Solutions (e.g., Subsea)—performed quite well.

Investment Summary

Kvaerner's downstream operations have clearly struggled as of late due to the completion of the Cameron Liquid Natural Gas Project and the reversal of previously recognized profits related to the construction of a 700 megawatt coal fired power plant (i.e., the Longview Project). As well, the recent order intake history is suggestive of continued negative to modest performance in the downstream segment. And, though Kvaerner's historical results and the nature of recent losses suggest the potential for a return to profitability in the downstream segment, in the event that the business continues to struggle, the mere sale of the group is all that is required to significantly increase Kvaerner's overall level of profitability.

Kvaerner Backlog & Intake

	Backlog			Intake		
	Up	Down	Total	Up	Down	Total
Q1 10	11,387	5,066	16,453	1,342	298	1,640
Q2 10	10,648	5,356	16,004	995	1,053	2,048
Q3 10	12,735	4,683	17,418	3,426	819	4,245
Q4 10	10,376	2,059	12,435	755	531	1,286
Q1 11	14,273	1,404	15,677	6,955	104	7,059

Source: Company Reports

More importantly, despite the recent Deepwater Horizon tragedy in the Gulf of Mexico, the most significant oil discoveries are being made in deep water, recent examples being discoveries off of the coasts of Brazil and West Africa. This is expected to continue. Moreover, the upstream products manufactured by Kvaerner, such as semisubmersibles, floating production, storage, and offloading vessels, and gravity base structures are more unique and less commoditized than the traditional jack-up rig, for example, and, therefore, are less subject to issues of oversupply and competitive pricing pressure. Such specialized products should benefit Kvaerner in an environment of increasing offshore oil demand.

In an environment of increasing demand for offshore resources, such specialized products will undoubtedly benefit Kvaerner; however, the same can be said for New Aker Solutions. The primary difference appears to be the relatively lower variability in those profits derived from services as compared to heavy equipment. Even in the event of a decline in offshore exploration—which would significantly impact the operations of Kvaerner—the services provided by Aker Solutions designed to maintain and extend the output of existing fields will continue to be in demand. In other words, one should expect Kvaerner's performance to exhibit a greater degree of sensitivity to oil prices.

The potential for improved profitability in the downstream segment—or, more simply, the complete divestment of the downstream segment—and the macroeconomic dynamic of increasing demand for offshore resources lend credence to the supposition that a recovery in overall profitability is possible. The corresponding rates of return in such scenarios—even in the most conservative case—suggest that the reader carefully consider both Kvaerner and New Aker Solutions as potential investment opportunities. This is especially true for Kvaerner, whose opening share price as of July 8th of NOK 14.00 is suggestive of very little in the way of improving profitability.

Appendix A: 2010 Annual Financial Statements – Aker Solutions ASA[19]

Aker Solutions group

Consolidated income statement 1.1 – 31.12

Amounts in NOK million	*Note*	**2010**	2009
Operating revenue		**46 109**	49 527
Other income		**158**	329
Total revenue and other income	*9*	**46 267**	49 856
Materials, goods and services		**(24 876)**	(27 949)
Salaries, wages and social security costs	*10*	**(12 606)**	(12 511)
Other operating expenses	*11, 12*	**(5 007)**	(5 301)
Total operating expenses		**(42 489)**	(45 761)
Operating profit before depreciation, amortisation and impairment		**3 778**	4 095
Depreciation, amortisation and impairment	*22, 23*	**(871)**	(897)
Operating profit		**2 907**	3 198
Finance income	*13*	**101**	63
Finance expenses	*13*	**(537)**	(565)
Profit (loss) from associated companies and jointly controlled entities	*25*	**(32)**	112
Profit (loss) on foreign currency forward contracts	*13*	**(84)**	161
Profit before tax		**2 355**	2 969
Income tax expense	*14*	**(697)**	(783)
Profit from continuing operations		**1 658**	2 186
Profit from discontinued operations (net of income tax)	*7*	**352**	145
Profit for the period		**2 010**	2 331
Profit for the period attributable to:			
Equity holders of the parent company		**1 957**	2 260
Non-controlling interests		**53**	71
Profit for the period		**2 010**	2 331

Amounts in NOK	*Note*	**2010**	2009
Earnings per share	*32*		
Basic earnings per share		**7.27**	8.40
Diluted earnings per share		**7.25**	8.39
Earnings per share continuing operations			
Basic earnings per share		**5.96**	7.86
Diluted earnings per share		**5.95**	7.85

Aker Solutions group

Consolidated balance sheet as of 31 December

Amounts in NOK million	*Note*	**2010**	2009
Assets			
Non-current assets			
Property, plant and equipment	*22*	**7 494**	6 531
Deferred tax assets	*14*	**487**	389
Intangible assets	*23*	**6 783**	7 915
Employee benefit assets	*30*	**95**	167
Non-current interest-bearing receivables	*24*	**225**	184
Other non-current operating assets		**221**	338
Investments in associated companies and jointly controlled entities	*25*	**424**	423
Investments in other companies	*27*	**157**	135
Total non-current assets		**15 886**	16 082
Current assets			
Current tax assets	*14*	**238**	97
Inventories	*17*	**1 686**	1 417
Trade and other receivables	*16*	**14 870**	18 332
Derivative financial instruments	*21*	**386**	372
Current interest-bearing receivables	*24*	**621**	440
Cash and cash equivalents		**3 198**	3 186
Assets classified as held for sale	*7*	**3 136**	-
Total current assets		**24 135**	23 844
Total assets		**40 021**	39 926

Amounts in NOK million	*Note*	**2010**	2009
Equity and liabilities			
Equity			
Issued capital		**548**	548
Treasury shares		**(9)**	(9)
Other capital paid in		**1 534**	1 534
Reserves		**(763)**	(709)
Retained earnings		**8 855**	7 612
Total equity attributable to the equity holders in Aker Solutions ASA		**10 165**	8 976
Non-controlling interests		**189**	147
Total equity		**10 354**	9 123
Non-current liabilities			
Non-current borrowings	*28*	**7 508**	7 335
Employee benefits obligations	*30*	**647**	910
Deferred tax liabilities	*14*	**829**	692
Other non-current liabilities	*29*	**753**	891
Total non-current liabilities		**9 737**	9 828
Current liabilities			
Current borrowings	*28*	**716**	180
Current tax liabilities	*14*	**115**	211
Provisions	*20*	**1 039**	869
Trade and other payables	*19*	**16 278**	19 370
Derivative financial instruments	*21*	**243**	345
Liabilities classified as held for sale	*7*	**1 539**	-
Total current liabilities		**19 930**	20 975
Total liabilities		**29 667**	30 803
Total liabilities and equity		**40 021**	39 926

[19] See 2010 Annual Report for more details (i.e., pages 18-23).

Aker Solutions group

Consolidated statement of cash flow 1.1 – 31.12

Amounts in NOK million	*Note*	**2010**	2009
Cash flow from operating activities			
Profit for the period continuing operations		**1 658**	2 186
Profit for the period discontinued operations	*7*	**352**	145
Profit for the period		**2 010**	2 331
Adjusted for:			
Income tax expense	*14*	**826**	877
Net interest cost		**460**	411
(Profit) loss on foreign currency forward contracts	*13*	**84**	(161)
Depreciation, amortisation and impairment	*22, 23*	**889**	910
(Profit) loss on disposals and non-cash effects[1]		**(156)**	(332)
(Profit) loss from associated companies and jointly controlled entities		**31**	(114)
Interest paid		**(454)**	(308)
Interest received		**70**	27
Income taxes paid		**(997)**	(1 008)
Changes in other net operating assets		**(632)**	1 612
Net cash from operating activities	*9*	**2 131**	4 245
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired		**(101)**	(1 117)
Acquisition of property, plant and equipment	*22*	**(2 467)**	(2 201)
Proceeds from sale of property, plant and equipment		**742**	40
Proceeds from sale of associates		**24**	622
Other investments		**(82)**	(1 184)
Payment related to increase in interest-bearing receivables		**(225)**	(87)
Net cash from investing activities		**(2 109)**	(3 927)

Amounts in NOK million	*Note*	**2010**	2009
Cash flow from financing activities			
Proceeds from borrowings		**799**	3 341
Repayment of borrowings		**(200)**	(3 116)
Acquisition of non-controlling interests		**(13)**	(78)
Proceeds from non-controlling interests		**8**	-
Repurchase of treasury shares	*31*	**(57)**	(20)
Proceeds from employees share purchase programme	*31*	**56**	46
Dividends paid to non-controlling interests		**(14)**	(20)
Dividends to shareholders in Aker Solutions	*31*	**(700)**	(431)
Net cash from financing activities		**(121)**	(278)
Effect of exchange rate changes on cash and bank deposits		**111**	(882)
Net increase (decrease) in cash and bank deposits		**12**	(642)
Cash and cash equivalents at the beginning of the period		**3 186**	3 828
Cash and cash equivalents at the end of the period[2]		**3 198**	3 186
Of which is restricted cash[3]		**723**	380

1) Includes gain or loss on disposals of property, plant and equipment and gain on acquisitions related to remeasurement of previously held interests.

2) Additional undrawn committed non-current bank revolving credit facilities amounted to NOK 5.1 billion, and is together with cash and cash equivalents giving a total liquidity buffer of NOK 8.3 billion.

3) Restricted cash includes inter alia cash in joint ventures where both partners must agree before use outside the joint venture, and NOK 381 million regarding sale of office building at Fornebu which was released in January 2011.

Appendix B: 2010 Pro Forma Financial Statements – Kvaerner ASA[20]

Kvaerner Group

Combined balance sheet as of 31 December

Amounts in NOK million	*Note*	2010	2009	2008
Assets				
Non-current assets				
Property, plant and equipment	*19*	357	400	453
Deferred tax assets	*13*	12	321	502
Intangible assets	*20*	1 189	1 187	1 190
Other non-current assets	*21*	153	161	149
Total non-current assets		**1 711**	**2 069**	**2 294**
Current assets				
Current tax assets		107	65	87
Trade and other receivables	*14*	3 641	2 468	4 012
Trade and other receivables related parties	*7*	327	870	1 928
Non interest-bearing receivables related parties	*7*	1 120	1 225	750
Interest-bearing receivables related parties	*7*	902	50	100
Cash in Aker Solutions cash pool arrangement	*7*	2 299	2 318	2 517
Cash and cash equivalents		378	628	771
Total current assets		**8 774**	**7 624**	**10 165**
Total assets		**10 485**	**9 693**	**12 459**
Equity and liabilities				
Equity				
Combined equity from parent		2 634	3 651	2 462
Other reserves		(175)	(168)	56
Total equity		**2 459**	**3 483**	**2 518**
Non-current liabilities				
Non-current interest-bearing liabilities	*24*	530	-	-
Employee benefits obligations	*25*	110	163	137
Deferred tax liabilities	*13*	75	43	116
Total non-current liabilities		**715**	**206**	**253**
Current liabilities				
Current interest-bearing liabilities	*7, 24*	18	656	2 353
Current tax liabilities		-	29	38
Provisions	*17*	503	74	179
Trade and other payables	*16*	4 137	4 020	5 598
Trade and other payables related parties	*7*	392	1 150	1 236
Non interest-bearing liabilities related parties	*7*	2 261	75	284
Total current liabilities		**7 311**	**6 004**	**9 688**
Total liabilities		**8 026**	**6 210**	**9 941**
Total liabilities and equity		**10 485**	**9 693**	**12 459**

[20] See Kvaerner ASA Listing Prospectus for more details (i.e., pages A8-A10; pdf pages 152-154).

Kvaerner Group

Combined statement of income 1.1 - 31.12

Amounts in NOK million	*Note*	2010	2009	2008
Operating revenue	8	**13 209**	**12 191**	**13 143**
Materials, goods and services		(10 577)	(9 755)	(11 854)
Salaries, wages and social security costs	9,25	(1 616)	(1 752)	(1 737)
Other operating expenses	11	(528)	(393)	(404)
Total operating expenses		**(12 721)**	**(11 900)**	**(13 995)**
Operating profit (loss) before depreciation, amortisation and impairment		**488**	**291**	**(852)**
Depreciation, amortisation and impairment	19	(54)	(85)	(59)
Operating profit (loss)		**434**	**206**	**(911)**
Finance income	12	47	42	177
Finance expenses	12	(60)	(131)	(186)
Profit (loss) from associated companies and jointly controlled entities	22	(11)	-	-
Profit (loss) on foreign currency forward contracts	12	(6)	11	(14)
Profit (loss) before tax		**404**	**128**	**(934)**
Income tax expense	13	(330)	(76)	242
Profit (loss) for the period		**74**	**52**	**(692)**
Proforma basic and diluted earnings (loss) per share	6	0.28	0.19	(2.57)

Combined statement of comprehensive income 1.1 - 31.12

Amounts in NOK million	*Note*	2010	2009	2008
Profit (loss) for the period		74	52	(692)
Other comprehensive income				
Cash flow hedges		(11)	-	(68)
Cash flow hedges, deferred tax		3	-	19
Translation differences - equity-accounted investees	22	(1)	(17)	17
Translation differences - foreign operations		2	(207)	138
Other comprehensive income, net of tax		**(7)**	**(224)**	**106**
Total comprehensive income for the period, net of tax		**67**	**(172)**	**(586)**

Kvaerner Group

Combined statement of cash flow 1.1 - 31.12

Amounts in NOK million	*Note*	2010	2009	2008
Cash flow from operating activities				
Profit (loss) for the period		74	52	(692)
Adjusted for:				
Income tax expense	*13*	330	76	(242)
Net interest cost		24	88	9
(Profit) loss on foreign currency forward contracts	*12*	6	(11)	14
Depreciation, amortisation and impairment	*19*	54	85	59
Non-cash effects of corporate allocations		143	365	205
(Profit) loss from associated companies and jointly controlled entities		(11)	-	-
Interest paid		(44)	(130)	(164)
Interest received		40	40	174
Income taxes paid		(471)	(453)	(97)
Changes in other net operating assets		(790)	1 118	(1 428)
Net cash from operating activities	*8*	(645)	1 230	(2 162)
Cash flow from investing activities				
Acquisition of subsidiaries, net of cash acquired		-	-	4
Acquisition of property, plant and equipment	*19*	(10)	(52)	(92)
Proceeds from sale of property, plant and equipment		3	4	-
Other investments		(19)	(54)	(22)
Net cash from investing activities		(26)	(102)	(110)
Cash flow from financing activities				
Net change in financial liabilities related parties		(836)	(1 596)	4 114
Net equity contribution from (to) Aker Solutions Group		1 185	531	(836)
Net cash from financing activities		349	(1 065)	3 278
Effect of exchange rate changes on cash and bank deposits		53	(405)	408
Net increase (decrease) in cash and bank deposits		(269)	(342)	1 414
Cash and cash equivalents at the beginning of the period		2 946	3 288	1 874
Cash and cash equivalents at the end of the period [1]		2 677	2 946	3 288
Of which is restricted cash [2]		214	232	497

1) Cash includes deposits in Aker Solutions cash pool arrangement.

2) Restricted cash includes inter alia cash in joint ventures where both partners must agree before use outside the joint venture.

Appendix C: Process & Construction Historical Financials[21]

P&C Financial History (NOK Millions)

Combined P&C	2010	2009	2008	2007
Revenues	8,703	9,534	10,313	11,351
EBITDA	213	484	759	661
EBITDA Margin	2.4%	5.1%	7.4%	5.8%
D&A	(30)	(23)	(20)	(20)
EBIT	183	461	739	641
EBIT Margin	2.1%	4.8%	7.2%	5.6%
P&C Retained	2010	2009	2008	2007
Revenues	4,203	5,314	4,790	5,368
EBITDA	(309)	212	87	165
EBITDA Margin	-7.4%	4.0%	1.8%	3.1%
D&A	(13)	(10)	(11)	(11)
EBIT	(322)	202	76	154
EBIT Margin	-7.7%	3.8%	1.6%	2.9%
P&C Sold	2010	2009	2008	2007
Revenues	4,500	4,220	5,523	5,983
EBITDA	522	272	672	496
EBITDA Margin	11.6%	6.4%	12.2%	8.3%
D&A	(17)	(13)	(9)	(9)
EBIT	505	259	663	487
EBIT Margin	11.2%	6.1%	12.0%	8.1%
Net Finan. Items	(24)	(23)	58	9
Taxes	(129)	(94)	(176)	(180)
Net Profit	352	142	545	316
Net Margin	7.8%	3.4%	9.9%	5.3%

Source: Company Reports

[21] See appendix 1 and appendix 2 of the Aker Solutions press release for more details.