April 28, 2016

Financial Highlights

- Sales NOK 6.5 billion in 1Q 2016 vs NOK 8.5 billion in 1Q 2015
- EBITDA NOK 508 million vs NOK 591 million a year earlier
- EBITDA margin 7.9% vs 7% a year earlier
- EBITDA margin ex. one-off items 8% vs 7.8% a year earlier
- EBIT NOK 314 million vs NOK 409 million a year earlier
- EBIT margin 4.9% vs 4.8% a year earlier
- EBIT margin ex. one-off items 5% vs 6% a year earlier
- Earnings per share NOK 0.53 vs NOK 0.79 a year earlier
- Order intake NOK 6 billion vs NOK 9 billion a year earlier
- Order backlog NOK 38.5 billion vs NOK 48.3 billion a year earlier
- Net debt NOK 406 million vs NOK 889 million a year earlier

Aker Solutions made steady progress on major projects from Africa to Norway and Brazil in the first quarter of 2016. Overall margins strengthened as operational improvements countered the effects of a global market slowdown.

The company won NOK 6 billion in orders in the quarter, including key MMO contracts in Norway from ConocoPhillips and Statoil as well as subsea services agreements with Petrobras in Brazil and BP globally. The engineering division also secured strategically important concept study orders for the Johan Sverdrup and Johan Castberg developments offshore Norway. The company saw continued strong demand for its front end engineering capabilities, receiving 20 study awards, including for projects in Norway, Australia and West Africa.

The order backlog was NOK 38.5 billion at the end of the quarter, about two-thirds of which was for projects to be delivered outside Norway, with the biggest share in West Africa. The financial position was robust at the end of the period, with a liquidity buffer of 8.5 billion kroner. The net debt decreased to NOK 406 million at the end of the quarter from NOK 889 million a year earlier. The company made steady progress on a global program to boost cost-efficiency by at least 30 percent.

"Margins were supported by our drive to improve operations and bring down costs across the business and on projects with customers," said Luis Araujo, chief executive officer of Aker Solutions. "Our healthy order backlog, consistently strong execution and solid finances will stand us well as we face continued market uncertainty."

Revenue declined to NOK 6.5 billion in the quarter from NOK 8.5 billion a year earlier amid a market slowdown and as some projects neared completion. The company posted earnings before interest and taxes (EBIT) of NOK 314 million compared with NOK 409 million a year earlier. The EBIT margin was 4.9 percent versus 4.8 percent a year earlier. The company had NOK 13 million in one-off items, mainly from costs of restructuring and reducing capacity. Excluding one-off items, the margin was 5 percent.

Aker Solutions in the quarter introduced measures to streamline operations and strengthen competitiveness across the business. The company also announced workforce reductions of as many as 1,500 permanent positions in Subsea and Field Design. This would bring reductions since the second half of 2014 to about 20 percent of the permanent workforce. About two-thirds of the adjustments are in Norway. The company will continue to be vigilant about capacity while safeguarding key competencies.

Aker Solutions has two reporting segments: Subsea and Field Design. Subsea revenue declined to NOK 3.9 billion in the quarter from NOK 5.1 billion a year earlier as demand weakened for subsea services and some projects neared completion. The EBIT margin narrowed to 5.5 percent from 7 percent, impacted by higher depreciation and lower volumes for subsea services.

Revenue in Field Design, which consists of MMO and Engineering, fell to NOK 2.6 billion in the quarter from NOK 3.5 billion a year earlier. The main decline was in MMO where some major projects neared completion. The EBIT margin widened to 4.8 percent from 4.4 percent, helped by good progress on engineering projects. Excluding one-off items the margin was 5.4 percent.

Outlook
The markets are challenging and projects are being postponed across the industry. But there are signs that cost-cutting efforts are having an effect as break-even costs are coming down. This may allow some major developments to be sanctioned in the next 12-18 months. With the exception of the North Sea Johan Sverdrup project, activity offshore Norway is expected to remain subdued this year. Aker Solutions' greatest growth potential is outside of Norway, where the company has been expanding. The company's tendering activity remains steady and currently totals more than NOK 40 billion.

Aker Solutions is well-placed in key growth regions of the global deepwater and subsea markets to provide the capabilities and technology to tackle the challenges of lowering costs and improving recovery rates.

In Subsea, Aker Solutions targets a move over time toward peer-group margins and a return on average capital employed

(ROACE) of 20-25 percent in the medium term. ROACE was 12 percent for Subsea in the first quarter and 22 percent excluding special items. Margins in Field Design are expected to gradually improve, with the biggest movement in MMO. The company expects to at least maintain its market share in all business areas.

ENDS

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1Q 2016 Report
1Q 2016 Presentation
