July 12, 2017

2Q 2017 Financial Highlights

- Sales NOK 5.4 billion
- EBITDA NOK 305 million
- EBITDA margin 5.6%
- EBITDA margin ex. special items 7.4%
- Earnings per share ex. special items NOK 0.35
- Order intake NOK 3 billion
- Order backlog NOK 30.7 billion

Aker Solutions delivered another period of strong execution on major projects globally in the second quarter of 2017 and made good progress on improvement efforts that supported margins.

The company secured NOK 3 billion in orders, including a contract to deliver three umbilicals and equipment to ENI's Coral South project and an order from Statoil for subsea equipment for Snefrid Nord in the Norwegian Sea. It won 41 study awards for front-end engineering, bringing the total in the first six months of the year to 71 studies for projects in Norway, the UK, the U.S., Brazil, Australia and Malaysia. That compares with a record of more than 80 studies for all of 2016.

"We're seeing a surge in demand for our front-end engineering services, which typically is an early indication of a pickup in activity ahead," said Luis Araujo, chief executive officer of Aker Solutions. "We also benefited from another quarter of strong execution and operational improvements that supported margins amid continued industrywide challenges."

The company has completed more than 80 percent of a program aimed at increasing cost effiency across the business by at least 30 percent by the end of 2017. It is also benefiting from its more streamlined organizational structure of five delivery centers, introduced in November last year.

The company made good progress in integrating acquisitions, including the purchase in December of Brazilian maintenance and modifications provider, C.S.E. Mecânica e Instrumentação Ltda. Aker Solutions in April also bought the Norwegian oil and gas business of Reinertsen, Norway's third-largest offshore maintenance and modifications supplier.

"We have moved swiftly to ensure a successful integration of these businesses and this is already generating significant synergies while building on our strategy to expand our projects and services businesses in major markets internationally," said Araujo.

The order backlog was NOK 30.7 billion at the end of the quarter, of which about half was for projects outside Norway. Finances were solid, with a liquidity buffer of NOK 4.9 billion at the end of the period.

Revenue fell to NOK 5.4 billion in the quarter from NOK 7 billion a year earlier amid the global market slowdown and as some projects neared completion. Earnings before interest, taxes, depreciation and amortization (EBITDA) were NOK 305 million in the quarter, compared with NOK 563 million a year earlier. The EBITDA margin was 5.6 percent versus 8.1 percent a year earlier. The company booked NOK 64 million in integration and restructuring costs related to the acquisition of Reinertsen. Excluding these and other special items, the margin was 7.4 percent compared with 8.5 percent a year earlier.

Aker Solutions has two reporting segments: Projects and Services. Revenue in Projects declined to NOK 4.2 billion in the quarter from NOK 5.5 billion a year earlier amid generally lower market activity and on some projects nearing completion. The EBITDA margin contracted to 5 percent in the quarter from 7.5 percent a year earlier. Revenue in Services fell to NOK 1.2 billion in the quarter from NOK 1.4 billion a year earlier, primarily driven by decreased activity for subsea services and a maturing production asset services portfolio. The EBITDA margin expanded to 12.5 percent in the quarter from 12 percent a year earlier, helped by a favorable activity mix and strong operational performance.

Outlook

The outlook for oil services remains challenging as projects continue to be postponed amid a volatile oil-price environment. There are some signs of a recovery, particularly offshore Norway and in the brownfield segment where oil companies are focusing on optimizing output from existing fields. Industry efficiency improvements are bringing down break-even costs on developments, which is expected to spur new investments and project sanctions this year. Increased demand for front-end engineering services is also an early indication of a pickup in activity. Tendering is healthy and Aker Solutions is bidding for contracts totaling about NOK 60 billion. The majority of these are in the subsea area, where the company anticipates several major greenfield projects to be awarded in the next 12 months. While there is continued uncertainty, the signs of improving brownfield activity and expectations of key subsea projects moving forward bode well for 2018 and beyond.

The company continues to see overall revenue down by about 10-15 percent in 2017 from the prior year, with an anticipated modest pickup in the field design segments of both Projects and Services while subsea volumes will be weaker. The company maintains its outlook for full-year underlying EBITDA margins to narrow slightly from first-quarter levels due to a continued market slowdown and a changing revenue mix. This will be partially offset by a continued strong momentum from the company's global improvement program.

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Half-Year Results 2017
2Q 2017 Presentation
