

# Aker Solutions ASA: First-Quarter Results 2020

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OSLO, April 30, 2020 - Aker Solutions reported first-quarter revenue of NOK 6.5 billion, a decline of 10 percent compared with the first quarter 2019, as the impact of the COVID-19 outbreak and sharp decline in oil prices impacted activity levels.

## 1Q 2020 Financial Highlights

- Revenue NOK 6.5 billion
- EBITDA NOK 149 million
- EBITDA margin 2.3%
- EBITDA ex. special items NOK 314 million
- EBITDA margin ex. special items 4.8%
- Order intake NOK 6.6 billion
- Order backlog NOK 26.4 billion

The results were impacted by lower activity levels towards the end of the quarter, as operators postponed offshore work to mitigate the spread of the coronavirus. The impact of the COVID-19 pandemic and the sharp drop in oil prices caused significant disruption to the global economy during the quarter. The global energy sector was hit particularly hard, as commodity prices collapsed and operators significantly reduced spending plans.

"Under these extreme and unprecedented circumstances, after protecting the health and safety of our people, our focus is to safeguard the financial strength of our company," said Luis Araujo, chief executive officer of Aker Solutions. "At Aker Solutions actions have been implemented to address the situation. We are doing our utmost to mitigate the effects for employees, customers, shareholders and other stakeholders around the world."

Orders totaled NOK 6.6 billion in the quarter, bringing the backlog to NOK 26.4 billion. Key awards included a five-year agreement to provide brownfield services to Brunei Shell Petroleum, to maintain production levels for more than 200 offshore assets. During the quarter, Aker Solutions also signed a 20-year exclusive master agreement to provide umbilicals for Chevron-operated oil and gas fields in the Gulf of Mexico. The company also secured the first work order under the new agreement, to provide umbilicals for Chevron's Anchor project.

## Revenue and EBITDA

Revenue fell to NOK 6.5 billion in the quarter from NOK 7.3 billion a year earlier. The EBITDA was NOK 149 million, compared with NOK 634 million in the first quarter of 2019. Excluding special items, the EBITDA was NOK 314 million with a margin of 4.8 percent compared with 8.8 percent in the same period last year.

Aker Solutions has two reporting segments: Projects and Services. Revenue in Projects fell 14 percent to NOK 5.1 billion in the quarter from NOK 6.0 billion a year earlier. Excluding special items, EBITDA margin was 6.0 percent in the quarter, versus 8.0 percent a year earlier.

Revenue in Services was NOK 1.4 billion, up 7 percent from NOK 1.3 billion in the same quarter last year, mainly driven by the subsea lifecycle services business. The EBITDA margin excluding special items was 5.6 percent in the quarter, down from 14.4 percent a year earlier. This was driven by the lower activity level within Production Asset Services, in particular in Brazil and the North Sea by the end of the quarter, and one-off adjustments of about NOK 60 million related to the COVID-19 situation and some contract-related adjustments in Brazil - not included in special items.

The company's liquidity position at the end of the first quarter was NOK 5.8 billion. This is made up of a NOK 3 billion revolving credit facility and NOK 2.8 billion in cash.

In response to new market conditions, Aker Solutions is implementing a series of measures to reduce cost. The measures include temporary and permanent lay-offs, removing contractors, site closures and freezing pay levels. The cost-cutting initiatives aim to reduce the fixed cost level by about NOK 1 billion on an annualized basis, up from NOK 750 million announced in early April. The company is also cutting capex investments by 40 percent from the 2019 level, to NOK 500 million in 2020.

## Outlook

The unprecedented impact of the COVID-19 pandemic combined with low oil prices has led to a significant slowdown in activity. Oil companies have reduced their investment plans by at least 20 percent for 2020, and several projects have been postponed. In this environment, the company's main financial priority is on cash conservation, protecting the balance sheet and financial performance.

"The depth and scale of the decline is still unclear, but the second quarter is likely to be one of the most uncertain and disruptive quarters our industry has been through," said Araujo.

Given the significant market uncertainty, the company finds it challenging to provide detailed guidance. The company expects full-year revenues to decline about 30 percent versus the full year 2019 level.

## CONTACT:

### Media Contact:

Ivar Simensen, mob: +47-464-02-317, email: [ivar.simensen@akersolutions.com](mailto:ivar.simensen@akersolutions.com)

### Investor Contact:

Fredrik Berge, mob: +47-450-32-090, email: [fredrik.berge@akersolutions.com](mailto:fredrik.berge@akersolutions.com)

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