

# 2Q16

Fornebu, July 13, 2016

**Luis Araujo and Svein Stoknes**



# Agenda | 2Q 2016



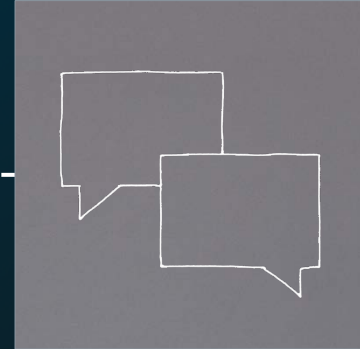
## Introduction

**Luis Araujo**  
Chief Executive Officer



## Financials

**Svein Stoknes**  
Chief Financial Officer



## Q&A Session

**Luis Araujo**  
**Svein Stoknes**

# Key Developments | 2Q 2016



- **Major projects** progress as planned
- **Steady margins** year-on-year
- **Top line** weakens on global market decline
- **Good progress** on global operational improvement program



- Solid financial position with liquidity buffer of **NOK 7.9 billion**
- Subsea **alliance with ABB** formed in April



- Robust order backlog of **NOK 35 billion**
- **New orders** secured in all business areas
- Key engineering agreement with **Lundin Norway**

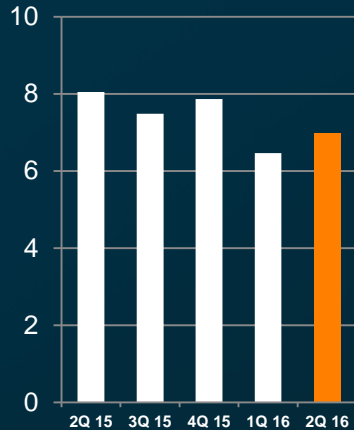


- **Subsea wins contract** for its longest-ever umbilical for Egypt's Zohr field
- **MMO wins** orders in Norway
- FEED contract from Idemitsu Oil and Gas for **offshore Vietnam** developments

# Key Figures | 2Q 2016

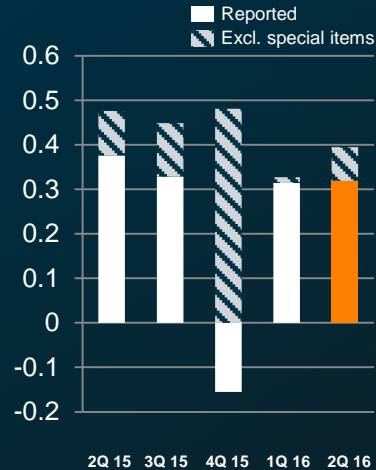
## Revenue

7.0 NOK BILLION



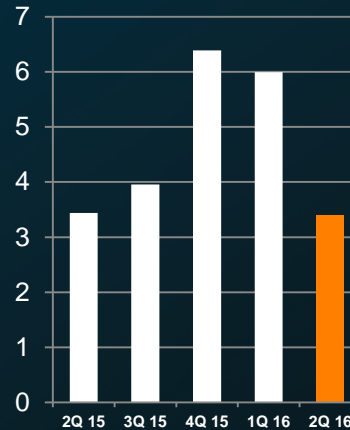
## EBIT

0.3 NOK BILLION



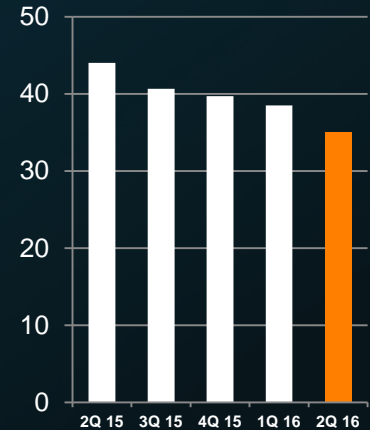
## Order Intake

3.4 NOK BILLION



## Order Backlog

35.0 NOK BILLION



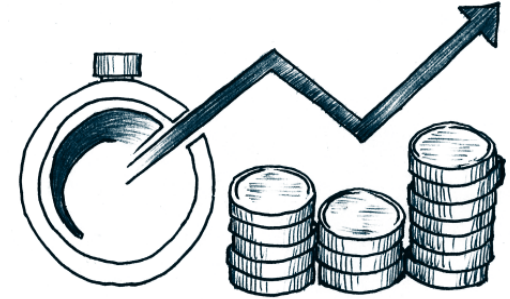
# Global Improvement Program – #thejourney



Targeting minimum **30 percent improvement** in cost-efficiency across company and building culture of continuous improvement



**Simplifying** work methods, organizational set-up, geographic footprint and products and services



Leaner and more efficient processes that **reduce overall costs** of projects and products while boosting quality

# Collaborations From Reservoir to Topside



# Outlook

- **Market uncertainty persists** amid concern over capital, oil prices
- Commercial environment still **tough**
- **Steady tendering** in key markets, though seeing projects postponed
- **Norway market** seen subdued this year, may see gradual recovery from 2017
- **Lower break-even costs** may spur project sanctions in next 12-18 months
- **Robust order backlog** and growing international presence
- Vigilant about **costs and capacity**
- **Well placed** to capture long-term, global deepwater and subsea market growth



# Agenda | 2Q 2016



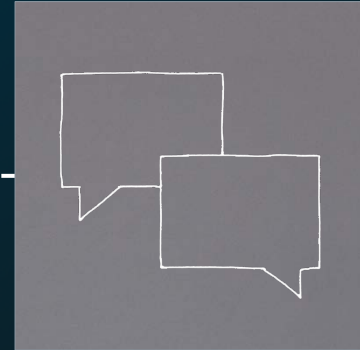
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**Svein Stoknes**



# 2Q 2016 | Income Statement

- Revenue for 2Q 2016 down 13% versus 2Q last year, reflecting project phasing and lower order intake
- Underlying 2Q 2016 EBITDA reached NOK 590 million, a margin of 8.5% versus 8.1% a year earlier

(NOK million)	2Q 2016	2Q 2015	1H 2016	1H 2015
Revenue	6,969	8,048	13,432	16,548
<b>EBITDA</b>	563	547	1,072	1,138
EBITDA margin	8.1%	6.8%	8.0%	6.9%
<b>EBITDA (excl. special items)<sup>1</sup></b>	590	647	1,111	1,312
EBITDA margin (excl. special items) <sup>1</sup>	8.5%	8.1%	8.3%	8.0%
Depreciation, amortization and impairment	(245)	(171)	(440)	(354)
<b>EBIT</b>	319	376	632	784
EBIT margin	4.6%	4.7%	4.7%	4.7%
<b>EBIT (excl. special items)<sup>1</sup></b>	395	478	722	987
EBIT margin (excl. special items) <sup>1</sup>	5.7%	6.0%	5.4%	6.0%
Net financial items	(95)	(106)	(154)	(188)
FX on disqualified hedging instruments	(25)	41	(22)	52
<b>Income before tax</b>	199	310	457	648
Income tax	(68)	(102)	(157)	(220)
<b>Net income</b>	131	209	300	428
Earnings per share (NOK)	0.37	0.73	0.90	1.52
Earnings per share (NOK) (excl. special items) <sup>1</sup>	0.66	0.91	1.22	1.94

<sup>1</sup> Special items include costs linked to restructuring, onerous leases, the impact of currency derivatives not qualifying for hedge accounting, IT separation costs following the demerger, and impairment charges on technology and property in 2016. See first page of additional information section for details on special items.

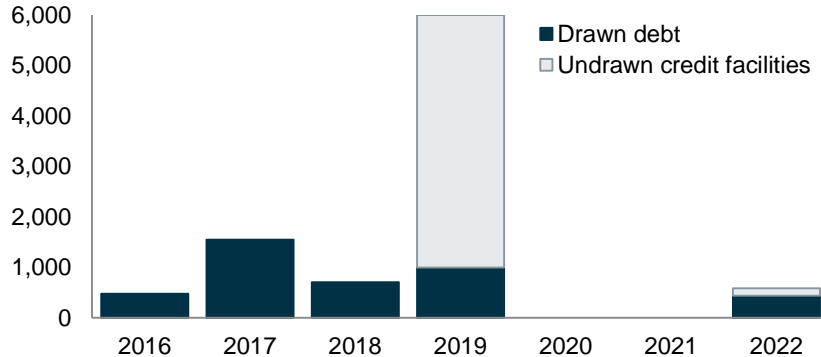
# 2Q 2016 | Cashflow and Financial Position

- 2Q 2016 cashflow from operations was negative NOK 530 million, reflecting NCOA normalization
- Expect NCOA to move over time towards more normalized level of around NOK 1.5 billion
- Robust 2Q 2016 financial position with net debt of NOK 1.3 billion and gross debt NOK 4.3 billion; leverage and gearing well below target range
- Total liquidity buffer at NOK 7.9 billion from NOK 2.9 billion cash and NOK 5 billion RCF
- Group ROACE excluding impact from special items reached 13%, reflecting recent and ongoing investments

## Debt maturity profile

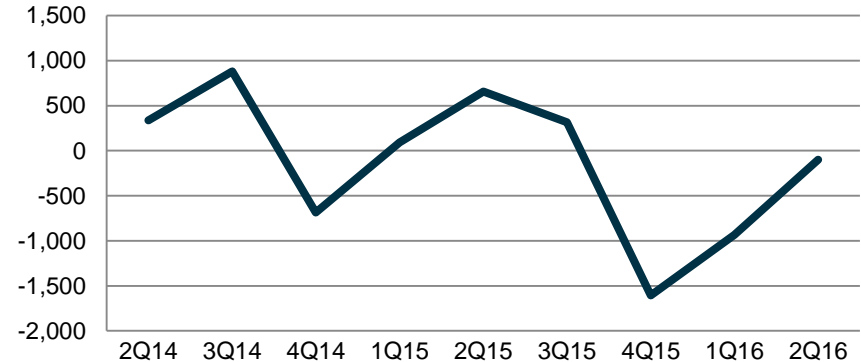
NOK million

Note: Revolving credit facility of NOK 5 billion as at end 2Q 2016, drawn NOK 0 billion, maturing in 2019



## Net current operating assets (NCOA)

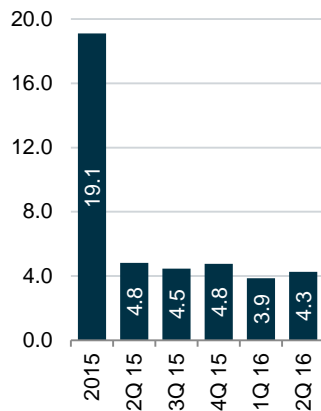
NOK million



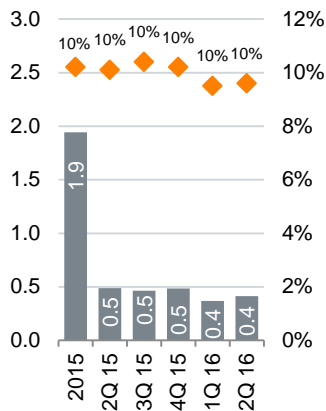
# Subsea

- Good progress on major projects, according to plan
- 2Q 2016 revenue down 12% vs. last year to NOK 4.3 billion
- 2Q 2016 EBITDA<sup>1</sup> margin at 9.6%, slightly lower year-on-year
- 2Q 2016 EBIT<sup>1</sup> margin decreased to 6.0% from 7.2% a year earlier
- 2Q 2016 order intake at NOK 2.2 billion, equivalent to 0.5x book-to-bill
- End 2Q 2016 order backlog at NOK 18.3 billion

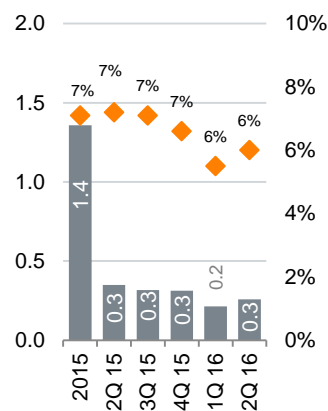
## Revenue NOK billion



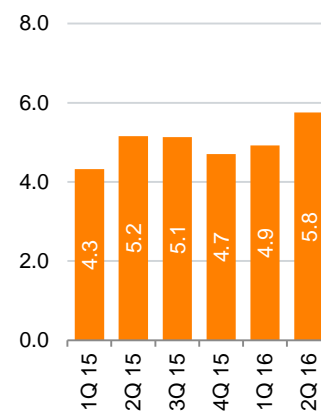
## EBITDA and margin<sup>1</sup> NOK billion, %



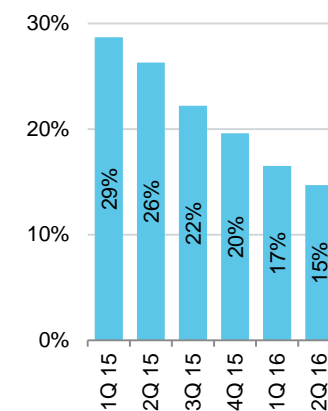
## EBIT and margin<sup>1</sup> NOK billion, %



## Net capital employed NOK billion



## ROACE<sup>1</sup> %

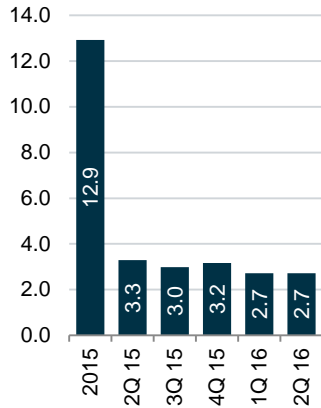


<sup>1</sup> Excludes special items

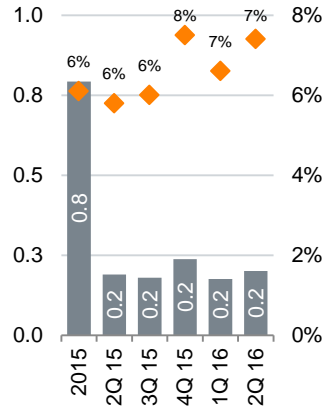
# Field Design

- Impacted by continued activity slowdown on the NCS
- 2Q 2016 revenue down 17% vs. last year to NOK 2.7 billion
- 2Q 2016 EBITDA<sup>1</sup> margin of 7.4% driven by strong operational performance
- 2Q 2016 EBIT<sup>1</sup> margins of 6.1%, up year-on-year from 4.9%
- 2Q 2016 order intake at NOK 1.3 billion, equivalent to 0.5x book-to-bill
- End 2Q 2016 order backlog at NOK 16.7 billion

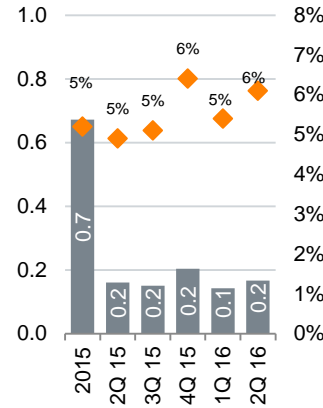
## Revenue NOK billion



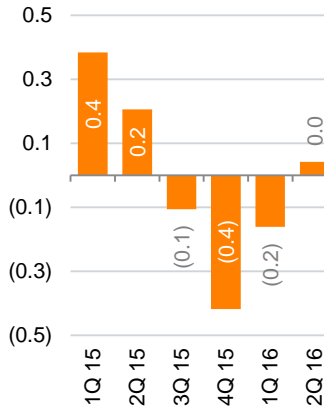
## EBITDA and margin<sup>1</sup> NOK billion, %



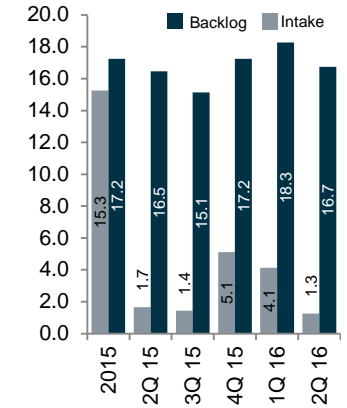
## EBIT and margin<sup>1</sup> NOK billion, %



## Net capital employed NOK billion



## Order intake & backlog NOK billion

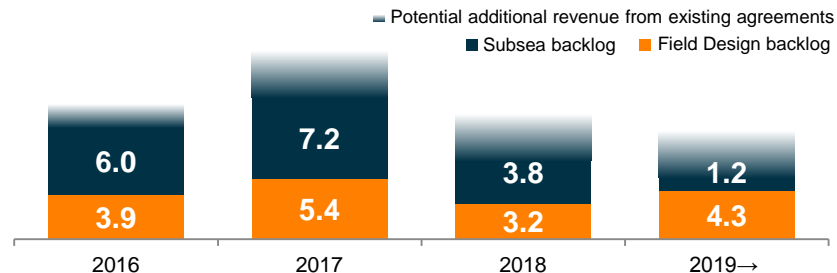


<sup>1</sup> Excludes special items

# Good Visibility From Substantial Order Backlog<sup>1</sup>

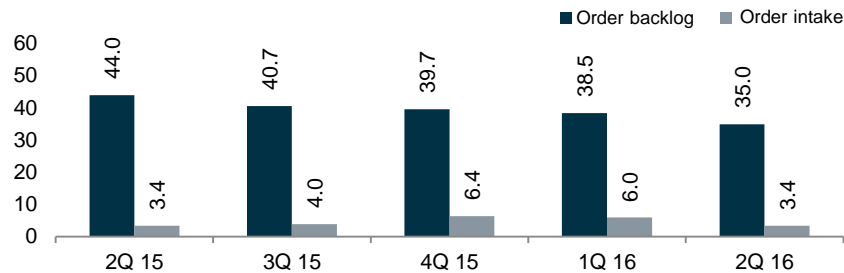
## 2Q 2016 Order backlog by execution date

NOK billion



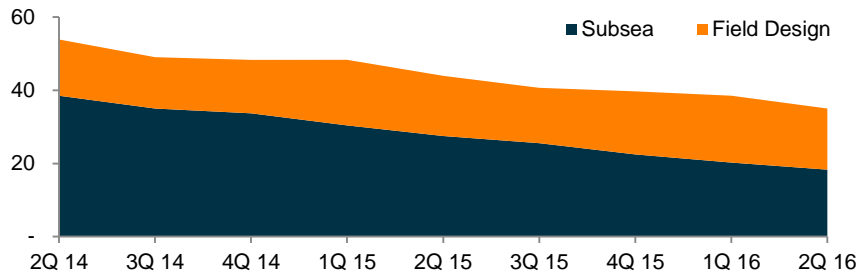
## Order backlog and intake evolution

NOK billion



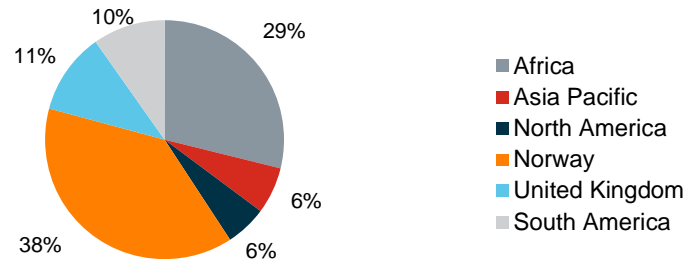
## Order backlog by business area

NOK billion



## End 2Q 2016 order backlog by region

NOK billion



<sup>1</sup> Firm backlog only, excludes majority of service business and potential additional revenue from existing agreements and options

# Financial Guidance

## Revenue

- Positive long-term offshore, deepwater outlook
- Near-term uncertainty on timing of awards
- Aim to at least maintain market share in main subsea, field design markets

## Margins and returns

- We aim to gradually move toward peer group margin levels in Subsea
- We expect gradual recovery in Field Design
- We aim for Subsea ROACE of 20-25% over medium term

## Balance sheet

- Capex and R&D  $\approx$  3% of revenue
- Current major capex investment plans to be finished in 2016
- Working capital: likely to fluctuate around large project work but on average will be  $\approx$  5-7% of group revenue

## Financial policy

- Net interest-bearing debt/EBITDA  $\approx$  1
- Net interest-bearing debt/Equity  $<$  0.5
- Dividend payments should over time amount to 30-50% of net profit

# Agenda | 2Q 2016



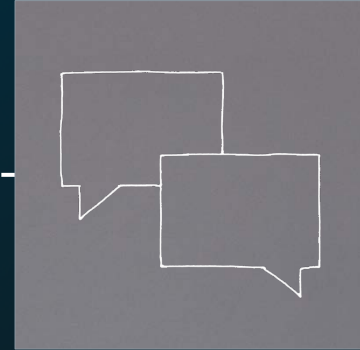
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Chief Executive Officer



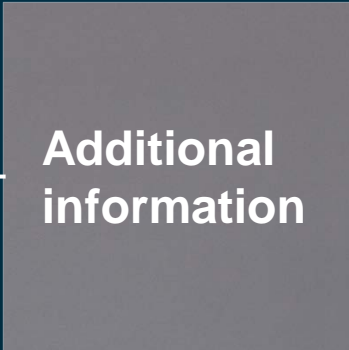
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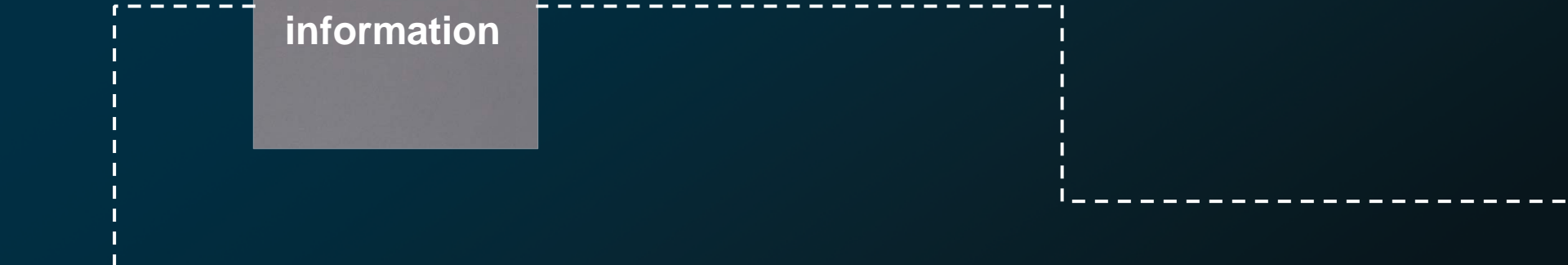


## Q&A Session

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**Additional  
information**





# Special items

NOK million

Special items (EBITDA)	1Q 2015	2Q 2015	3Q 2015	4Q 2015	FY 2015	1Q 2016	2Q 2016
Onerous leases <sup>1</sup>	52	58	40	114	265	-	4
Restructuring <sup>2</sup>	0	2	41	373	416	15	19
Non-qualifying hedges	18	36	25	15	94	-4	-11
Demerger and other costs <sup>4</sup>	4	4	4	11	22	3	15
Special items (EBIT)							
Impairments <sup>3</sup>	26	3	11	123	163	-	50
<b>Total</b>	<b>100</b>	<b>102</b>	<b>121</b>	<b>636</b>	<b>960</b>	<b>13</b>	<b>77</b>

<sup>1)</sup> Onerous lease costs are included in the "other" segment and has not impacted the BA results

<sup>2)</sup> Restructuring cost in 2Q is mainly related to capacity adjustments outside Norway in Engineering (NOK 16 million) and MMO (NOK 2 million)

<sup>3)</sup> Impairments are related to Subsea (NOK 50 million) in 2Q

<sup>4)</sup> Demerger and other costs in 2Q contains IT separation costs related to demerger of NOK 2 million and a NOK 13 million loss related to the sale of our Sweden office

# Income statement

NOK million

Income statement consolidated	2Q 2014	3Q 2014	4Q 2014	FY 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	FY 2015	1Q 2016	2Q 2016
Revenue	8,060	8,274	9,155	32,971	8,500	8,048	7,484	7,864	31,896	6,463	6,969
<b>EBITDA</b>	<b>608</b>	<b>615</b>	<b>786</b>	<b>2,675</b>	<b>591</b>	<b>547</b>	<b>521</b>	<b>182</b>	<b>1,841</b>	<b>508</b>	<b>563</b>
Of which related to hedging	(25)	2	(91)	(86)	(18)	(36)	(25)	(15)	(94)	4	11
Depreciation, amortization and impairment	(136)	(156)	(228)	(665)	(183)	(171)	(192)	(337)	(882)	(195)	(245)
EBIT	472	460	557	2,010	409	376	329	(155)	958	314	319
Net financial items	(19)	(4)	(197)	(245)	(82)	(106)	(30)	(102)	(320)	(59)	(95)
Foreign exchange on disqualified hedging instruments	73	(32)	115	51	11	41	15	(21)	46	4	(25)
Net income (loss) before tax	526	424	476	1,817	338	310	315	(278)	685	258	199
Income tax	(137)	(154)	(117)	(516)	(118)	(102)	(110)	28	(302)	(89)	(68)
<b>Net income (loss) for the period</b>	<b>388</b>	<b>270</b>	<b>359</b>	<b>1,300</b>	<b>220</b>	<b>209</b>	<b>205</b>	<b>(250)</b>	<b>383</b>	<b>169</b>	<b>131</b>
EBITDA margin	7.5 %	7.4 %	8.6 %	8.1 %	7.0 %	6.8 %	7.0 %	2.3 %	5.8 %	7.9 %	8.1 %
Basic earnings per share (NOK)	1.41	0.97	1.30	4.71	0.79	0.73	0.75	-0.83	1.44	0.53	0.37

# Balance sheet

NOK million

Assets	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
Property, plant and equipment	3,180	3,203	3,603	3,586	3,754	3,792	3,962	3,882	3,934
Intangible assets	5,731	5,810	6,143	6,238	6,388	6,518	6,539	6,403	6,306
Financial assets (non-current)	23	17	17	17	17	17	16	16	16
IB receivables (non-current)	6	15	9	10	10	10	20	20	27
IB receivables (current)	-0	299	82	8	8	-	117	76	91
Other current assets	13,805	15,732	14,197	14,381	14,520	15,252	13,213	11,909	10,478
Cash and cash equivalents	4,009	1,064	3,339	2,816	1,958	2,651	3,862	3,497	2,861
<b>Total assets</b>	<b>26,754</b>	<b>26,139</b>	<b>27,391</b>	<b>27,055</b>	<b>26,654</b>	<b>28,241</b>	<b>27,729</b>	<b>25,802</b>	<b>23,713</b>

Debt and equity	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
Total equity attributable to the parent	7,534	5,125	5,677	5,707	5,836	6,326	6,397	6,278	6,399
Non-controlling interests	175	186	216	239	241	253	234	249	278
Non IB liabilities (non-current)	1,922	1,662	1,391	1,338	1,445	1,472	881	833	805
Interest bearing debt (non-current)	3,710	3,652	3,154	3,142	3,685	3,122	3,137	3,343	1,934
Non IB liabilities (current)	13,396	15,298	16,279	16,049	15,356	16,584	16,520	14,444	11,965
Interest bearing current liabilities	17	216	674	581	91	483	561	655	2,332
<b>Total liabilities and equity</b>	<b>26,754</b>	<b>26,139</b>	<b>27,391</b>	<b>27,055</b>	<b>26,654</b>	<b>28,241</b>	<b>27,729</b>	<b>25,802</b>	<b>23,713</b>

Net current operating assets, excluding held for sale	336	880	-688	90	656	315	-1,607	-933	-100
Net interest bearing items	-288	2,491	397	889	1,801	943	-301	406	1,287
Equity	7,710	5,310	5,893	5,945	6,077	6,579	6,630	6,527	6,677
Equity ratio (in %)	28.8	20.3	21.5	22.0	22.8	23.3	23.9	25.3	28.2

# Cashflow

NOK million

Cashflow	2Q 2014	3Q 2014	4Q 2014	FY 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	FY 2015	1Q 2016	2Q 2016
EBITDA continuing operations	587	617	785	2,675	591	547	521	182	1,841	508	563
Change in cashflow from operating activities	1,239	(968)	1,271	(30)	(1,005)	(627)	311	1,414	93	(836)	(1,094)
<b>Net cashflow from operating activities</b>	<b>1,826</b>	<b>(351)</b>	<b>2,057</b>	<b>2,645</b>	<b>(414)</b>	<b>(80)</b>	<b>832</b>	<b>1,595</b>	<b>1,934</b>	<b>(327)</b>	<b>(530)</b>
Acquisition of property, plant and equipment	(166)	(203)	(315)	(816)	(118)	(297)	(165)	(261)	(841)	(94)	(53)
Payments for capitalized development	(115)	(124)	(195)	(554)	(109)	(125)	(94)	(121)	(449)	(93)	(65)
Proceeds from sale of businesses	-	-	-	-	-	-	-	-	-	-	(5)
Acquisition of subsidiaries, net of cash acquired	(15)	-	(36)	(51)	-	-	-	(3)	(3)	-	-
Cashflow from other investing activities	25	(18)	50	53	(0)	3	(1)	(7)	(5)	2	(10)
<b>Net cashflow from investing activities</b>	<b>(271)</b>	<b>(345)</b>	<b>(496)</b>	<b>(1,368)</b>	<b>(227)</b>	<b>(419)</b>	<b>(261)</b>	<b>(392)</b>	<b>(1,299)</b>	<b>(185)</b>	<b>(133)</b>
Change in external borrowings	(3)	119	(170)	34	31	49	(8)	25	98	238	99
Paid dividends	(1,643)	(2,349)	632	(2,734)	-	(394)	-	-	(394)	-	-
Other financing activities	6	(10)	(125)	(129)	65	(4)	9	(96)	(26)	36	(28)
<b>Net cashflow from financing activities</b>	<b>(1,646)</b>	<b>(2,230)</b>	<b>462</b>	<b>(2,700)</b>	<b>95</b>	<b>(349)</b>	<b>2</b>	<b>(71)</b>	<b>(296)</b>	<b>274</b>	<b>71</b>
Translation adjustments	53	(9)	378	429	22	(10)	121	79	212	(128)	(43)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(38)</b>	<b>(2,935)</b>	<b>2,401</b>	<b>(994)</b>	<b>(523)</b>	<b>(859)</b>	<b>694</b>	<b>1,211</b>	<b>550</b>	<b>(366)</b>	<b>(636)</b>
Cash and cash equivalents as at the beginning of the period	4,041	4,003	1,074	4,463	3,339	2,816	1,958	2,652	3,339	3,862	3,496
<b>Cash and cash equivalents as at the end of the period</b>	<b>4,003</b>	<b>1,068</b>	<b>3,475</b>	<b>3,469</b>	<b>2,816</b>	<b>1,958</b>	<b>2,652</b>	<b>3,864</b>	<b>3,890</b>	<b>3,496</b>	<b>2,861</b>

# Split per segment

NOK million

Revenues	2Q 2014	3Q 2014	4Q 2014	FY 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	FY 2015	1Q 2016	2Q 2016
Subsea	4,672	5,054	5,461	19,293	5,077	4,820	4,452	4,752	19,101	3,864	4,264
Field Design	3,408	3,210	3,688	13,710	3,467	3,293	2,990	3,170	12,920	2,650	2,725
Other	31	62	90	205	41	50	104	79	273	25	48
Eliminations	(51)	(52)	(85)	(236)	(85)	(115)	(62)	(137)	(398)	(76)	(68)
<b>Revenues</b>	<b>8,060</b>	<b>8,274</b>	<b>9,155</b>	<b>32,971</b>	<b>8,500</b>	<b>8,048</b>	<b>7,484</b>	<b>7,864</b>	<b>31,896</b>	<b>6,463</b>	<b>6,969</b>

EBITDA	2Q 2014	3Q 2014	4Q 2014	FY 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	FY 2015	1Q 2016	2Q 2016
Subsea	540	530	584	2,058	507	487	433	352	1,778	367	399
Field Design	143	174	293	868	183	190	170	(1)	543	162	182
Other	(75)	(88)	(91)	(252)	(99)	(130)	(82)	(169)	(480)	(21)	(18)
<b>EBITDA</b>	<b>608</b>	<b>615</b>	<b>786</b>	<b>2,675</b>	<b>591</b>	<b>547</b>	<b>521</b>	<b>182</b>	<b>1,841</b>	<b>508</b>	<b>563</b>

EBIT	2Q 2014	3Q 2014	4Q 2014	FY 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	FY 2015	1Q 2016	2Q 2016
Subsea	425	399	417	1,536	353	344	278	70	1,045	213	194
Field Design	131	142	220	725	154	161	138	(50)	404	128	149
Other	(84)	(82)	(80)	(251)	(99)	(130)	(86)	(175)	(490)	(27)	(24)
<b>EBIT</b>	<b>472</b>	<b>460</b>	<b>557</b>	<b>2,010</b>	<b>409</b>	<b>376</b>	<b>329</b>	<b>(155)</b>	<b>958</b>	<b>314</b>	<b>319</b>

# Split per segment

NCOA	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
Subsea	327	742	(332)	18	724	611	(472)	(124)	640
Field Design	250	532	71	212	54	(238)	(861)	(538)	(456)
Other	(241)	(394)	(427)	(140)	(122)	(58)	(275)	(271)	(283)
<b>NCOA</b>	<b>336</b>	<b>880</b>	<b>(688)</b>	<b>90</b>	<b>656</b>	<b>315</b>	<b>(1,607)</b>	<b>(933)</b>	<b>(100)</b>

Net capital employed	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
Subsea	4,392	4,549	3,989	4,322	5,157	5,130	4,702	4,923	5,751
Field Design	(17)	299	11	384	206	(106)	(362)	(161)	42
Other	2,973	3,584	3,685	3,887	4,007	4,146	3,689	3,773	3,559
<b>Net capital employed</b>	<b>7,347</b>	<b>8,432</b>	<b>7,685</b>	<b>8,593</b>	<b>9,370</b>	<b>9,170</b>	<b>8,029</b>	<b>8,535</b>	<b>9,351</b>

Order intake	2Q 2014	3Q 2014	4Q 2014	FY 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	FY 2015	1Q 2016	2Q 2016
Subsea	18,463	1,791	2,630	27,306	1,998	1,782	2,537	1,343	7,660	1,916	2,158
Field Design	2,993	1,859	3,539	9,899	7,045	1,657	1,444	5,118	15,263	4,129	1,264
Other	11	27	134	190	50	55	64	118	287	25	46
Eliminations	(59)	(50)	(100)	(260)	(81)	(58)	(88)	(191)	(418)	(74)	(67)
<b>Order intake</b>	<b>21,408</b>	<b>3,626</b>	<b>6,203</b>	<b>37,135</b>	<b>9,012</b>	<b>3,436</b>	<b>3,957</b>	<b>6,388</b>	<b>22,793</b>	<b>5,996</b>	<b>3,400</b>

Order backlog	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
Subsea	38,508	35,015	33,702	30,403	27,522	25,538	22,476	20,242	18,298
Field Design	15,376	14,035	14,609	17,927	16,453	15,131	17,235	18,275	16,735
Other	59	(70)	(15)	(6)	0	(42)	0	0	0
Eliminations	(21)	9	(6)	(3)	54	30	(27)	(25)	(24)
<b>Order backlog</b>	<b>53,922</b>	<b>48,989</b>	<b>48,289</b>	<b>48,322</b>	<b>44,029</b>	<b>40,657</b>	<b>39,684</b>	<b>38,493</b>	<b>35,008</b>

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