

Aker Solutions ASA: Fourth-Quarter Results 2018

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February 8, 2019 - Aker Solutions increased the 2018 fourth quarter revenue to 7 billion, a rise of 8 percent compared to fourth quarter 2017, as the company won significant international awards in a competitive, but improving market.

4Q 2018 Financial Highlights

- Revenue NOK 7 billion
- EBITDA NOK 483 million
- EBITDA margin 7.0%
- EBITDA ex. special items NOK 495 million
- EBITDA margin ex. special items 7.1%
- Earnings per share ex. special items NOK 0.63
- Order intake NOK 5.3 billion
- Order backlog NOK 35.1 billion

With a strong execution on projects for both Norwegian and international clients throughout the year, as well as extensive tendering activity, the company is well positioned to benefit from a market upturn. Investments in digitalization and technology have proved key differentiators in securing new orders. The company saw record demand for front-end engineering services.

"Delivering cost efficiency and standardization to our customers is increasingly linked to our digital capabilities," said Aker Solutions' Chief Executive Officer Luis Araujo. "Working closely with clients and suppliers in early stages of projects, we are able to simplify and standardize our processes and products. This is shared through our global organization, ultimately saving time and money for our clients."

Orders totaled NOK 5.3 billion in the quarter, bringing the backlog to NOK 35.1 billion. Key awards included a contract from CNOOC to deliver a subsea production system in the South China Sea. Also in the fourth quarter, Aker Solutions landed a strategic win on Northern Lights with Equinor as the project initiator and with Shell and Total as partners. This is a full scale carbon-capture project with the potential of opening up exciting business opportunities for the company. In Africa, our operations have gone according to plan with solid execution of major projects including Kaombo in Angola.

Demand for early-phase work continues to grow, and in the fourth quarter Aker Solutions was awarded 46 front-end contracts, up from 27 during the same period in 2017. This brings the total for 2018 to a record of 150 studies, with studies from overseas markets equalling 35 percent of the total.

"In 2018, we saw a record number of studies and front-end engineering work for larger and more complex projects than previous years - a positive sign of more work to come," said Araujo. "As we have already seen at Johan Sverdrup, Johan Castberg and Troll, early involvement puts us in a strong position to secure more work."

In January 2019, Aker Solutions acquired the remaining 30 percent of Brazilian C.S.E. Mecânica e Instrumentação Ltda, having bought the first ownership stake of 70 percent in 2016. The acquisition further strengthens the company's position in Brazil's growing market for mature field services. C.S.E. will continue to operate as an independent legal entity.

Aker Solutions continues to pursue energy solutions that minimize the environmental footprint, with carbon capture and floating wind at the forefront. The company increased its ownership share from five to 11.8

percent in Principle Power in the quarter, a partnership which provides a strong position for capturing the growth potential of floating wind as a global energy resource.

Revenue and EBITDA

Revenue rose to NOK 7.0 billion in the quarter from NOK 6.4 billion a year earlier, supported by progress and deliveries on key projects in several markets. The EBITDA was NOK 483 million, up from NOK 458 million in the fourth quarter of 2017. Excluding special items, the EBITDA was NOK 495 million with a margin of 7.1 percent compared 7.5 percent in the same period last year.

Aker Solutions has two reporting segments: Projects and Services. Revenue in Projects rose 8.0 percent to NOK 5.6 billion in the quarter from NOK 5.2 billion a year earlier, mainly driven by the field design sub segment. Excluding special items, EBITDA margin was 6.2 percent in the quarter versus 7.8 percent a year earlier.

Revenue in Services was NOK 1.3 billion, up 13 percent from NOK 1.2 billion in the same quarter last year, with the increase driven by international growth in the company's production asset services sub-segment. The EBITDA margin excluding special items was 14.6 percent in the quarter, an increase from 12.9 percent a year earlier.

With a liquidity buffer of NOK 7.5 billion, the financial position of Aker Solutions is solid. However, the board has proposed that no dividend payment should be declared for 2018 - still deeming it prudent to exercise caution and to position the company to fully take advantage of the recovery.

Outlook

There are continued signs of a recovery in the global market, improvement measures across the industry are lowering break-even costs and more projects are being sanctioned.

Tendering activity remains high in main markets - and Aker Solutions is currently bidding for contracts totaling about NOK 45 billion. About two thirds of this is in the subsea area - and key projects are anticipated to be awarded over the next six to 12 months.

In the longer term, Aker Solutions expects an increase in global energy demand and that investment efforts in sustainable energy solutions will be rewarded.

Aker Solutions sees overall revenue in 2019 slightly up from 2018 on the back of a strong order intake last year, and continued high tendering activity with underlying 2019 EBITDA margin seen remaining around 2018-level (pre IFRS 16).

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4Q 2018 Presentation

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