

# Aker Solutions ASA: Third-Quarter Results 2017

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## 3Q 2017 Financial Highlights

- Sales NOK 5.4 billion
- EBITDA NOK 401 million
- EBITDA margin 7.4%
- EBITDA ex. special items NOK 421 million
- EBITDA margin ex. special items 7.8%
- Earnings per share ex. special items NOK 0.41
- Order intake NOK 2.6 billion
- Order backlog NOK 27.2 billion

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

The company has completed 90 percent of a program aimed at increasing cost-efficiency across the business by at least 30 percent by the end of this year. It is now also targeting an additional improvement of minimum 20 percent by the end of 2021. This compares with the company's 2015 costs and work volumes.

"We are demonstrating consistently strong execution quarter by quarter and also benefiting from our relentless push for continuous improvement," said Luis Araujo, Aker Solutions' chief executive officer. "These efforts are supporting margins as we face continued market uncertainty."

The company in the quarter won 13 study awards for front-end engineering, giving a record of 84 studies in the first nine months of the year. That compares with a previous high of 81 studies in 2016.

"The strong demand for our front-end engineering should be seen as an indication of a pickup in activity ahead," said Araujo. "We expect several key brownfield and greenfield projects to be awarded globally over the next six months in both the subsea and field design segments."

Orders totaled NOK 2.6 billion in the quarter and included a framework agreement from Shell for brownfield modifications services and maintenance support at the Nyhamna and Draugen facilities in the Norwegian Sea as well as a contract from Statoil for front end engineering and design of a module to increase gas output at the North Sea Troll field. This includes an option for engineering, procurement, construction and installation of the module. The backlog was NOK 27.2 billion at the end of the quarter, about half of which was for projects outside Norway.

Revenue fell to NOK 5.4 billion in the quarter from NOK 6 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 401 million in the quarter, compared with NOK 477 million a year earlier. The EBITDA margin was 7.4 percent versus 8 percent a year earlier. Excluding special items, the margin was 7.8 percent compared with 7.9 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 billion a year earlier amid generally lower market activity and on some projects nearing completion. The EBITDA margin was 7.6 percent in the quarter versus 8 percent a year earlier. Revenue in Services rose to NOK 1.2 billion in the quarter from NOK 1 billion a year earlier, driven mainly by growth from the acquisition of C.S.E. Mecânica e Instrumentação in Brazil in December last year.

The EBITDA margin expanded to 13.5 percent in the quarter from 11.3 percent a year earlier, helped by strong operational performance and high installation and commissioning activity.

#### Outlook

The outlook for oil services remains challenging as projects continue to be postponed and there is pressure on pricing. 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 spurring more project sanctions.

Tendering is steady and Aker Solutions is bidding for contracts totaling about NOK 55 billion. The majority of these are in the subsea area, where the company anticipates several key projects to be awarded in the next six months. Aker Solutions sees overall revenue in 2018 somewhat up from 2017 pending the successful outcome of several key ongoing tenders across all segments and regions. Revenue is also seen rising on improving activity in the maintenance and modifications markets. Underlying 2018 EBITDA margins are expected to remain around full-year 2017 levels, supported by increased volumes, solid execution and the company's global improvement program.

For 2017, Aker Solutions continues to see overall revenue down by about 10-15 percent from the prior year as lower subsea volumes are partly offset by a pickup in the field design segments of both Projects and Services. Full-year 2017 underlying EBITDA margins are seen close to third-quarter year-to-date levels, an improvement on the company's previous guidance. The company expects to book one-off charges of around NOK 150 million in the fourth quarter from consolidating its global manufacturing business at key locations to strengthen its competitiveness and better meet customer needs.

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3Q 2017 Presentation

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