# 4Q16

FOURTH-QUARTER AND PRELIMINARY ANNUAL RESULTS 2016

AkerSolutions

**Our most important journey.** Aker Solutions has been a key part of Norway's offshore industry since before oil was even found. We delivered the rig that discovered the giant Ekofisk deposit in the North Sea in 1969. That field is still going strong and so are we. Building on 175 years of technological and engineering excellence, our employees in more than 20 countries are now driving development to help solve the world's energy needs safely and sustainably.

**4Q Headlines**

**Cover photo:** Phil Davie leads several major projects and has been part of our journey since 2014.

Major projects make steady progress

Order intake of NOK 4.1 billion, helped by contracts in Subsea and MMO

Order backlog of NOK 31 billion, of which 60 percent outside Norway

Solid financial position with liquidity buffer of NOK 7.5 billion

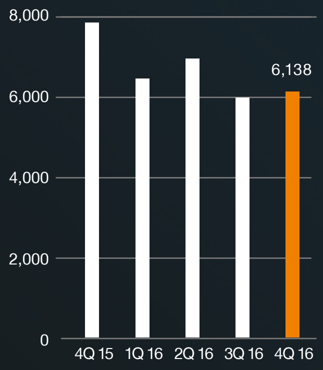
Global improvement program proceeds as planned

Company reorganization takes effect in November

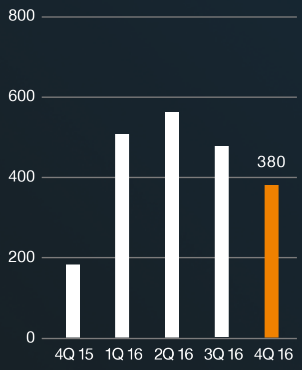
Board recommends zero dividend for 2016

# Key Figures

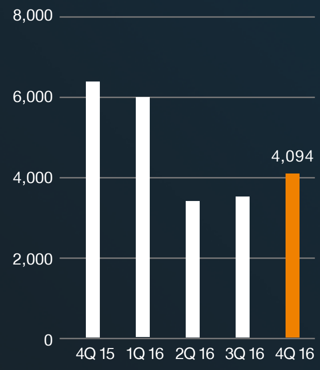
**REVENUE**
NOK million



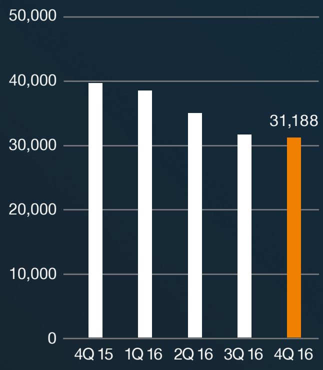

**EBITDA**
NOK million




**ORDER INTAKE**
NOK million




**ORDER BACKLOG**
NOK million




| Amounts in NOK million | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Operating revenue and other income | 6,138 | 7,864 | 25,557 | 31,896 |
| **EBITDA** | 380 | 182 | 1,929 | 1,841 |
| **EBITDA margin** | 6.2% | 2.3% | 7.5% | 5.8% |
| **EBITDA ex. special items** [1] | 539 | 695 | 2,121 | 2,638 |
| **EBITDA margin ex. special items** [1] | 8.8% | 8.9% | 8.3% | 8.3% |
| Depreciation, amortization and impairment | (611) | (337) | (1.242) | (882) |
| **EBIT** | (232) | (155) | 687 | 958 |
| **EBIT margin** | (3.8%) | (2.0%) | 2.7% | 3.0% |
| **EBIT ex. special items**[1] | 342 | 481 | 1,343 | 1,918 |
| **EBIT margin  ex. special items** [1] | 5.6% | 6.1% | 5.3% | 6.0% |
| Net financial items | (95) | (102) | (354) | (320) |
| FX on disqualified hedging instruments | (34) | (21) | (59) | 46 |
| **Net income (loss) before tax** | (360) | (278) | 273 | 685 |
| Income tax | 92 | 28 | (121) | (302) |
| **Net income (loss) for the period** | (268) | (250) | 152 | 383 |
| Basic earnings per share (NOK) | (1.07) | (0.83) | 0.21 | 1.44 |
| Earnings per share ex. special items (NOK) | 0.62 | 0.96 | 2.23 | 3.94 |

*1) Excludes special items of NOK 574 million in 4Q 2016 vs NOK 636 million in 4Q 2015. Aker Solutions in 4Q 2016 booked NOK 130 million in restructuring and workforce reduction costs. It also had impairment charges of NOK 414 million on technology and property. The company took a provision of NOK 39 million for onerous leases and booked a total of NOK 9 million in acquisition-related transaction fees and IT-system separation costs.  A gain of NOK 18 million for non-qualifying hedges was included in EBITDA.*

**REVENUE**
NOK billion
**6.1**

**EBITDA**
NOK million
**380**

**EBIT LOSS**
NOK million
**232**

**LOSS PER SHARE**
NOK
**1.07**

**EBITDA MARGIN**
**6.2%**

**EBIT MARGIN**
**-3.8%**

**ORDER INTAKE**
NOK billion
**4.1**

**EBITDA EX. SPECIAL ITEMS**
NOK million
**539**

**EBIT EX. SPECIAL ITEMS**
NOK million
**342**

**ORDER BACKLOG**
NOK billion
**31.2**

**EBITDA MARGIN EX. SPECIAL ITEMS**
**8.8%**

**EBIT MARGIN EX. SPECIAL ITEMS**
**5.6%**

# Key Developments

**Income Statement**
Aker Solutions' revenue decreased to NOK 6.1 billion in the fourth quarter of 2016 from NOK 7.9 billion a year earlier amid a continued global slowdown in demand for oil services. Steady progress was made on major developments from Africa to Brazil and Norway and the company's cost improvement program proceeded as planned.

The company posted a loss before interest and taxes (EBIT) of NOK 232 million in the quarter, compared with a loss of NOK 155 million in the year-earlier period. The EBIT margin was minus 3.8 percent versus minus 2 percent a year earlier. The earnings were negatively impacted by special items of NOK 574 million, compared with a negative impact of NOK 636 million a year earlier. These included NOK 130 million in costs of reducing capacity and restructuring amid a companywide reorganization aimed at further strengthening operations. The company also booked a provision of NOK 39 million to cover lease costs on vacated office space and NOK 414 million in impairment charges on technology and plant property.

Excluding special items, earnings before interest and taxes were NOK 342 million in the quarter compared with NOK 481 million a year earlier while the EBIT margin was 5.6 percent versus 6.1 percent.

Full-year revenue fell to NOK 25.6 billion in 2016 from NOK 31.9 billion the prior year. EBIT was NOK 687 million compared with NOK 958 million in 2015. The EBIT margin narrowed to 2.7 percent from 3 percent. Excluding special items, EBIT was NOK 1.3 billion in 2016 compared with NOK 1.9 billion a year earlier and the EBIT margin was 5.3 percent versus 6 percent.

The company had a loss before tax of NOK 360 million in the fourth quarter compared with a loss of NOK 278 million a year earlier. It had tax income of NOK 92 million in the quarter. There was a net loss of NOK 268 million in the quarter versus a loss of NOK 250 million a year earlier. This constituted a loss per share of NOK 1.07 compared with NOK 0.83 a year earlier. Excluding special items, the company had net income of NOK 188 million in the quarter versus NOK 236 million a year earlier and earnings per share (EPS) of NOK 0.62 compared with NOK 0.96.

Fluctuations in the fair value of hedging instruments that do not qualify for hedge accounting led to a fourth-quarter unrealized loss of NOK 16 million, consisting of a gain of NOK 18 million in EBITDA and a loss of NOK 34 million in financial items. An unrealized loss of NOK 16 million was booked for the full year, of which a gain of NOK 44 million was included in EBITDA and a loss of NOK 59 million was booked in financial items.

**Cashflow**
The company had an inflow of cash from operations of NOK 1.5 billion in the fourth quarter compared with NOK 1.6 billion a year earlier. For the year the operating cashflow was NOK 312 million compared with NOK 1.9 billion a year earlier. Net current operating assets were minus NOK 904 million at the end of the quarter compared with minus NOK 1.6 billion a year earlier as the company's favorable working capital position continued to unwind. In the medium term net current operating assets are expected to rise to a more normal level of between 5 to 7 percent of revenue.

Net cash outflow from investing activities increased to NOK 762 million in the quarter


> Our global improvement program is on pace to boost cost-efficiency by at least 30 percent

## Facts

**SUBSEA REVENUE**
NOK billion
**3.4**

**FIELD DESIGN REVENUE**
NOK billion
**2.8**

from NOK 392 million a year earlier as the company completed the acquisition of 70 percent of Brazilian C.S.E. Mecânica e Instrumentação Ltda. Cash outflow from financing activities was NOK 522 million in the quarter versus NOK 71 million a year earlier. This was driven by a settlement of some debt in Brazil and an increase in the company's holding in Aker Powergas Private Ltd. in India to 88.8 percent from 68.1 percent. Net outflow of cash from investing was NOK 1.2 billion for the full year of 2016, decreasing from NOK 1.3 billion a year earlier. The outflow from financing activities was NOK 213 million for the year versus NOK 323 million a year ago.

### Balance Sheet

Gross interest-bearing debt increased to NOK 4 billion at the end of the year from NOK 3.7 billion a year earlier. Net interest-bearing debt increased to NOK 1 billion from a negative NOK 301 million in the year-ago period. The net interest-bearing debt to EBITDA ratio was 0.7 at the end of 2016. The equity ratio was 29.8 percent at year-end and the ratio of net interest-bearing debt to equity was 15.6 percent.

Liquidity reserves were robust at the end of the year with cash and bank deposits of NOK 2.5 billion. Undrawn and committed long-term revolving bank credit facilities were NOK 5 billion and the total liquidity buffer was NOK 7.5 billion.

### Order Intake and Backlog

The order intake was NOK 4.1 billion in the quarter, declining from NOK 6.4 billion a year earlier. This gave a book-to-bill ratio of 0.7 versus 0.8 a year earlier. The backlog was NOK 31.2 billion at the quarters' end compared with NOK 39.7 billion a year ago.

New orders included two contracts worth at least NOK 900 million from DEA Norge to deliver the subsea production system, maintenance and services at the Dvalin natural gas development offshore Norway. The first order is for a production system encompassing a manifold, four subsea trees and a 15-kilometer long umbilical that will connect to the adjacent Heidrun platform. It also covers wellheads, controls, tie-in and workover systems and options for further subsea production tie-back connections to Heidrun. Initial deliveries are slated for the first half of 2018. The companies also agreed on a five-year framework contract for maintenance and servicing of all subsea production systems ordered under the first agreement, including installation and commissioning services. The contract may be extended by three-year periods.

Aker Solutions also secured two framework agreements to provide concept and front-end engineering (FEED) services for BP globally. The first contract is for feasibility and concept engineering and the second is for FEED services covering the full range of upstream developments. Each agreement is for three years with options to extend for two years. The value of the agreements depends on the amount of work requested by BP. Orders will be booked as they are received.

The company secured a contract from Statoil to build the pipeline facilities, modifications and tie-ins needed at the Mongstad terminal to receive oil from the North Sea Johan Sverdrup field. The contract, valued at about NOK 350 million, is for engineering, procurement, construction and installation services. The work will be completed in 2019. Orders also included a contract of about NOK 1 billion in the subsea area. Aker Solutions is not yet in a position to disclose the customer's identity.

The order intake includes new contracts and expansion of existing contracts. The backlog is based on the value of signed contracts and the estimated value of firm periods in framework agreements and service contracts. The estimated value of options is not included.

### Operational Developments

Aker Solutions made good progress in the quarter in its push to become an even more streamlined and effective business amid a challenging market. The company moved ahead with a reorganization of its business structure, introducing five delivery centers to better meet


customer needs and generate greater synergies. These centers are Customer Management, Front End, Products, Projects and Services. They replace the existing business area organizations and together reflect the company's workflow from early engagement with customers to project execution and through to life-of-field services. The new set-up is expected to facilitate a significant lift in the company's standardization efforts and further speed up its global improvement program, #thejourney.

The company in the quarter stayed on pace with #thejourney, which targets an improvement in cost-efficiency of at least 30 percent across the business. Based on 2015 costs and work volumes this equals potential annual savings of at least NOK 9 billion by the end of 2017. Aker Solutions is simplifying its work methods, organizational set-up, geographic footprint and products and services. This is giving leaner and more efficient processes that enable the company to reduce overall costs on projects and products while improving quality. A key focus is to build a culture of continuous improvement.

Aker Solutions in December completed the acquisition of 70 percent of Brazilian C.S.E. Mecânica e Instrumentação Ltda. The purchase gives Aker Solutions access to Brazil's growing market for servicing existing oil and gas fields, building on a strategy to expand the company's services business in key international markets. The agreement includes an option for Aker Solutions to purchase the remaining 30 percent of the company three years after completing the transaction.

> ”We're simplifying how we work and building a culture of continuous improvement


## Market Outlook

The outlook for oil services remains challenging. There are some signs of a recovery, primarily in the brownfield segment, and oil prices are seen stabilizing at a higher level in 2017. Industry cost cuts are having an effect, with break-even costs coming down on projects amid efforts to simplify field architecture and form more effective collaboration models. This is expected to help the industry move forward with new investments and it is anticipated that an increasing number of projects will be sanctioned this year. This is especially true for brownfield projects as the industry seeks to extract additional value from existing assets and infrastructure.

The underlying, long-term outlook remains positive. Declining reserves and lower oil and gas production in many parts of the world are expected to generate a need for investments in developments and increased recovery from existing fields. Aker Solutions is well placed in key regions to provide the capabilities and technology to lower development costs, improve recovery rates and reduce the industry's environmental footprint.

## Dividend

The board of directors proposes that no dividend payment be made for 2016. While Aker Solutions had a solid financial position at the end of 2016, the board deems it prudent to exercise caution amid continued uncertainty about the outlook for the oil and gas industry. The company maintains its policy of paying a dividend of between 30 and 50 percent of net profit over time either through cash or share buybacks.

## Aker Solutions Share

The company's share price rose to NOK 41.37 at the end of the fourth quarter from NOK 37.38 three months earlier. The average price in the period was NOK 39.54, trading in a range from NOK 43.00 to NOK 34.80. Daily turnover averaged 1,124,747 shares and the company had a market capitalization of NOK 10.1 billion at the end of 2016. The company in the quarter sold 935,510 own shares as part of an employee share purchase program. It held 511,801 own shares at the end of 2016.

### LARGEST SHAREHOLDERS

| Shareholder | Shares | % |
|---|---|---|
| Aker Kværner Holding AS | 110,333,615 | 40.6% |
| Aker ASA | 17,331,762 | 6.4% |
| Folketrygdfondet | 12,331,732 | 4.5% |
| State Street Bank and Trust Comp | 9,784,222 | 3.6% |
| Ferd AS | 5,205,203 | 1.9% |
| Morgan Stanley & Co. LLC | 4,467,768 | 1.6% |
| JPMorgan Chase Bank, N.A., London | 4,362,441 | 1.6% |
| State Street Bank and Trust Comp | 3,483,280 | 1.3% |
| Verdipapirfondet Alfred Berg Gamba | 3,367,184 | 1.2% |
| JPMorgan Chase Bank, N.A., London | 3,224,752 | 1.2% |
| **Sum 10 largest** | **173,891,959** | **63.9%** |

## Health, Safety, Security and Environment

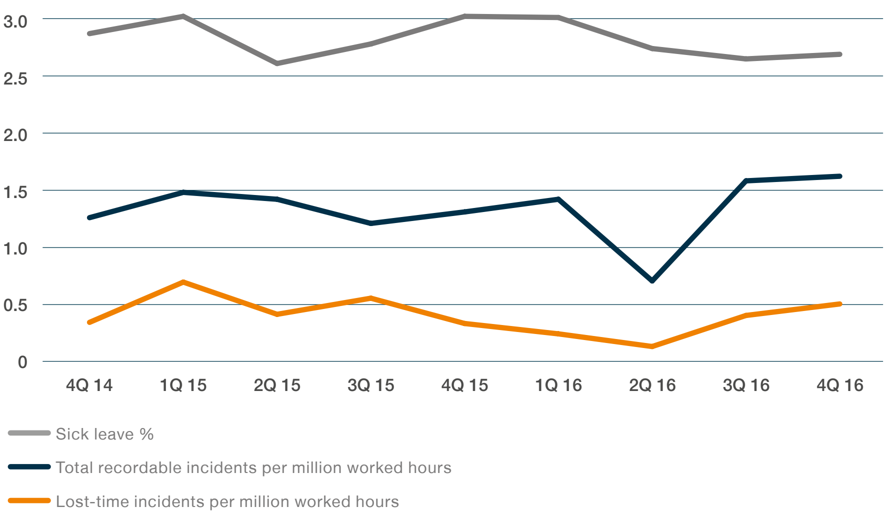
Aker Solutions had 13 recordable injuries in the fourth quarter of 2016, four of which resulted in lost time on operations. The injuries came from handling tools and materials.

The lost-time injury frequency increased to 0.49 in the quarter from 0.39 three months earlier. The frequency of total recordable incidents rose in the same period to 1.6 from 1.56. Both frequencies are based on one million worked hours.

Aker Solutions' top priority is the safety of its employees and the company works continuously to prevent incidents that could harm personnel, material or non-material assets. It investigates all serious incidents, near misses and risk observations to learn from these and improve safety. Aker Solutions also continuously works to identify, analyse and mitigate intentional security threats to personnel and assets. The company did not experience any serious environmental or security incidents in the fourth quarter. It established new health, security and environment management positions to further strengthen its efforts in these areas.

Aker Solutions in the quarter joined the International Association of Oil & Gas Producers, a key voice in promoting safety and sustainability for the global petroleum industry. Aker Solutions becomes only the fourth oil services company to join the group, which serves as a global partner for industry regulators in setting standards for safety, environmental and social performance. The company plans to play an active role in the group's focus areas, sharing its expertise in the arctic and in the subsea segment. It sees IOGP as a valuable forum for collaborating with other industry participants and furthering the company's vision to promote a sustainable oil and gas industry.


### HSSE PERFORMANCE INDICATORS




## Facts

**TOTAL RECORDABLE INCIDENTS**
per million worked hours
**1.60**

**LOST-TIME INCIDENTS**
per million worked hours
**0.49**


> We secured two framework contracts from BP for concept and front-end engineering services

### Subsea

Subsea revenue decreased to NOK 3.4 billion in the quarter from NOK 4.8 billion a year earlier amid a continued market slowdown and as some projects neared completion. The EBIT margin contracted to minus 7.6 percent from 1.5 percent a year earlier, impacted by NOK 391 million in impairment charges on technology and plant property and NOK 31 million in restructuring costs. Excluding special items, the EBIT margin was 4.9 percent in the fourth quarter versus 6.6 percent a year earlier.

The order intake was NOK 2.6 billion, helped by the Dvalin awards and an order from a customer whose identity Aker Solutions is not yet in a position to disclose. The year-earlier intake was NOK 1.3 billion. Tendering activity was healthy even as oil companies reduced investments. The order backlog was NOK 14.5 billion at the end of the quarter, similar to subsea revenue the preceding 12 months. The backlog was NOK 22.5 billion a year earlier.

Full-year revenue was NOK 15 billion in 2016, decreasing from NOK 19.1 billion a year earlier. The EBIT margin narrowed in the same period to 2.3 percent from 5.5 percent. The full-year order intake was NOK 7.3 billion compared with NOK 7.7 billion a year earlier.

### Field Design

Revenue in Field Design, which consists of MMO and Engineering, decreased to NOK 2.8 billion in the quarter from NOK 3.2 billion a year earlier. The decline was mainly in MMO, where some larger projects neared completion and volumes were small from projects in their start-up phase. The EBIT margin widened to 6.2 percent in the quarter from minus 1.6 percent a year earlier, helped by good project execution, improved activity levels in MMO and high capacity utilization in Engineering. The margin was negatively impacted by NOK 29 million in restructuring costs and positively impacted by the reversal of NOK 26 million in onerous lease provisions. Excluding special items, the margin was 7.2 percent in the quarter versus 6.4 percent a year earlier.

The order intake was NOK 1.5 billion, helped by new MMO contracts in Norway. The year-earlier intake was NOK 5.1 billion. Tendering activity was strong in the period.

The order backlog was NOK 16.7 billion at the end of the quarter, equal to Field Design's revenue the preceding 18 months. The backlog was NOK 17.2 billion a year earlier.

## Facts

**SUBSEA BACKLOG**
NOK billion
**14.5**

**FIELD DESIGN BACKLOG**
NOK billion
**16.7**

Full-year revenue was NOK 10.7 billion in 2016 compared with NOK 12.9 billion a year earlier. The EBIT margin increased in the same period to 5.4 percent from 3.1 percent. The order intake was NOK 9.8 billion versus NOK 15.3 billion a year earlier.

### Risk Factors

The market situation and current outlook for the oil-services industry is considered challenging. Aker Solutions is exposed to various forms of market, operational and financial risks that could affect performance, the ability to meet strategic goals and the company's reputation.

Financial results are affected by project execution, customer behavior and market developments, including fluctuations in energy prices. Results are also impacted by costs, both the company's own and those charged by suppliers, as well as customers' ability to pay. Aker Solutions is through its business activities exposed to legal, regulatory and political risks, such as decisions on environmental regulation and international sanctions that impact supply and demand, as well as risks associated with unethical and criminal behavior. The company is exposed to financial market risks including changes in currency rates, interest rates, tax, credit and counterparty risks, as well as risks associated with access to and terms of financing.

Market developments may lead to further capacity adjustments and changes in the valuation of the company's assets and liabilities. This includes further restructuring obligations, onerous leases, impairments and increased credit risk impacting the valuation of trade and interest-bearing receivables.

Aker Solutions has companywide policies, procedures and tools that identify, evaluate and respond to risks actively and systematically. The annual report for 2015 provides more information on risks and uncertainties.

### Significant Events After Quarter's End

Aker Solutions in January 2017 won a contract from Statoil for the hook-up of the riser platform for the Johan Sverdrup field offshore Norway. Aker Solutions will work closely with subcontractor Kvaerner on joining together the platform's seven modules, which will be transported to Norway in the second quarter of 2018. The scope also covers planning, management and prefabrication. The contract value is approximately NOK 900 million and will be split about equally between Aker Solutions and Kvaerner, with Aker Solutions' share booked in first-quarter orders. The agreement also contains hook-up options for the field's processing and living quarter platforms.

Aker Solutions in January began to implement a process to reduce the company's workforce capacity at some locations. About 650 positions, mainly in Norway, the UK and India, may be affected. The adjustments are being made because of the continued market slowdown and as part of the global reorganization started in November to strengthen the company's competitiveness. The company is vigilant about ensuring that its capacity is adapted to market conditions, while safeguarding competency.

Fornebu, February 8, 2017
The Board of Directors and
CEO of Aker Solutions ASA

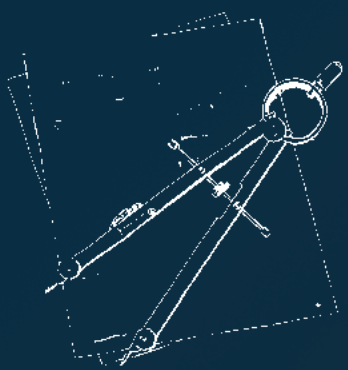
**SUBSEA**

| Amounts in NOK million | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Operating revenue | 3,368 | 4,752 | 14,996 | 19,101 |
| EBITDA | 296 | 352 | 1,417 | 1,778 |
| EBITDA margin | 8.8% | 7.4% | 9.5 % | 9.3 % |
| EBITDA ex. special items | 327 | 486 | 1,425 | 1,944 |
| EBITDA margin ex. special items | 9.7% | 10.2% | 9.5% | 10.2% |
| EBIT | (257) | 70 | 352 | 1,045 |
| EBIT margin | (7.6%) | 1.5% | 2.3 % | 5.5 % |
| EBIT ex. special items | 166 | 312 | 800 | 1,357 |
| EBIT margin ex. special items | 4.9% | 6.6% | 5.3% | 7.1% |
| NCOA | 561 | (472) | 561 | (472) |
| Net capital employed | 6,388 | 4,702 | 6,388 | 4,702 |
| Order intake | 2,583 | 1,343 | 7,283 | 7,660 |
| Order backlog | 14,500 | 22,476 | 14,500 | 22,476 |
| Employees | 5,407 | 7,449 | 5,407 | 7,449 |

**FIELD DESIGN**

| Amounts in NOK million | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Operating revenue | 2,777 | 3,170 | 10,670 | 12,920 |
| EBITDA | 225 | (1) | 730 | 543 |
| EBITDA margin | 8.1% | 0.0% | 6.8 % | 4.2 % |
| EBITDA ex. special items | 228 | 238 | 795 | 793 |
| EBITDA margin ex. special items | 8.2% | 7.5% | 7.4% | 6.1% |
| EBIT | 173 | (50) | 580 | 404 |
| EBIT margin | 6.2% | (1.6%) | 5.4 % | 3.1 % |
| EBIT ex. special items | 199 | 204 | 667 | 672 |
| EBIT margin ex. special items | 7.2% | 6.4% | 6.2% | 5.2% |
| NCOA | (937) | (861) | (937) | (861) |
| Net capital employed | (352) | (362) | (352) | (362) |
| Order intake | 1,517 | 5,118 | 9,831 | 15,263 |
| Order backlog | 16,711 | 17,235 | 16,711 | 17,235 |
| Employees | 8,664 | 7,772 | 8,664 | 7,772 |

# **Figures and Notes.** We seek to maximize returns by striving for top and bottom line excellence.



PROJECTS

CUSTOMERS

ACCOUNTABILITY

**AKER SOLUTIONS GROUP**

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding. The periodic figures are not audited, except the annual 2015 figures that have been derived from the audited financial statements.

BALANCE SHEET

MARKETS

SHAREHOLDERS

# Income Statement

Condensed consolidated income statement

| NOK million. Unaudited. | Note | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|---|
| Revenue | 4 | 6,138 | 7,864 | 25,557 | 31,896 |
| Operating expenses | 7 | (5,759) | (7,682) | (23,628) | (30,055) |
| **Operating income before depreciation, amortization and impairment** | 4 | **380** | **182** | **1,929** | **1,841** |
| Depreciation, amortization and impairment | 8, 9 | (611) | (337) | (1,242) | (882) |
| **Operating income** | 4 | **(232)** | **(155)** | **687** | **958** |
| Net financial items | 5 | (128) | (123) | (414) | (273) |
| **Income before tax** | | **(360)** | **(278)** | **273** | **685** |
| Income tax | | 92 | 28 | (121) | (302) |
| **Net income for the period** | | **(268)** | **(250)** | **152** | **383** |
| | | | | | |
| **Net income attributable to:** | | | | | |
| Equity holders of the parent company | | (289) | (225) | 57 | 392 |
| Non-controlling interests | | 21 | (25) | 95 | (8) |
| | | | | | |
| **Earnings per share in NOK (basic and diluted)** | 11 | (1.07) | (0.83) | 0.21 | 1.44 |

# Other Comprenhensive Income (OCI)

Condensed consolidated statement of comprehensive income

| NOK million. Unaudited. | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| **Net income for the period** | (268) | (250) | 152 | 383 |
| | | | | |
| **Other comprehensive income:** | | | | |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | | |
| Cashflow hedges, effective portion of changes in fair value | (41) | (312) | (81) | (1,385) |
| Cashflow hedges, reclassification to income statement | 143 | 379 | 982 | 1,135 |
| Cashflow hedges, deferred tax | (38) | (46) | (232) | 39 |
| Translation differences - foreign operations | 212 | 208 | (852) | 907 |
| **Total** | **276** | **229** | **(183)** | **696** |
| | | | | |
| **Items that will not be reclassified to profit or loss:** | | | | |
| Remeasurements of defined benefit pension plans | 38 | 79 | 38 | 79 |
| Remeasurements of defined benefit pension plans, deferred tax | (9) | (21) | (9) | (21) |
| Other changes | 28 | - | 42 | - |
| **Total** | **56** | **58** | **70** | **58** |
| **Other comprehensive income, net of tax** | **63** | **37** | **38** | **1,137** |
| **Total comprehensive income attributable to:** | | | | |
| Equity holders of the parent company | 33 | 56 | (46) | 1,119 |
| Non-controlling interests | 31 | (19) | 84 | 17 |

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

# Balance Sheet

Condensed consolidated balance sheet

| NOK million. Unaudited. | Note | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Property, plant and equipment | 9 | 3,808 | 3,962 |
| Intangible assets | 8 | 5,631 | 6,207 |
| Deferred tax asset | | 666 | 332 |
| Other investments | 16 | 75 | 13 |
| Other non-current assets | | 90 | 23 |
| **Total non-current assets** | | **10,271** | **10,537** |
| Current tax assets | | 242 | 118 |
| Current operating assets | 6, 13 | 7,973 | 11,799 |
| Derivative financial instruments | 12 | 93 | 1,295 |
| Interest-bearing receivables | | 437 | 117 |
| Cash and cash equivalents | | 2,480 | 3,862 |
| **Total current assets** | | **11,226** | **17,192** |
| **Total assets** | | **21,497** | **27,729** |
| Total equity attributable to the parent | 11 | 6,278 | 6,397 |
| Non-controlling interests | 11 | 138 | 234 |
| **Total equity** | | **6,415** | **6,630** |
| Non-current borrowings | 10, 12 | 1,844 | 3,137 |
| Pension obligations | | 540 | 572 |
| Deferred tax liabilities | | 309 | 283 |
| Other non-current liabilities | | 92 | 27 |
| **Total non-current liabilities** | | **2,784** | **4,018** |
| Current tax liabilities | | 30 | 9 |
| Current borrowings | 10, 12, 13 | 2,110 | 561 |
| Current operating liabilities | 6, 7 | 9,089 | 13,516 |
| Derivative financial instruments | 12 | 1,069 | 2,995 |
| **Total current liabilities** | | **12,297** | **17,081** |
| **Total liabilities and equity** | | **21,497** | **27,729** |

# Cashflow

Condensed consolidated statement of cashflow

| NOK million. Unaudited. | Note | 2016 | 2015 |
|---|---|---|---|
| Income before tax | | 273 | 685 |
| Depreciation, amortization and impairment | 8, 9 | 1,242 | 882 |
| Other cashflow from operating activities | | (1,204) | 366 |
| **Net cashflow from operating activities** | | **312** | **1,934** |
| Acquisition of property, plant and equipment | 9 | (329) | (841) |
| Payments for capitalized development | 8 | (297) | (449) |
| Acquisition of subsidiary, net of cash acquired | 14 | (210) | - |
| Change in current interest-bearing receivables | | (351) | - |
| Other cashflow from investing activities | | 1 | (9) |
| **Net cashflow from investing activities** | | **(1,186)** | **(1,299)** |
| Change in external borrowings | 10 | 29 | 98 |
| Paid dividends [1] | 11 | (34) | (394) |
| Acquisition of non-controlling interests | | (207) | - |
| Other financing activities | | (2) | (26) |
| **Net cashflow from financing activities** | | **(213)** | **(323)** |
| Effect of exchange rate changes on cash and cash equivalents | | (294) | 211 |
| **Net increase (decrease) in cash and cash equivalents** | | **(1,382)** | **523** |
| Cash and cash equivalents as at the beginning of the period | | 3,862 | 3,339 |
| **Cash and cash equivalents as at the end of the period** | | **2,480** | **3,862** |

*1) Dividends in 2016 of NOK 34 million relates to dividend to non-controlling interests. Dividend in 2015 relates to shareholders of Aker Solutions ASA*

# Equity

Condensed consolidated statement of changes in equity

| NOK million. Unaudited. | Contributed equity and retained earnings | Other reserves | Total equity attributable to the parent's equity holders | Non- controlling interest | **Total Equity** |
|---|---|---|---|---|---|
| Equity as of January 1, 2015 | 5,684 | (7) | 5,677 | 216 | 5,893 |
| Total comprehensive income | 392 | 728 | 1,119 | 17 | 1,137 |
| Dividends | (394) | - | (394) | - | (394) |
| Treasury shares and employee share purchase program | (6) | | (6) | | (6) |
| **Equity as of December 31, 2015** | **5,676** | **721** | **6,397** | **234** | **6,630** |
| Equity as of January 1, 2016 | 5,676 | 721 | 6,397 | 234 | 6,630 |
| Total comprehensive income | 57 | (103) | (46) | 84 | 38 |
| Change in non-controlling interest from dividends incl. tax | | | | (34) | (34) |
| Change in non-controlling interest including tax as a result of share buy-back | (17) | | (17) | (184) | (202) |
| Other changes to equity | (55) | | (55) | 38 | (17) |
| **Equity as of December 31, 2016** | **5,660** | **618** | **6,278** | **138** | **6,415** |

# Notes

## Note 1 General

Aker Solutions (the company) is an oil service company providing subsea technologies and field design services including engineering, modification, maintenance and decommissioning services. The group employs about 14,000 people with operations in about 20 countries worldwide, with head office based in Fornebu, Norway. The company has acquired a new subsidiary during 4Q, see note 14.

The parent company, Aker Solutions ASA, is a Norwegian limited liability company listed on the Oslo Stock Exchange under the ticker AKSO. The consolidated financial statements of Aker Solutions ASA incorporate the financial statements of the company and its subsidiaries (collectively referred to as “the group” or “the company” and separately as group companies) and the group’s interest in associated companies. The Resource Group TRG AS is the ultimate parent company of Aker Solutions ASA. The interim financial statements are unaudited.

## Note 2 Basis for Preparation

### STATEMENT OF COMPLIANCE

Aker Solutions’ interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union, and their interpretations adopted by the International Accounting Standards Board (IASB). The condensed consolidated interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting.

### CHANGES IN ACCOUNTING POLICIES AND NEW STANDARDS

No significant new accounting principles have been adopted in the quarter. The IASB has issued three new standards that are expected to impact the financial reporting of the group in the future. The expected impacts as described below may change as clarifications are issued by the IASB or as practice develops in the industry.

IFRS 9 Financial instruments will be effective from 2018. The percentage of qualifying hedges is expected to increase under IFRS 9. This is expected to result in less foreign currency effects reported under financial items. The current assessment is that the new standard for financial instruments will not significantly change the reported figures of the group.

IFRS 15 Revenue from contracts with customers will be effective from 2018. The progress-based measurement of revenue over time is still expected to be the main method for the construction and service contracts in Aker Solutions. Tender cost is expected to be mainly expensed as incurred under the new standard. The current assessment is that the new standard for revenue recognition will not significantly change how the group recognizes revenue.

IFRS 16 Leasing will be effective from 2019. The new standard for leasing will significantly change how the group accounts for its lease contracts for land and buildings currently accounted for as operating leases. Under IFRS 16, an on-balance sheet model similar to the current financial leases accounting will be applied to all lease contracts. Only leases for small items such as computers and office equipment will be exempt. As a result, assets and liabilities will increase with a value close to the net present value of future lease payments and EBITDA will increase as the lease payments will be presented as depreciation and finance cost rather than operating expenses.

## Note 3 Judgments and Estimates

The preparation of consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions each reporting period that affect the income statement and balance sheet. The accounting estimates will by definition seldom precisely match actual results. The judgments and estimates are based on historical experience or other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes to accounting estimates are recognized in the period in which the estimate is revised and any subsequent periods the change relates to.

In preparing these interim financial statements, the significant judgments made by management in applying the group’s accounting policies and the key sources of uncertainty in the estimates were consistent with those described in note 2 Basis of Preparation in the 2015 annual report available on www.akersolutions.com.

# Note 4 Operating Segments

Aker Solutions has two operating segments. Subsea provides production equipment and maintenance services to the subsea market. Field Design provides offshore engineering and maintenance services in addition to modifications. In 4Q 2016, the company is undergoing a major restructuring that will change the operating segments. The new structure will be reflected in the reporting in 2017.

### SUBSEA

Subsea offerings cover all phases of the life of subsea fields, from concept screening and design through manufacturing, installation and commissioning to operational support and maintenance services. Aker Solutions delivers both single subsea equipment and complete subsea systems. The hardware deliveries are organized as projects and include engineering, procurement and construction (EPC) and often also installation and commissioning. The subsea systems include hardware such as subsea trees, control systems, workover systems, tie-in and connection systems, manifolds, umbilicals, power cables and compression systems. The market for advanced and integrated subsea production system is continuously developing and combines hardware, subsea processing and the management of reservoir performance into a full field concept. Lifecycle services on subsea installations include maintenance, repairs and spares supply in addition to operational and technical support.

### FIELD DESIGN

Field Design provides engineering services on greenfield and brownfield developments in addition to maintenance and modification services for oil and gas fields. The engineering services include concept studies, front-end engineering and design (FEED), field planning, detailed engineering, procurement services and construction management services. The maintenance and modifications,services include maintenance, modifications, asset integrity management (AIM) and hook-up services. This operating segment includes two business areas in Aker Solutions that are organized separately and provide individual management reporting to the CEO. The business areas of Engineering ("ENG") and Maintenance, Modifications and Operations ("MMO") are aggregated into the Field Design segment due to similar commercial risks and operations in the same economic climate with the same markets and customers. They also have similar operational characteristics as they share resources and use the same type of KPI's to monitor the business.

### OTHER

The "other" segment includes unallocated corporate costs, certain onerous lease cost and the effect of hedges not qualifying for hedge accounting.

### ACCOUNTING PRINCIPLES

The accounting principles of the operating segments are the same as described in the annual report. As noted in the annual report, the operating segments apply hedge accounting independently of whether the hedge qualifies for hedge accounting in accordance with IFRS. When contract revenues and contract costs are denominated in a foreign currency, the subsidiary hedges the exposure against corporate treasury. A correction of the non-qualifying hedges are made to secure that the consolidated financial statements are in accordance with IFRS. This means that the group's segment report reflects both internal and external hedges before they are corrected through the corporate level and reported in the "other" segment.

| Amounts in NOK million | Subsea | Field Design | **Total operating segments** | Other | Intra-group elimination | **Total** |
|---|---|---|---|---|---|---|
| **Three month ended December 31, 2016** | | | | | | |
| **Income statement** | | | | | | |
| External revenue | 3,366 | 2,752 | **6,118** | 21 | | 6,138 |
| Inter-segment revenue | 2 | 25 | **27** | 4 | (31) | - |
| **Total operating revenue** | **3,368** | **2,777** | **6,145** | **25** | **(31)** | **6,138** |
| Operating income before depreciation, amortization and impairment | 296 | 225 | **521** | (141) | | 380 |
| **Operating income** | **(257)** | **173** | **(84)** | **(148)** | | **(232)** |
| **Twelve month ended December 31, 2016** | | | | | | |
| **Income statement** | | | | | | |
| External revenue and other income | 14,995 | 10,576 | 25,571 | (14) | | 25,557 |
| Inter-segment revenue | 1 | 95 | 96 | 102 | (198) | - |
| **Total operating revenue and other income** | **14,996** | **10,670** | **25,667** | **88** | **(198)** | **25,557** |
| Operating profit before depreciation, amortization and impairment | 1,417 | 730 | 2,148 | (219) | | 1,929 |
| **Operating income** | **352** | **580** | **931** | **(245)** | | **687** |
| **Balance sheet** | | | | | | |
| Net current operating assets (NCOA) | 561 | (937) | (376) | (528) | - | (904) |
| Net capital employed | 6,388 | (352) | 6,036 | 2,357 | - | 8,393 |
| **Three month ended December 31, 2015** | | | | | | |
| **Income statement** | | | | | | |
| External revenue | 4,756 | 3,072 | **7,827** | 36 | | 7,864 |
| Inter-segment revenue | (4) | 99 | **95** | 43 | (137) | - |
| **Total operating revenue** | **4,752** | **3,170** | **7,922** | **79** | **(137)** | **7,864** |
| Operating income before depreciation, amortization and impairment | 352 | (1) | **351** | (169) | | 182 |
| **Operating income** | **70** | **(50)** | **20** | **(175)** | | **(155)** |
| **Twelve month ended December 31, 2015** | | | | | | |
| **Income statement** | | | | | | |
| External revenue and other income | 19,112 | 12,612 | 31,724 | 172 | | 31,896 |
| Inter-segment revenue | (12) | 308 | 297 | 102 | (398) | - |
| **Total operating revenue and other income** | **19,101** | **12,920** | **32,021** | **273** | **(398)** | **31,896** |
| Operating profit before depreciation, amortization and impairment | 1,778 | 543 | 2,321 | (480) | | 1,841 |
| **Operating income** | **1,045** | **404** | **1,449** | **(490)** | | **958** |
| **Balance sheet** | | | | | | |
| Net current operating assets (NCOA) | (472) | (861) | (1,332) | (275) | - | (1,607) |
| Net capital employed | 4,702 | (362) | 4,339 | 3,689 | - | 8,029 |

The NCOA consists of current operating assets, current tax assets, current operating liabilities and current tax liabilities.

Net capital employed consist of mainly of NCOA, pension liabilities, deferred taxes, fixed assets, intangible assets and an allocated share of goodwill.

## Note 5 Finance Income and Expenses

| Amounts in NOK million | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| **Interest income** | **25** | **18** | **65** | **76** |
| Interest expense on financial liabilities measured at amortized cost | (125) | (102) | (452) | (330) |
| Interest expense on financial liabilities measured at fair value | (3) | (15) | (26) | (18) |
| **Interest expenses** | **(128)** | **(117)** | **(477)** | **(348)** |
| Capitalized interest cost | 1 | 17 | 24 | 40 |
| Net foreign exchange gain (loss) | 12 | (46) | 26 | (115) |
| Gain (loss) on foreign currency forward contracts | (42) | (21) | (67) | 46 |
| Other financial income | 7 | 28 | 25 | 30 |
| Other financial expenses | (4) | (2) | (9) | (3) |
| **Net other financial items** | **(25)** | **(24)** | **(1)** | **(1)** |
| **Net financial items** | **(128)** | **(123)** | **(414)** | **(273)** |

## Note 6 Current Operating Assets and Liabilities

| Amounts in NOK million | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **Current operating assets** | | |
| Inventories | 575 | 814 |
| Trade receivables | 3,541 | 4,264 |
| Amounts due from customers for construction work | 1,103 | 2,365 |
| Accrued operating revenue from service contracts | 1,337 | 2,032 |
| Advances to suppliers | 156 | 232 |
| Other receivables | 1,260 | 2,091 |
| **Total** | **7,973** | **11,799** |
| **Current operating liabilities** | | |
| Trade payables | 1,030 | 1,669 |
| Amounts due to customers for construction work, including advances | 2,509 | 5,995 |
| Accrued operating and financial cost | 2,183 | 2,435 |
| Provisions | 1,087 | 1,294 |
| Other liabilities | 2,279 | 2,124 |
| **Total** | **9,089** | **13,516** |

# Note 7 Provisions

### CHANGES IN PROVISIONS IN 2016

| Amounts in NOK million | Warranties | Restructuring | Onerous contracts | Other | **Total** |
|---|---|---|---|---|---|
| Balance as of January 1, 2016 | 591 | 262 | 323 | 118 | 1,294 |
| Change in the period | 10 | (150) | (47) | 23 | (165) |
| Currency translation | (27) | - | (9) | (7) | (43) |
| **Balance as of December 31, 2016** | **573** | **112** | **267** | **134** | **1,086** |

The provision for warranties relate to expected re-work and improvements for products and services delivered to customers in the normal course of business. The warranty period is normally two years. The provision is based on the historical average warranty expenses for each type of contract and an assessment of the value of delivered products and services currently in the warranty period.

The restructuring provision relates to expected employee termination costs for permanent and temporary employees that will be laid-off during first half 2017. The significant decline in oil prices and current market conditions has resulted in lower order intake, pressure on cost and necessary workforce reductions. At 4Q 2016, the provision was NOK 17 million in Subsea, NOK 51 million in Field Design and NOK 44 million in the “other” segment. The restructuring cost in the quarter was NOK 130 million. The provision is sensitive to changes in the assumptions used related to number of employees, salary levels, notice period, severance pay and idle time assumed during notice period.

The onerous lease provision mainly relates to separable parts of leased buildings which have been or will be vacated by Aker Solutions in the near future. At 4Q 2016, the provision consists of NOK 53 million included in Subsea, NOK 87 million in Field Design and NOK 127 million in the “other” segment. The onerous lease cost in the quarter was NOK 39 million. The provision is sensitive to changes in the assumptions used related to sublease periods and sublease income.

Other provisions relate to other liabilities with uncertain timing or amount.

# Note 8 Intangible Assets

### CHANGES IN INTANGIBLE ASSETS IN 2016

| Amounts in NOK million | Goodwill | Development | Other intangible assets | **Total** |
|---|---|---|---|---|
| Balance as of January 1, 2016 | 4,171 | 1,841 | 195 | 6,207 |
| Capitalized development | - | 278 | 19 | 297 |
| Acquisition through business combinations | 126 | - | 12 | 139 |
| Disposal of subisidaries | (2) | - | - | (2) |
| Amortization | - | (178) | (34) | (212) |
| Impairment | - | (386) | - | (386) |
| Currency translation differences | (319) | (91) | (2) | (412) |
| **Balance as of December 31, 2016** | **3,977** | **1,465** | **190** | **5,631** |

Intangible assets are reviewed each quarter for impairment indicators, including market changes, technological development, order backlog and other changes that might potentially reduce the value of the assets. For goodwill and ongoing development projects, an impairment test is performed annually or when impairment indicators are identified. The goodwill is tested using the value-in-use approach determined by discounting expected future cashflows. An impairment loss is recognized when the value-in-use is lower than book value.

An impairment loss of capitalized development of NOK 386 million has been recognized in 2016, compared to NOK 136 million in the prior year. The impairment loss relates to technologies where the market outlook has worsened as a result of the downturn in the oil services sector. A value-in-use approach has been used with a WACC of 10.7 percent (post-tax). The remaining book value of the capitalized development subject to impairment was NOK 200 million per December 31, 2016. The impairment relate to NOK 363 million in Subsea and NOK 23 million in Field Design. The impairment loss in the quarter was NOK 325 million in Subsea and NOK 23 million in Field Design.

# Note 9 Property, Plant and Equipment

### CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2016

| Amounts in NOK million | Buildings and sites | Machinery and equipment | Under construction | **Total** |
|---|---|---|---|---|
| Balance as of January 1, 2016 | 1,005 | 2,160 | 797 | 3,962 |
| Additions | 48 | 60 | 292 | 399 |
| Transfer from assets under construction | 635 | 294 | (929) | - |
| Depreciation | (83) | (483) | - | (567) |
| Impairment | - | (78) | - | (79) |
| Additions through business combinations | 24 | 55 | - | 78 |
| Disposal of subsidiaries | - | (3) | - | (3) |
| Disposals and scrapping | (24) | (4) | - | (28) |
| Currency translation differences | 29 | (26) | 40 | 44 |
| **Balance as of December 31, 2016** | **1,633** | **1,974** | **200** | **3,808** |

An impairment of fixed assets of NOK 79 million in Subsea has been recognized in 2016, of which NOK 67 million relate to 4Q. The impairment loss in the prior year was NOK 27 million.

# Note 10 Borrowings

| Carrying amounts in NOK million | Maturity | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Bond - ISIN NO 0010647431 | June 2017 | 1,505 | 1,502 |
| Bond - ISIN NO 0010661051 | October 2019 | 1,007 | 1,005 |
| Brazilian Development Bank EXIM and capex loans | Within one year | 561 | 432 |
| Brazilian Development Bank EXIM and capex loans | After one year | 867 | 737 |
| Other loans | | 14 | 21 |
| **Total borrowings** | | **3,954** | **3,698** |
| | | | |
| Current borrowings | | 2,110 | 561 |
| Non-current borrowings | | 1,844 | 3,137 |
| **Total borrowings** | | **3,954** | **3,698** |

Contractual terms of group's interest-bearing loans and borrowings are measured at amortized cost. Aker Solutions has a credit facility of NOK 5,000 million which expires July 3, 2019. Nothing was drawn of the credit facility per December 31, 2016.

# Note 11 Share Capital and Equity

Aker Solutions ASA was founded May 23, 2014 with a nominal share capital of NOK 293,807,940. The total outstanding shares are 272,044,389 shares at par value NOK 1.08 per share at December 31, 2016. All issued shares are fully paid.

Aker Solutions ASA holds 511,801 treasury shares at December 31, 2016. Treasury shares are not included in the weighted average number of ordinary shares. Earnings per share have been calculated based on an average of 270,916,252 shares outstanding December 31, 2016.

The board of directors proposes that no dividend payment be made for 2016 due to the continued uncertainty about the outlook for the oil and gas industry.

# Note 12 Financial Instruments

The financial instruments measured at fair value per December 31, 2016 include the following:

- Derivative financial instruments consist mainly of forward foreign exchange contracts. The fair values are derived from observable market rates for foreign currency forward contracts. The group also has certain interest rate swaps where fair values are derived from observable market interest rates.
- Current and non-current borrowings include two bonds issued in the Norwegian bond market in addition to other borrowings. Bonds and borrowings are measured at amortized cost, and interest rate variations will not affect the valuation as they are held to maturity. The fair value of bonds and borrowings was NOK 3,979 million per December 31, 2016, compared to carrying amount of NOK 3,954 million. The fair value per December 31, 2015 was NOK 3,651 million compared to carrying amount of NOK 3,698 million.

Other financial assets and liabilities are measured at fair value and their valuation techniques are described in note 25 in the 2015 annual report, and note 16 in this report.

# Note 13 Related Parties

Related party relationships are defined to be entities outside the Aker Solutions group that are under control (either directly or indirectly), joint control or significant influence by the owners of Aker Solutions. Related parties are in a position to enter into transactions with the company that would potentially not be undertaken between unrelated parties. All transactions in the Aker Solutions group with related parties have been based on arm's length terms.

The largest shareholder of Aker Solutions is Aker Kværner Holding AS which is controlled by Aker ASA (70 percent). Aker ASA is controlled by The Resource Group TRG AS, a company controlled by Kjell Inge Røkke. The Resource Group TRG AS is the ultimate parent company of Aker Solutions ASA. In this respect, all entities owned by Aker ASA and entities which Kjell Inge Røkke and his close family controls through The Resource Group TRG AS are considered related parties to Aker Solutions. These entities include companies like Akastor ASA, Kværner ASA and Ocean Yield ASA and are referred to as Aker entities in this note.

Below is a summary of transactions and balances between Aker Solutions group and its related parties.

**INCOME STATEMENT**

| Amounts in NOK million | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Operating revenues | 259 | 237 | 770 | 1,372 |
| Operating expenses | (582) | (918) | (2,661) | (4,067) |

**BALANCE SHEET**

| Amounts in NOK million | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Trade receivables | 111 | 121 |
| Trade payables | 67 | 153 |
| Current borrowings | 1 | 1 |

Aker Solutions has several transactions with related parties on a recurring basis as part of normal business. The most important transactions with related parties are commercial sub-contracting and hire of technical and project personnel between Aker Solutions, Akastor and Kvaerner. Aker Solutions is also leasing property from related parties.

Aker Solutions entered into a five-year contract with Frontica Business Solutions (part of Akastor) in 1Q 2016 for IT services and consultancy projects as well as business support services within HR, finance and procurement. The contract value is about NOK 1-1.25 billion annually. Frontica Business Solutions was sold to Cognizant on November 28, 2016 and is no longer a related party to Aker Solutions after this date. Akastor is also providing staffing services with an estimated value up to NOK 1 billion annually (depending on volume) through Frontica Advantage. On January 6, 2017 Frontica Advantage was sold to NES Global Talent and is no longer a related party to Aker Solutions.

In 3Q 2016, Aker Solutions entered into a seven year agreement to sublease offices to Aker BP in Stavanger, Norway.

# Note 14 Acquisition of Subsidiaries

On October 20 2016, Aker Solutions entered into an agreement to acquire 70 percent of shares and voting rights of Brazilian C.S.E Mecânica e Instrumentacâo Ltda ("C.S.E"). The acquisition gives Aker Solutions access to Brazil's growing market for servicing existing oil and gas fields. C.S.E had revenue of BRL 322 million in 2015 and provides maintenance, assembly, commissioning and crane operation services at offshore and onshore facilities. The company headquartered in Pinhais in the Parana state has 2,500 employees located at sites including five service facilities covering the country's different oil and gas basins.

Aker Solutions has a call option for the remaining 30 percent shares executable in 2019 while the sellers have a put option for the remaining 30 percent shares exercisable in 2021. The amount payable upon exercising the options is based on future profits. Aker Solutions has applied the anticipated-acquisition method when accounting for the business combination and treated the transaction as the options were already exercised. As such C.S.E has been fully consolidated from the date of the closing of the transaction which occured on December 5, 2016.

The cost price of the acquisition includes the present value of the contingent consideration at the time of the business combination of NOK 75 million. Transaction costs related to the acquisition of NOK 7 million has been recognised in other operating expenses in the income statement. Goodwill resulting from the transaction is mainly attributable to the assembled workforce and expected synergies. The purchase price allocation presented at the time of this report is preliminary.

## VALUES AT TIME OF ACQUISITION FOR THE BUSINESS COMBINATION

| Amounts in NOK million | |
|---|---|
| Property, plant and equipment | 78 |
| Intangible assets | 13 |
| Trade receivables | 82 |
| Other current operating assets | 103 |
| Cash and cash equivalents | 11 |
| Deferred tax liabilities | (2) |
| Current operating liabilities | (114) |
| Non-current liabilities | (1) |
| **Net assets acquired at fair value** | **170** |
| Goodwill | 126 |
| **Fair value acquired** | **296** |
| Total consideration | 296 |
| Contingent consideration (option payment component) | (75) |
| **Net cash consideration** | **221** |
| Cash and cash equivalents acquired | (11) |
| **Net cash outflow** | **210** |
| Operating revenue in acquired subsidiary after acquisition | 44 |
| Proftit for the period in acquired subsidiaries after acquisition | (2) |

The trade receivables are estimated to have a fair value equal to their gross carrying amount and hence no provision has been made for uncollectable receivables.

The information disclosed in the table is preliminary and may be revised if new information related to the fair value of acquired assets and liabilities becomes available within one year of the acquisition date.

# Note 15 Acquisition of Non-controlling Interest

In October 2016, Aker Solutions increased its ownership in Aker Powergas Pvt Ltd by 20.8 percent from 68.1 percent to 88.9 percent. The increase was structured through a treasury-share buy-back in Aker Powergas Pvt Ltd from its minority owners with subsequent deletion of the treasury shares.

The carrying amount of Aker Powergas Pvt Ltd net assets in the consolidated financial statements on the date of the acquisition was NOK 788 million. As a result of the acquisition, a decrease in non-controlling interest within equity of NOK 184 million and a decrease in retained earnings of NOK 17 million was recognized in the consolidated financial statements. Amounts include taxes incurred as a result of the transaction.

| Amounts in NOK million | |
|---|---|
| Carrying amount of the NCI acquired | 184 |
| Consideration paid to NCI | (165) |
| Tax payable on buyback of shares from NCI | (38) |
| **Gross decrease in equity** | **(19)** |
| | |
| Gross decrease in majority's equity | (17) |
| Gross decrease in remaining non-controlling interest | (2) |

# Note 16 Other Investments

| Amounts in NOK million | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Equity securities, measured at cost | 14 | 13 |
| Equity securities, measured at fair value | 61 | - |
| **Balance as of December 31, 2016** | **75** | **13** |

Other investments include equity securities where shareholding is below twenty percent. Quoted market prices on stock exchanges are used to value investment in listed companies, with changes recognized in other comprehensive income (OCI) in equity. Investment in shares that do not have quoted market prices are measured at cost.

# Alternative Performance Measures

Aker Solutions (the company) discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Such performance measures are frequently used by securities analysts, investors and other interested parties and they are meant to provide an enhanced insight into the operations, financing and future prospects of the company.

## PROFIT MEASURES

EBITDA and EBIT terms are presented as they are commonly used by financial analysts and investors. Special items are excluded from EBITDA and EBIT as alternative measures to provide enhanced insight into the financial development of the business operations and to improve comparability between different periods.

**EBITDA** is short for earnings before interest, taxes, depreciation and amortization. EBITDA corresponds to the “operating income before depreciation, amortization and impairment” in the consolidated income statement.

**EBIT** is short for earnings before interest and taxes. EBIT corresponds to “operating income” in the consolidated income statement.

**Margins** such as EBITDA margin and EBIT margin is used to compare relative profit between periods. EBITDA margin and EBIT margin are calculated as EBITDA or EBIT divided by revenue.

| Amounts in NOK million | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Revenue | 6,138 | 7,864 | 25,557 | 31,896 |
| Operating expenses | (5,759) | (7,682) | (23,628) | (30,055) |
| EBITDA | 380 | 182 | 1,929 | 1,841 |
| **EBITDA margin** | **6.2 %** | **2.3 %** | **7.5 %** | **5.8 %** |
| | | | | |
| Depreciation, amortization and impairment | (611) | (337) | (1,242) | (882) |
| EBIT | (232) | (155) | 687 | 958 |
| **EBIT margin** | **-3.8 %** | **-2.0 %** | **2.7 %** | **3.0 %** |

**Special items** may not be indicative of the ongoing operating result or cash flows of the company. Profit measures excluding special items are presented as alternative measure to improve comparability of the underlying business performance between the periods.

| Amounts in NOK million | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| **Special items impacting revenue** | | | | |
| **Aker Solutions group** | | | | |
| **Revenue** | 6,138 | 7,864 | 25,557 | 31,896 |
| Non-qualifying hedges | (19) | (30) | 26 | (123) |
| Gain/loss sale of PPE | - | - | (36) | - |
| Other | - | - | 12 | - |
| Sum of special items excluded from revenue | (19) | (30) | 2 | (123) |
| **Revenue ex. special items** | **6,119** | **7,834** | **25,559** | **31,772** |
| | | | | |
| **Subsea** | | | | |
| **Revenue** | 3,368 | 4,752 | 14,996 | 19,101 |
| Gain/loss sale of PPE | - | - | (36) | - |
| Other | - | - | 12 | - |
| Sum of special items excluded from revenue | - | - | (24) | - |
| **Revenue ex. special items** | **3,368** | **4,752** | **14,972** | **19,101** |
| | | | | |
| **Field Design** | | | | |
| **Revenue** | 2,777 | 3,170 | 10,670 | 12,920 |
| Sum of special items excluded from revenue | - | - | - | - |
| **Revenue ex. special items** | **2,777** | **3,170** | **10,670** | **12,920** |

**Special items (continued)**

| Amounts in NOK million | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| **Special items impacting EBITDA** | | | | |
| **Aker Solutions group** | | | | |
| **EBITDA** | 380 | 182 | 1,929 | 1,841 |
| Onerous lease cost | 39 | 114 | 82 | 265 |
| Restructuring cost | 130 | 373 | 163 | 416 |
| Non-qualifying hedges | (18) | 15 | (44) | 94 |
| Gain/loss sale of PPE | - | - | (36) | - |
| Other costs | 9 | 11 | 26 | 22 |
| Sum of special items excluded from EBITDA | 160 | 513 | 192 | 797 |
| **EBITDA ex. special items** | **539** | **695** | **2,121** | **2,638** |
| *EBITDA margin ex. special items* | *8.8%* | *8.9%* | *8.3%* | *8.3%* |
| **Subsea** | | | | |
| **EBITDA** | 296 | 352 | 1,417 | 1,778 |
| Restructuring cost | 31 | 134 | 31 | 166 |
| Gain/loss sale of PPE | - | - | (36) | - |
| Other costs | - | - | 12 | - |
| Sum of special items excluded from EBITDA | 31 | 134 | 7 | 166 |
| **EBITDA ex. special items** | **327** | **486** | **1,425** | **1,944** |
| *EBITDA margin ex. special items* | *9.7%* | *10.2%* | *9.5%* | *10.2%* |
| **Field Design** | | | | |
| **EBITDA** | 225 | (1) | 730 | 543 |
| Onerous lease cost | (26) | - | 2 | - |
| Restructuring cost | 29 | 239 | 62 | 250 |
| Sum of special items excluded from EBITDA | 3 | 239 | 64 | 250 |
| **EBITDA ex. special items** | **228** | **238** | **795** | **793** |
| *EBITDA margin ex. special items* | *8.2%* | *7.5%* | *7.4%* | *6.1%* |
| **Special items impacting EBIT** | | | | |
| **Aker Solutions group** | | | | |
| **EBIT** | (232) | (155) | 687 | 958 |
| Sum of special items excluded from EBITDA | 160 | 513 | 192 | 797 |
| Impairment | 414 | 123 | 464 | 163 |
| Sum of special items excluded from EBIT | 574 | 636 | 656 | 960 |
| **EBIT ex. special items** | **342** | **481** | **1,343** | **1,918** |
| *EBIT margin ex. special items* | *5.6%* | *6.1%* | *5.3%* | *6.0%* |
| **Subsea** | | | | |
| **EBIT** | (257) | 70 | 352 | 1,045 |
| Sum of special items excluded from EBITDA | 31 | 134 | 7 | 166 |
| Impairment | 391 | 108 | 441 | 145 |
| Sum of special items excluded from EBIT | 422 | 242 | 449 | 312 |
| **EBIT ex. special items** | 166 | 312 | 800 | 1,357 |
| *EBIT margin ex. special items* | **4.9%** | **6.6%** | **5.3%** | **7.1%** |
| **Field Design** | | | | |
| **EBIT** | **173** | (50) | 580 | 404 |
| Sum of special items excluded from EBITDA | 3 | 239 | 64 | 250 |
| Impairment | 23 | 15 | 23 | 18 |
| Sum of special items excluded from EBIT | 26 | 254 | 87 | 268 |
| **EBIT ex. special items** | **199** | **204** | **667** | **672** |
| *EBIT margin ex. special items* | *7.2%* | *6.4%* | *6.2%* | *5.2%* |

**Special items (continued)**

| Amounts in NOK million | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| **Special items impacting EBT** | | | | |
| **Aker Solutions group** | | | | |
| **EBT** | (360) | (278) | 273 | 685 |
| Sum of special items excluded from EBIT | 574 | 636 | 656 | 960 |
| Non-qualifying hedges | 34 | 21 | 59 | (47) |
| Sum of special items excluded from EBT | 607 | 657 | 716 | 913 |
| **EBT ex. special items** | **247** | **379** | **989** | **1,598** |
| **Subsea** | | | | |
| **EBT** | 165 | (50) | 330 | 558 |
| Sum of special items excluded from EBIT | 422 | 242 | 449 | 312 |
| Sum of special items excluded from EBT | 422 | 242 | 449 | 312 |
| **EBT ex. special items** | **588** | **192** | **779** | **869** |
| **Field Design** | | | | |
| **EBT** | 49 | (62) | 373 | 416 |
| Sum of special items excluded from EBIT | 26 | 254 | 87 | 268 |
| Sum of special items excluded from EBT | 26 | 254 | 87 | 268 |
| **EBT ex. special items** | **75** | **191** | **460** | **684** |
| **Special items impacting Net income** | | | | |
| **Aker Solutions group** | | | | |
| **Net income** | (268) | (250) | 152 | 383 |
| Sum of special items excluded from EBT | 607 | 657 | 716 | 913 |
| Tax effects on special items | (151) | (171) | (168) | (237) |
| Sum of special items excluded from net income | 456 | 486 | 548 | 676 |
| **Net income ex. special items** | **188** | **236** | **699** | **1,059** |
| **Subsea** | | | | |
| **Net income** | 64 | (61) | 112 | 282 |
| Sum of special items excluded from EBT | 422 | 242 | 449 | 312 |
| Tax effects on special items | (108) | (60) | (108) | (78) |
| Sum of special items excluded from net income | 315 | 183 | 340 | 233 |
| **Net income ex. special items** | **379** | **122** | **452** | **516** |
| **Field Design** | | | | |
| **Net income** | 29 | (67) | 295 | 375 |
| Sum of special items excluded from EBT | 26 | 254 | 87 | 268 |
| Tax effects on special items | (7) | (68) | (21) | (72) |
| Sum of special items excluded from net income | 19 | 185 | 66 | 196 |
| **Net income ex. special items** | **48** | **118** | **362** | **571** |
| Net income to non-controlling interests | (21) | 25 | (95) | 8 |
| Average numbers of shares | 270,751,471 | 271,038,221 | 270,916,252 | 271,287,405 |
| Earnings per share [1] | (1.07) | (0.83) | 0.28 | 1.44 |
| Earnings per share ex. special items [2] | 0.62 | 0.96 | 2.23 | 3.94 |

*1) Earnings per share is calculated using net income, adjusted for non-controlling interests, divided by average number of shares.*
*2) Earnings per share ex. special items is calculated using net income ex. special items, adjusted for non-controlling interests, divided by average number of shares.*

## ORDER INTAKE MEASURES

Order intake, order backlog and book-to-bill ratio are presented as alternative performance measures as they are indicators of the company's revenues and operations in the future.

**Order intake** includes new signed contracts in the period in addition to expansion of existing contracts. For construction contracts, the order intake is based on the signed contract value excluding potential options and change orders. For service contracts, the order intake is based on the estimated value of firm periods in the contracts.

**Order backlog** represents the estimated value of remaining work on signed contracts.

**Book-to-bill ratio** is calculated as order intake divided by revenue in the period. A book-to-bill ratio higher than 1 means that the company has secured more contracts in the period than what has been executed in the same period.

| Amounts in NOK million | 4Q 2016 | 4Q 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Revenue | 6,138 | 7,864 | 25,557 | 31,896 |
| Order intake | 4,094 | 6,388 | 17,004 | 22,793 |
| **Book-to-bill ratio** | **0.7** | **0.8** | **0.7** | **0.7** |

## FINANCING MEASURES

Alternative financing and equity measures are presented as they are indicators of the company's ability to obtain financing and service its debts.

**Gross interest-bearing debt** is a measure of the total financing in the company and is calculated by adding the current and non-current interest-bearing debt.

| Amounts in NOK million | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Current borrowings | 2,110 | 561 |
| Non-current borrowings | 1,844 | 3,137 |
| **Gross interest-bearing debt** | **3,954** | **3,698** |

**Net interest-bearing debt** is calculated by adding current and non-current interest-bearing debt and subtracting cash and cash equivalents.

| Amounts in NOK million | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Gross interest-bearing debt | 3,954 | 3,698 |
| Non-current interest-bearing receivables[1] | (472) | (136) |
| Cash and cash equivalents | (2,480) | (3,862) |
| **Net interest-bearing debt** | **1,002** | **(301)** |

*1) Non-current interest-bearing receivables are included in Other non-current assets in condensed consolidated balance sheet.*

**Equity ratio** is calculated as total equity divided by total assets.

| Amounts in NOK million | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Total equity | 6,415 | 6,630 |
| Total assets | 21,497 | 27,729 |
| **Equity ratio** | **29.8 %** | **23.9 %** |

**Ratio of net interest-bearing debt to equity** is a liquidity ratio used to measure interest-bearing debt relative to shareholders' equity. A higher ratio indicates that more creditor financing (bank loans) is used than investor financing (shareholders).

| Amounts in NOK million | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Net interest-bearing debt | 1,002 | (301) |
| Total equity | 6,415 | 6,630 |
| **Ratio of net interest-bearing debt to equity** | **15.6 %** | **(4.5 %)** |

**Ratio of net interest-bearing debt to EBITDA**

is a gearing leverage ratio for the liquidity position reflecting the ability to pay off debts by comparing the financial obligations to the operating income. The ratio is also one of the debt covenants for the company, and restructuring and demerger costs are excluded as defined in the loan agreement.

| Amounts in NOK million | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Current borrowings | 2,110 | 561 |
| Non-current borrowings | 1,844 | 3,137 |
| Cash and cash equivalents | (2,480) | (3,862) |
| **Net debt** | **1,474** | **(165)** |
| | | |
| EBITDA | 1,929 | 1,841 |
| Restructuring and demerger cost | 168 | 439 |
| **EBITDA adj for restructuring and demerger cost** | **2,097** | **2,280** |
| **Ratio of net interest-bearing debt to EBITDA** | **0.7** | **(0.1)** |

**Liquidity buffer**

is a measure of available cash and is calculated by adding together the cash and cash equivalents and the unused credit facility.

| Amounts in NOK million | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Cash and cash equivalents | 2,480 | 3,862 |
| Credit facility (unused) | 5,000 | 5,000 |
| **Liquidity buffer** | **7,480** | **8,862** |

**Net current operating assets (NCOA)**

is a measure of the working capital and consist of operating assets, current tax assets, current operating liabilities and current tax liabilities.

| Amounts in NOK million | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Current operating assets | 7,973 | 11,799 |
| Current tax assets | 242 | 118 |
| Current operating liabilities | (9,089) | (13,516) |
| Current tax liabilities | (30) | (9) |
| **Net current operating assets (NCOA)** | **(904)** | **(1,607)** |

**Net capital employed**

is a measure of both short and long term tied up capital related to ordinary business.

| Amounts in NOK million | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Property, plant and equipment | 3,808 | 3,962 |
| Intangible assets | 5,631 | 6,207 |
| Deferred tax assets | 666 | 332 |
| Net current operating assets (NCOA) | (904) | (1,607) |
| Investments and non-current receivables[1] | 132 | 16 |
| Pension obligations | (540) | (572) |
| Deferred tax liabilities | (309) | (283) |
| Other non-current liabilities | (92) | (27) |
| **Net capital employed** | **8,393** | **8,029** |

*1) Part of other non-current assets in condensed consolidated balance sheet.*

Photo: Pages 6–7, 10, 11 and 12: Ole Walter Jacobsen, pages 8–9: Bruno Tomasoni.

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