

Third-Quarter Results 2014

Fornebu, November 7, 2014

Luis Araujo and Svein Oskar Stoknes

Agenda | 3Q 2014



Introduction

Luis Araujo
Chief Executive Officer



Financials

Svein Oskar Stoknes
Chief Financial Officer

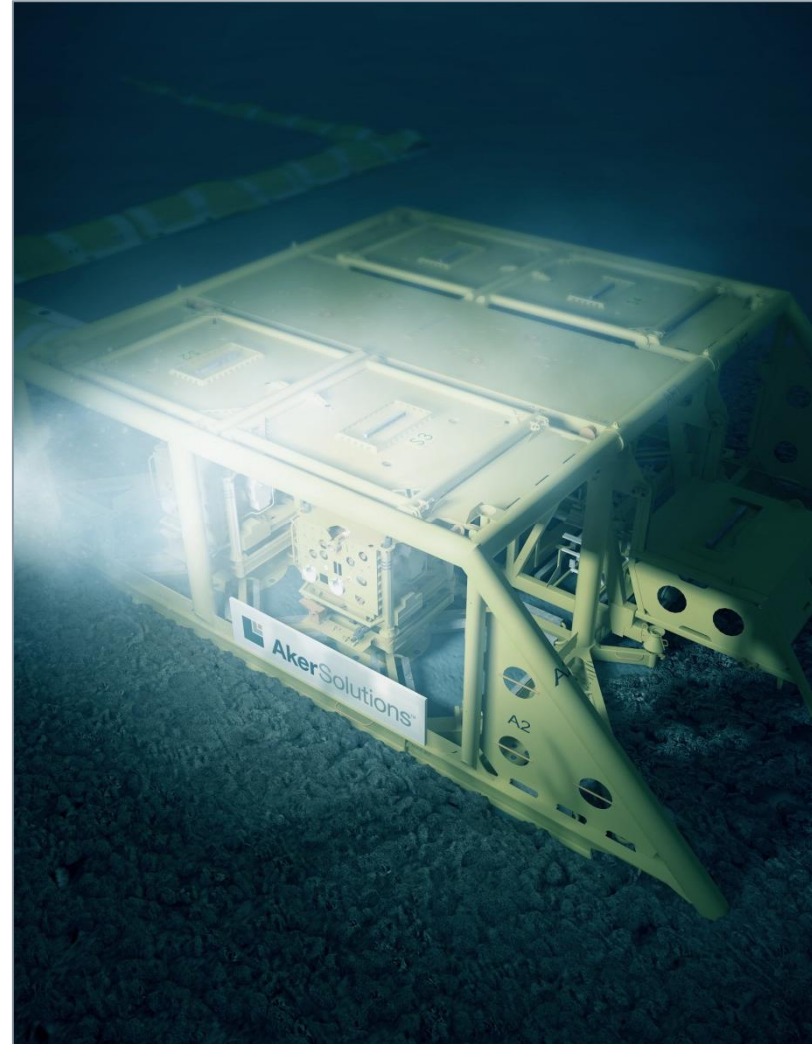
Q&A

Q&A session

Luis Araujo
Svein Oskar Stoknes

3Q Headlines

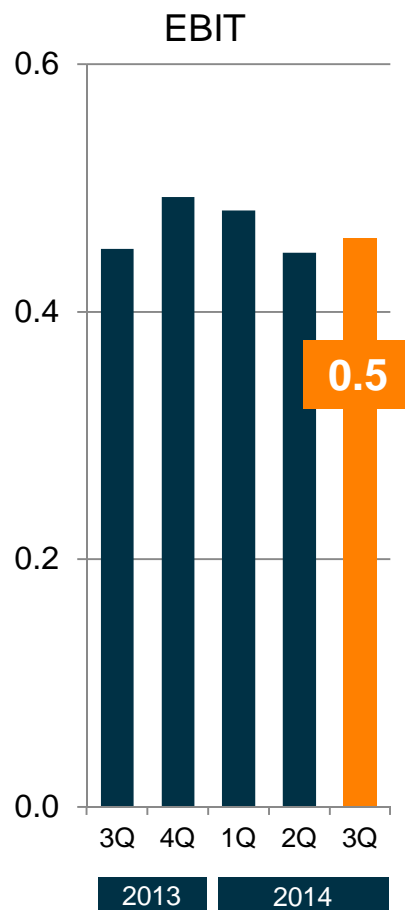
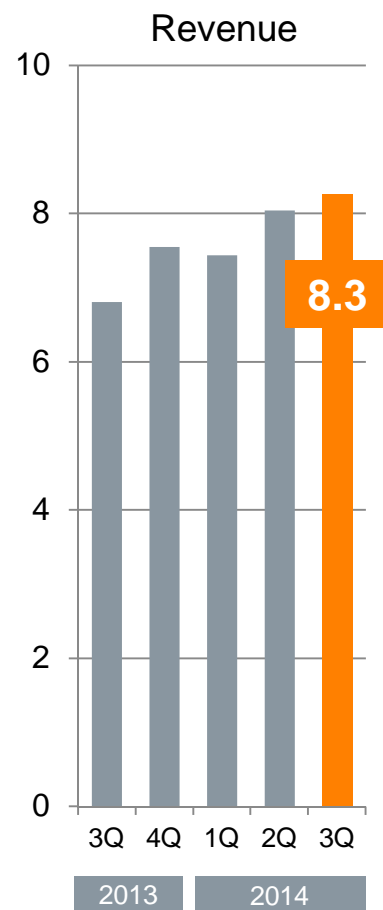
- Strong **topline growth**
- Major engineering and subsea projects **progress as planned**
- MMO capacity adjusted to counter **slowdown in Norway**
- **Healthy order backlog** provides good visibility
- **Ceaseless focus** on operational and financial performance
- Successful **demerger and listing** of company on Oslo stock exchange
- **Luis Araujo and Svein Oskar Stoknes** new CEO and CFO



Key Figures

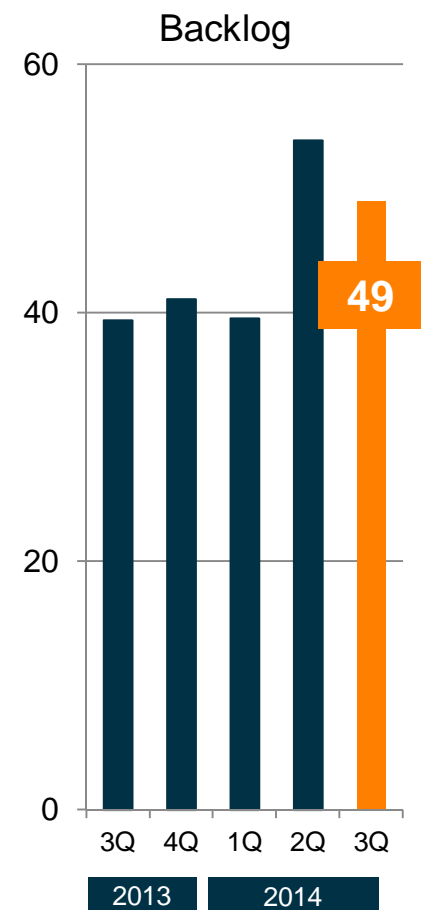
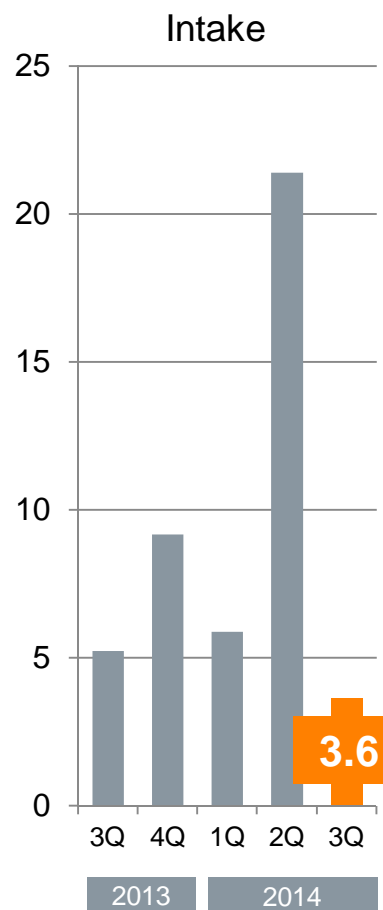
Revenue and EBIT

NOK billion



Order intake and backlog

NOK billion



Subsea Segment

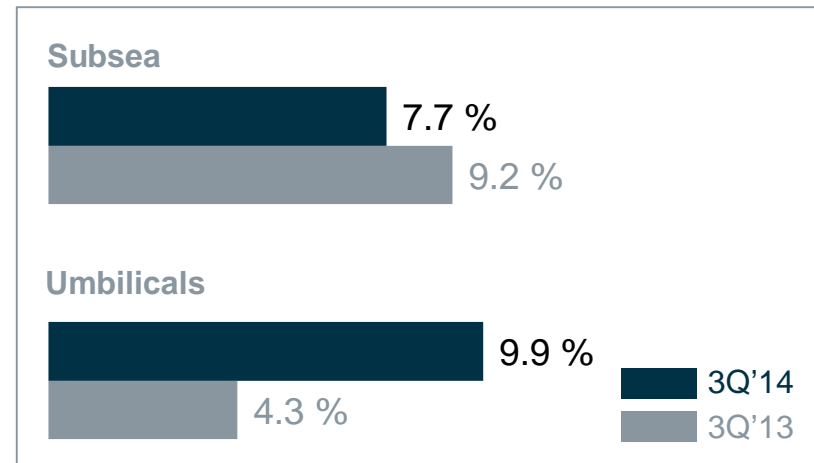
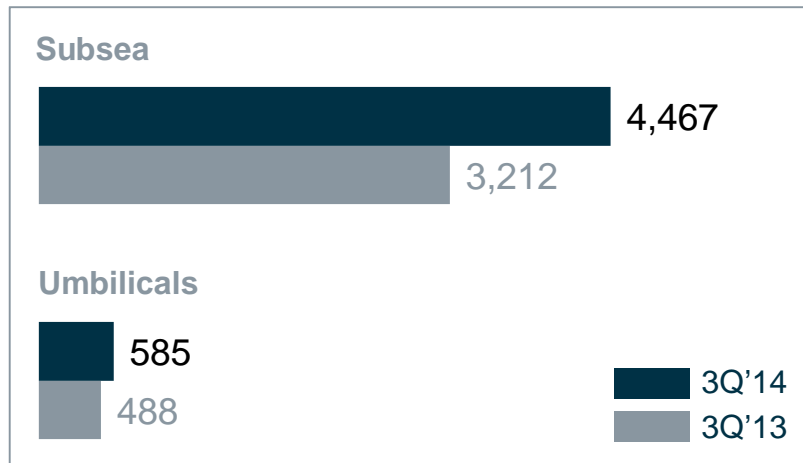
Revenue

NOK million



Profitability

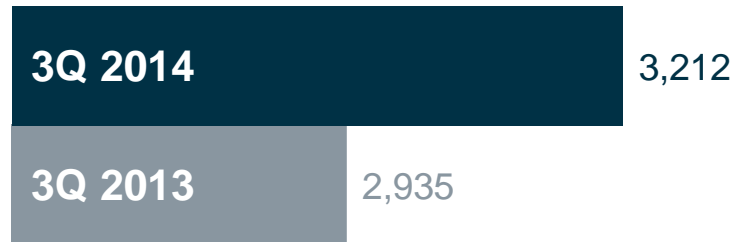
EBIT margin (percent)



Field Design Segment

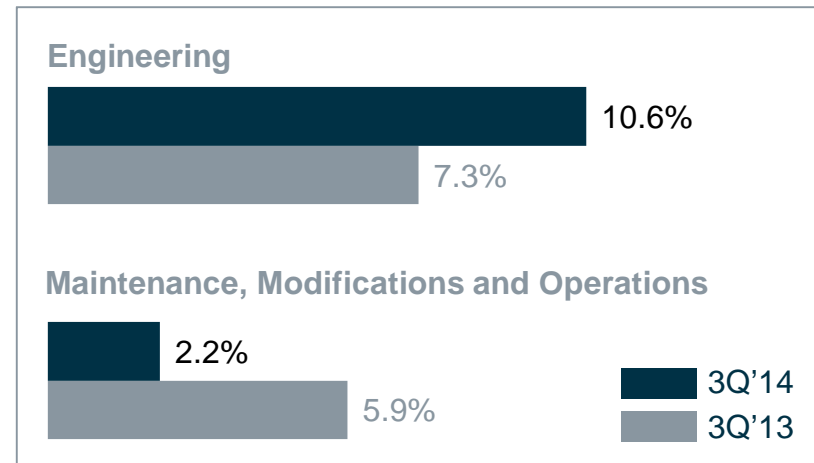
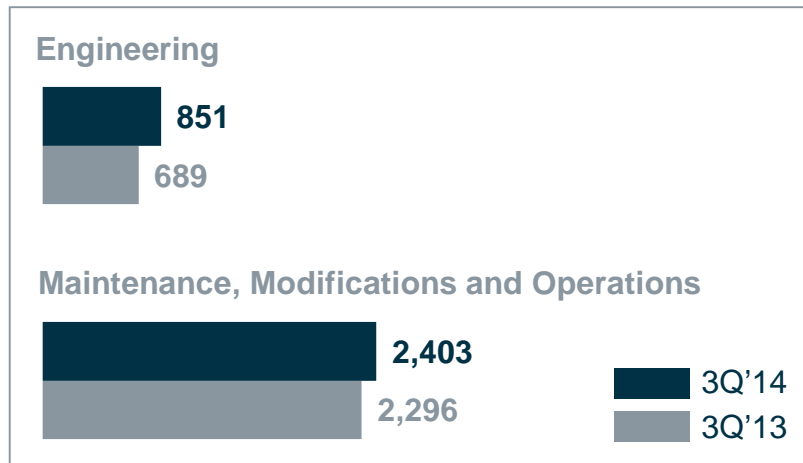
Revenue

NOK million



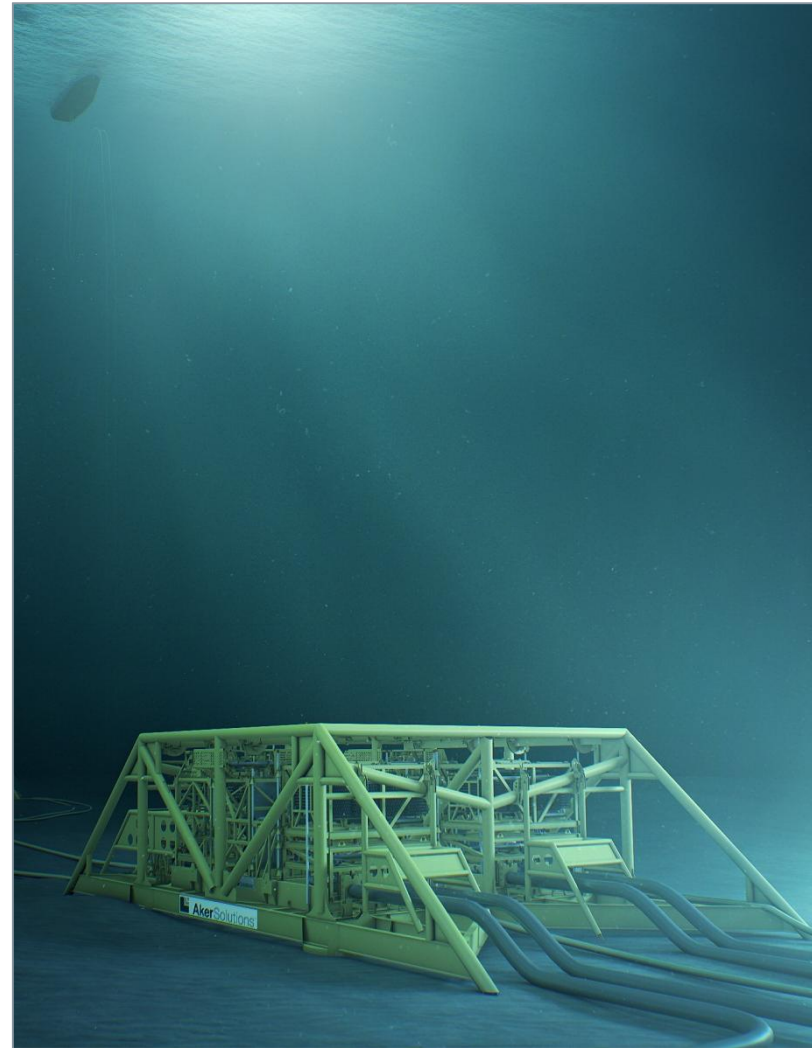
Profitability

EBIT margin (percent)



Focus on Operational Excellence, Cost Control

- Intensified efforts to **reduce costs**
- **Deeper synergies** pursued throughout business
- Reorganized operational functions to avoid duplication and **better utilize expertise**
- Continued major **push to enhance quality** in operations



Outlook

- Healthy tendering in main markets
- Promising offshore project pipeline, though risk of delays
- Sub-Saharan African and Brazilian deepwater growth to provide significant opportunities
- New discoveries in Atlantic Canada, opening of Mexico offer opportunities
- Tight E&P capital discipline seen globally over next 1-2 years
- Slowdown in Norway's MMO market to continue in short to medium term



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3Q 2014 | Consolidated Income Statement

- 3Q 2014 revenue growth of 21.5 % year-on-year
- One-off costs totalling NOK 43 million linked to the demerger taken in 3Q 2014
- Higher tax rate due to one-off demerger effects and changing regional mix of profit

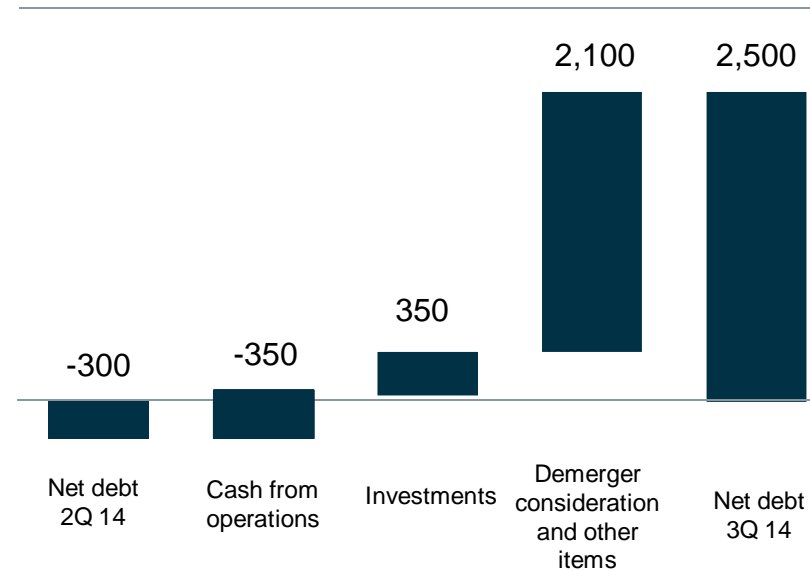
(NOK million)	3Q 14	3Q 13	YTD 2014	YTD 2013	2013
Operating revenue and other income	8,271	6,806	23,754	21,577	29,125
EBITDA	617	567	1,827	1,494	2,162
EBITDA (excl. non-recurring items)	660	567	1,905	1,494	2,162
Of which related to hedging	2	(5)	5	(41)	(76)
Depreciation and amortisation ²	(157)	(116)	(437)	(324)	(499)
EBIT	460	451	1,390	1,170	1,663
Net financial items	(2)	(54)	(46)	(118)	(183)
FX on disqualified hedging instruments	(32)	53	(65)	139	180
Profit before tax	426	450	1,279	1,191	1,660
Tax	(155)	(99)	(400)	(277)	(397)
Net income	271	351	879	914	1,263
EBITDA margin (excl. non-recurring items)	8.0%	8.3%	8.0%	6.9%	7.4%
Basic earnings per share (NOK)	0.97	1.29	3.18	3.35	4.62

3Q 2014 | Consolidated Cashflow, Capex and NCOA

- Cashflow from operations negative NOK 351 million in the quarter due mainly to NCOA outflow
- Project progress drove expected NCOA move but balance sheet values offset by hedging derivative effects (NCOA at end 3Q 2014 totalled NOK 404 million, versus NOK 356 million 2Q 2014)
- Total cashflow from investing activities of NOK 355 million, with capital expenditure and capitalised development costs accounting for NOK 327 million
- Net demerger consideration and other items of around NOK 2 billion taken in 3Q 2014

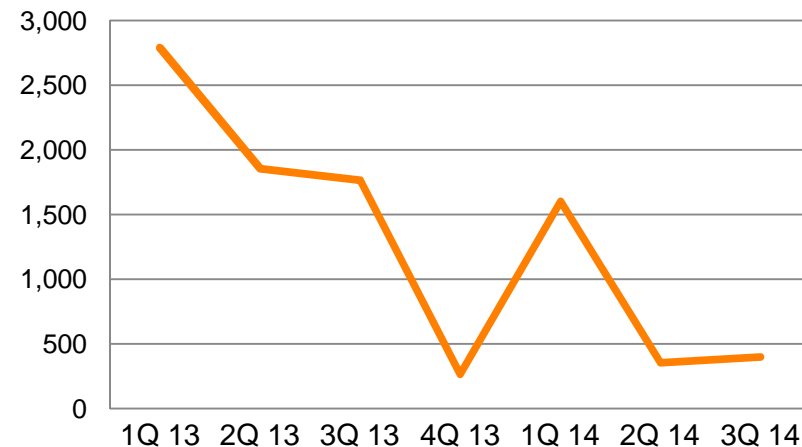
Cashflow

NOK million



Net current operating assets (NCOA)¹

NOK million



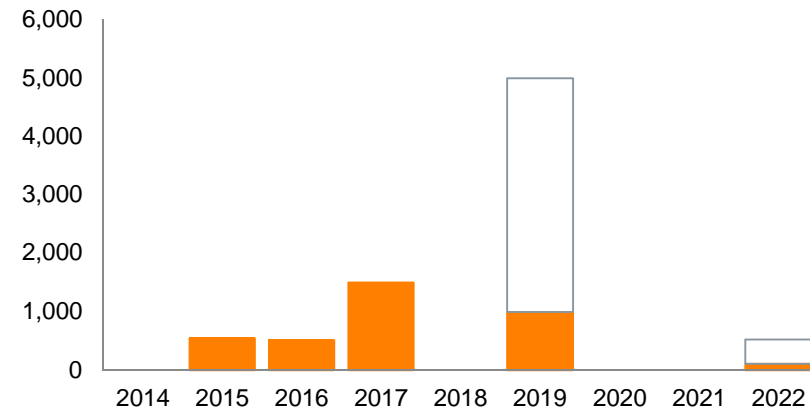
3Q 2014 | Financial Position

- As expected post demerger net debt rose to NOK 2.5 billion
- Gross debt of NOK 3.9 billion
- Leverage and gearing in line with policy at 1 x net debt / EBITDA and 46.7 % net debt / equity
- Robust total liquidity buffer of NOK 5.1 billion; new loan agreements established (post demerger)
- Group ROACE reached 17.1 % by 3Q 2014, reflecting ongoing investment

Debt maturity profile

NOK million

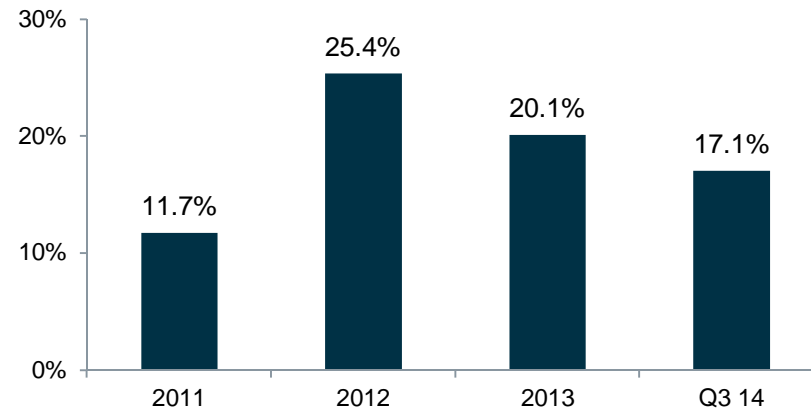
Note: Revolving credit facility of NOK 4 billion, drawn NOK 0 billion, maturing in 2019



ROACE performance

(%)

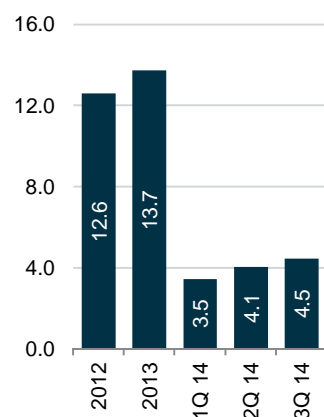
Note: Group ROACE is based on a four quarter average



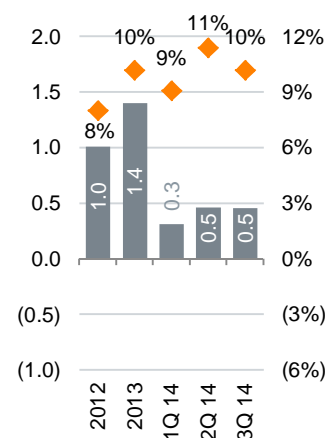
Subsea

- Strong revenue growth to NOK 4,467 million, up 39.1% vs. 3Q 2013
- Main driver was work on major projects such as Åsgard in Norway, Kaombo in Angola and Moho in Congo
- EBIT margins narrowed to 7.7% from 9.2% a year earlier, due largely to higher revenue from major projects yet to reach profit recognition
- With no major subsea projects awarded in the quarter, order intake in 3Q fell to NOK 1.7 billion from NOK 2.5 billion a year earlier
- Order backlog was up 43.8% year-on-year to NOK 33.5 billion due to large awards earlier in 2014
- Key financial KPIs: ROACE and EBIT margins

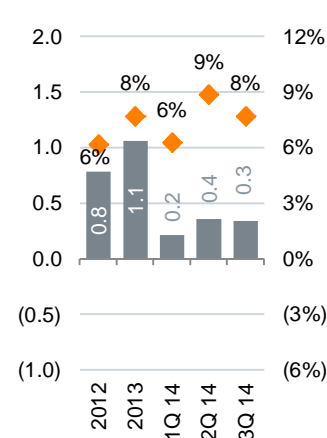
Revenue
NOK billion



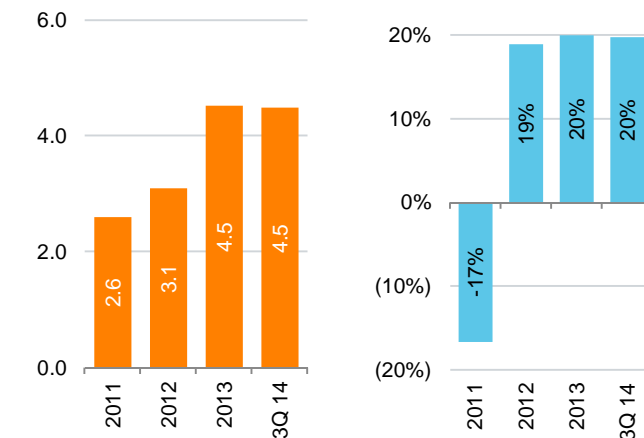
EBITDA and margin
NOK billion, %



EBIT and margin
NOK billion, %



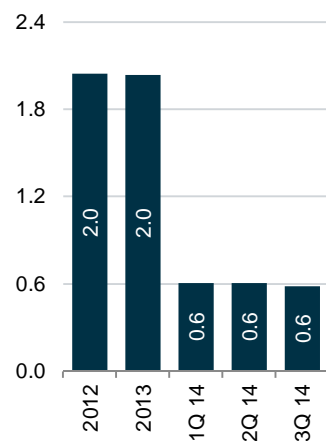
Net capital employed ROACE
NOK billion %



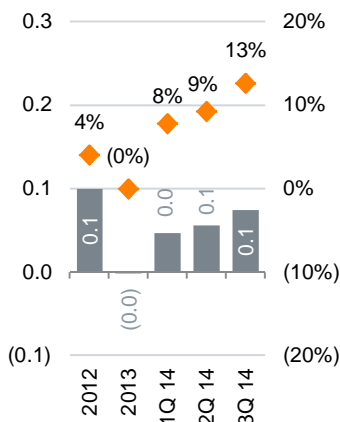
Umbilicals

- Revenues up strongly to NOK 585 million, growth of 19.9% vs. last year
- Main driver was increased activity at the U.S. plant in Mobile, Alabama
- EBIT margins improved to 9.9% from 4.3% a year earlier, driven by strong project execution at the U.S. plant and improved operational performance in Norway
- Tender activity was high in the third quarter, but no significant orders were won due to project delays
- Order backlog fell 15.5 % year-on-year to NOK1.5 billion
- Key financial KPIs: ROACE and EBIT margins

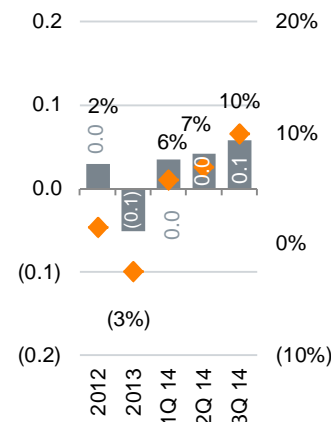
Revenue
NOK billion



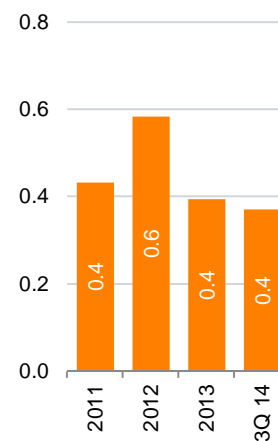
EBITDA and margin
NOK billion, %



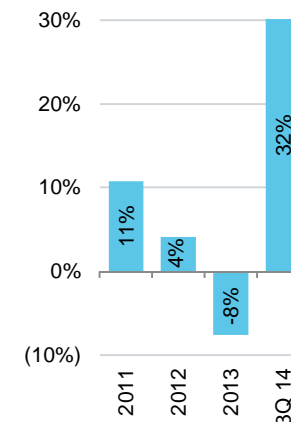
EBIT and margin
NOK billion, %



Net capital employed
NOK billion



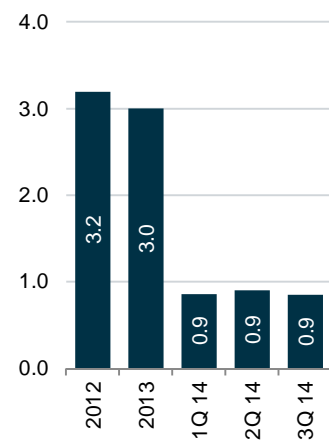
ROACE
%



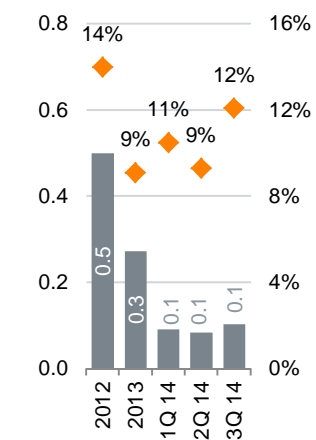
Engineering

- Strong revenue growth of 23.5% vs. last year to reach NOK 851 million
- Main driver was good progress made on key projects such as Johan Sverdrup and Gina Krog
- EBIT margins improved to 10.6%, versus 7.3% a year earlier, driven by improved capacity utilisation
- Tendering activity remained high and order intake rose 19.8 percent year-on-year to NOK 853 million
- Order backlog was flat sequentially at NOK 2,050 million but was 21.6% lower vs. last year
- Key financial KPIs: EBITDA margin and nominal EBITDA

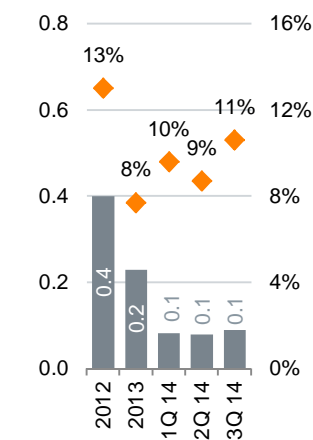
Revenue
NOK billion



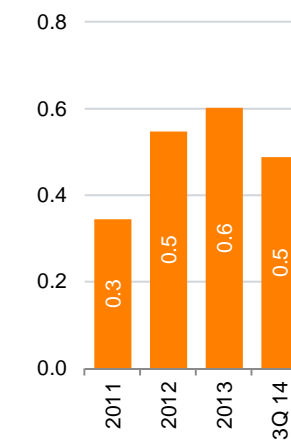
EBITDA and margin
NOK billion, %



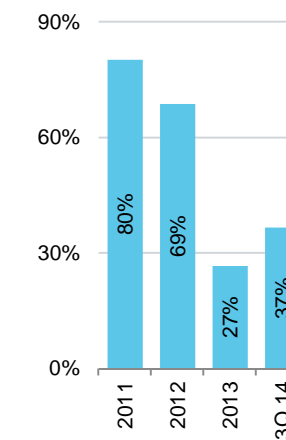
EBIT and margin
NOK billion, %



Net capital employed
NOK billion



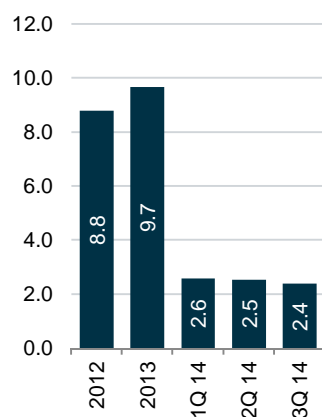
ROACE
%



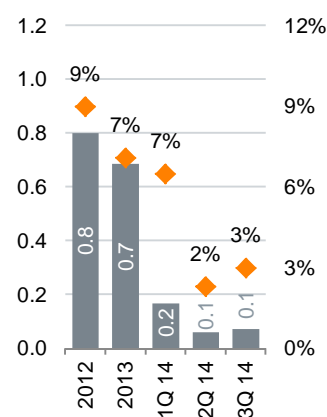
MMO

- Revenue growth of 4.7 % vs. last year to NOK 2,403 billion
- Sharp activity slowdown on the NCS, significantly impacting profits
- EBIT margins showed a slight improvement on 2Q 2014 but were materially lower year-on-year
- In contrast with the slowdown in Norway, international tendering activity was high especially in the UK
- Order intake in 3Q was NOK 1,056 million, down 13.4% year-on-year
- Order backlog rose 3 % year on year to NOK 12,040 million
- Key financial KPIs: EBITDA margin and nominal EBITDA

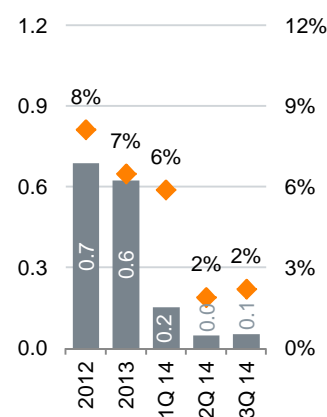
Revenue
NOK billion



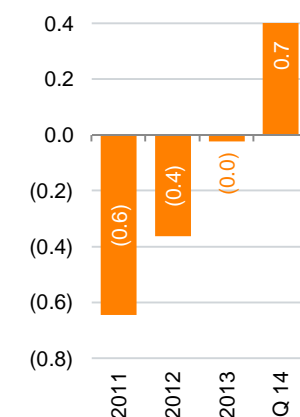
EBITDA and margin
NOK billion, %



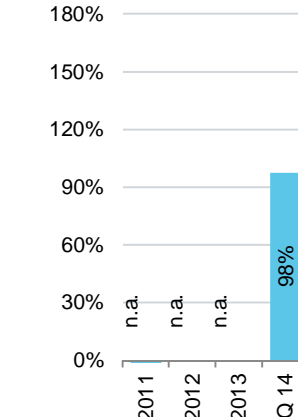
EBIT and margin
NOK billion, %



Net capital employed
NOK billion



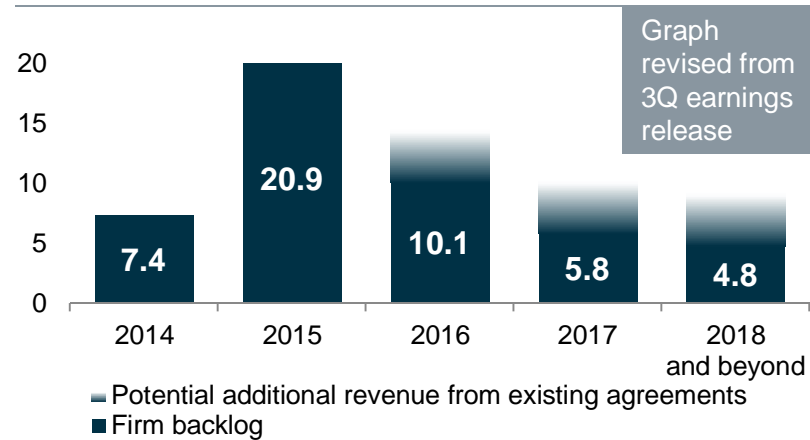
ROACE
%



Good Visibility From Strong Order Backlog

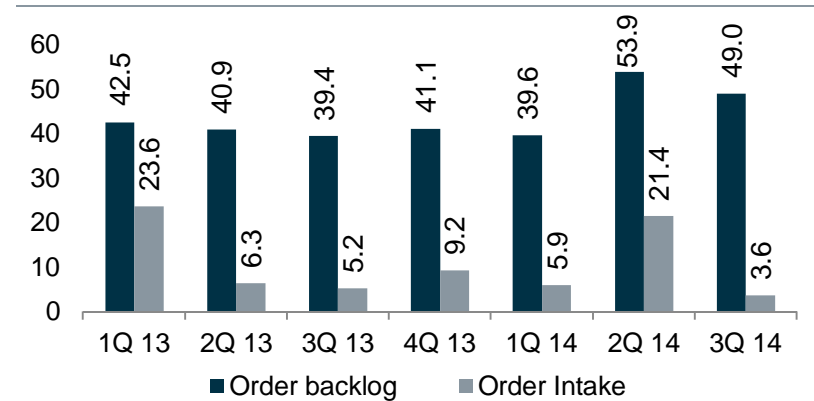
3Q 14 Order backlog by execution date

NOK billion



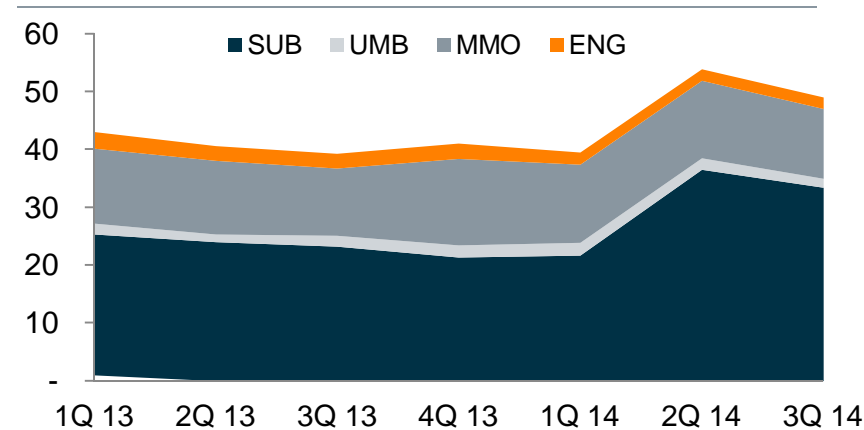
Order backlog and intake evolution

NOK billion



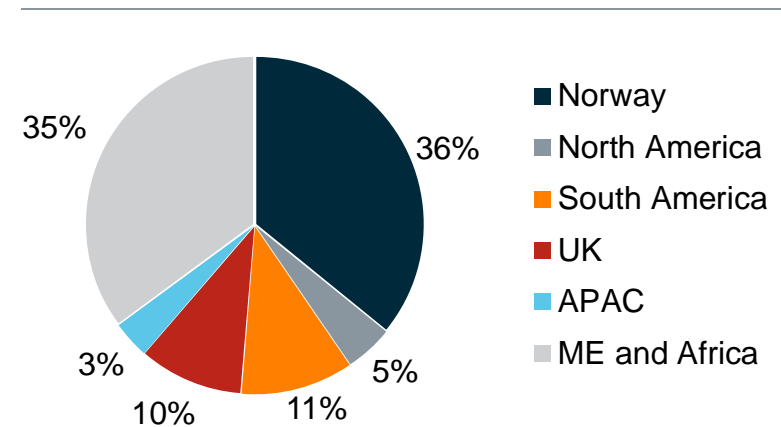
Order backlog by division ¹

NOK billion



3Q 14 Order backlog by region

NOK billion



Financial Guidance

Revenue

- Positive long-term outlook for offshore and deepwater remains in place, but near-term uncertainty on award timing
- We see good long-term growth opportunities in our core engineering and subsea markets and aim to at least maintain our market share

Balance sheet

- Maintenance capex / R&D \approx 3% of revenues
- Current major capex expansion plans to be finished by 2015
- Working capital: likely to fluctuate around large project work but on average will be \approx 5 - 7% of group revenues

Margins and returns

- We aim to move towards peer group margin levels in Subsea and Umbilicals
- We expect margin improvement in Engineering and gradual recovery in MMO
- We aim to improve Subsea ROACE to the level of 20 - 25% over the medium term

Financial policy

- Gearing target: Net interest bearing items / EBITDA \approx 1
- Gearing policy: Net interest bearing items / Equity $<$ 0.5
- Dividend payments should over time amount to 30 - 50% of net profit (cash dividend and/or share buy-back)

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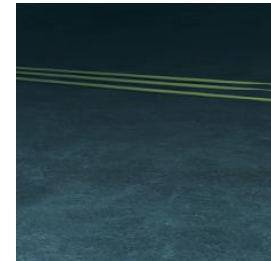
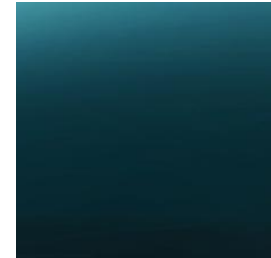
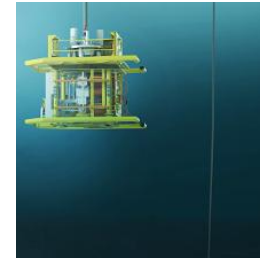
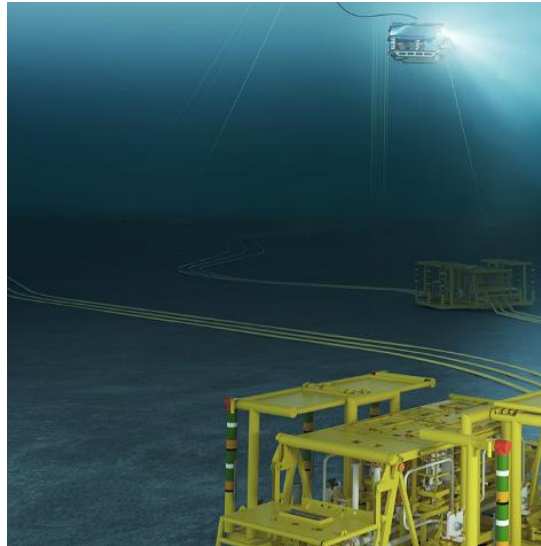
Svein Oskar Stoknes
Chief Financial Officer

Q&A

Q&A session

Luis Araujo
Svein Oskar Stoknes





Additional information

Consolidated income statement

NOK million

Income statement consolidated	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2013	1Q 2014	2Q 2014	3Q 2014
Revenues	7,329	7,442	6,806	7,548	29,125	7,437	8,046	8,271
EBITDA	488	439	567	668	2,162	623	587	617
Of which related to hedging	(7)	(29)	(5)	(35)	(76)	28	(25)	2
Depreciation and amortization	(99)	(109)	(116)	(175)	(499)	(141)	(139)	(157)
Profit before financial items EBIT	389	330	451	493	1,663	482	448	460
Net financial items	(37)	(27)	(54)	(65)	(183)	(27)	(17)	(2)
Foreign exchange on disqualified hedging instruments	(16)	102	53	41	180	(106)	73	(32)
Profit after financial items	336	405	450	469	1,660	349	504	426
Tax	(80)	(98)	(99)	(120)	(397)	(108)	(137)	(155)
Net profit	256	307	351	349	1,263	241	367	271
EBITDA margin	6.7 %	5.9 %	8.3 %	8.9 %	7.4 %	8.4 %	7.3 %	7.5 %
Basic earnings per share (NOK)	0.94	1.12	1.29	1.27	4.62	0.88	1.33	0.97
Diluted earnings per share (NOK)	0.94	1.12	1.29	1.27	4.62	0.88	1.33	0.97

Consolidated assets & debt and equity

NOK million

Assets	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014
Property, plant and equipment	2,539	2,692	2,814	3,072	3,067	3,181	3,203
Intangible assets	5,057	5,253	5,131	5,524	5,584	5,731	5,810
Financial assets (non-current)	11	11	13	17	18	23	17
IB receivables (non-current)	-	-	-	-	3	6	15
IB receivables (current)	103	92	107	106	112	-	299
Other current assets	12,838	12,790	11,992	12,592	12,591	13,804	15,731
Cash & bank deposits	2,577	2,560	3,055	4,463	4,041	4,009	1,064
Total Assets	23,125	23,398	23,112	25,774	25,416	26,754	26,139

Debt and equity	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014
Shareholder's equity	6,604	7,212	7,457	6,313	7,086	7,554	5,145
Minority interests	162	155	151	156	161	175	186
Non IB liabilities (non-current)	1,773	1,955	1,777	1,802	1,890	1,922	1,663
Interest bearing debt (non-current)	3,093	3,064	3,567	3,533	3,650	3,710	3,652
Non IB liabilities (current)	10,753	10,863	10,144	13,956	12,613	13,376	15,277
Interest bearing current liabilities	740	149	16	14	16	17	216
Total Liabilities and shareholder's equity	23,125	23,398	23,112	25,774	25,416	26,754	26,139

Net current operating assets, excluding held for sale	2,796	1,857	1,768	267	1,606	356	404
Net interest bearing items	1,152	563	421	-1,023	-491	-288	2,492
Equity	6,766	7,367	7,608	6,469	7,247	7,729	5,331
Equity ratio (in %)	29.3	31.5	32.9	25.1	28.5	28.9	20.4

Consolidated cash flow

NOK million

Cash flow	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2013	1Q 2014	2Q 2014	3Q 2014
EBITDA continuing operations	488	439	567	668	2,162	623	587	617
Change in cash flow from operating activities	(2,066)	1,117	(11)	1,457	497	(1,510)	1,239	(968)
Net cash flow from operating activities	(1,578)	1,556	556	2,125	2,659	(887)	1,826	(351)
Capital expenditure fixed assets	(192)	(224)	(246)	(334)	(996)	(132)	(166)	(203)
Capital expenditure internal development	(97)	(116)	(118)	(167)	(498)	(120)	(115)	(124)
Proceeds from sale of businesses	(2)	2	-	-	-	-	-	-
Acquisition of subsidiaries, net of cash acquired	(621)	(17)	-	19	(619)	-	(15)	-
Cash flow from other investing activities	4	8	(14)	5	3	(4)	25	(28)
Net cash flow from investing activities	(908)	(347)	(378)	(477)	(2,110)	(256)	(271)	(355)
Change in external borrowings	(18)	(528)	411	(1)	(136)	88	(3)	119
Group Contribution and dividends from (to) parent	12	(818)	8	(8)	(806)	-	(1,741)	-
Change in non controlling interest	-	(5)	-	5	-	-	6	-
Net contribution from (to) parent	1,890	124	(94)	(255)	1,665	626	98	651
Demerger consideration	-	-	-	-	-	-	-	(3,000)
Net cash flow from financing activities	1,884	(1,227)	325	(259)	723	714	(1,640)	(2,230)
Translation adjustments	24	1	(8)	19	36	7	53	(9)
Net decrease (-) / increase (+) in cash and bank deposits	(578)	(17)	495	1,408	1,308	(422)	(32)	(2,945)
Cash and bank deposits as at the beginning of the period	3,155	2,577	2,560	3,055	3,155	4,463	4,041	4,009
Cash and bank deposits as at the end of the period	2,577	2,560	3,055	4,463	4,463	4,041	4,009	1,064

Split per segment

NOK million

Revenues	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2013	1Q 2014	2Q 2014	3Q 2014
Subsea	3,795	4,110	3,700	4,164	15,769	4,060	4,660	5,049
Field Design	3,001	3,182	2,935	3,384	12,502	3,403	3,407	3,212
Other	627	245	226	85	1,183	21	31	63
Eliminations	(94)	(95)	(55)	(85)	(329)	(47)	(52)	(53)
Revenues	7,329	7,442	6,806	7,548	29,125	7,437	8,046	8,271

EBITDA	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2013	1Q 2014	2Q 2014	3Q 2014
Subsea	259	318	407	414	1,398	362	519	531
Field Design	237	244	208	270	959	258	143	176
Other	(8)	(123)	(48)	(16)	(195)	3	(75)	(90)
EBITDA	488	439	567	668	2,162	623	587	617

EBIT	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2013	1Q 2014	2Q 2014	3Q 2014
Subsea	183	233	315	282	1,013	252	404	400
Field Design	215	223	186	231	855	236	128	143
Other	(9)	(126)	(50)	(20)	(205)	(6)	(84)	(83)
EBITDA	389	330	451	493	1,663	482	448	460

Split per segment

NCOA	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014
Subsea	2,506	1,340	1,410	613	1,602	336	322
Field Design	96	324	235	(360)	217	184	482
Other	194	193	123	14	(213)	(164)	(400)
NCOA	2,796	1,857	1,768	267	1,606	356	404

Net capital employed	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014
Subsea	5,864	4,877	5,098	4,916	5,851	5,104	4,858
Field Design	767	1,041	1,019	581	908	888	1,169
Other	1,285	2,011	1,912	1,690	-	1,446	1,979
Net capital employed	7,916	7,929	8,029	7,187	6,759	7,438	8,006

Order intake	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2013	1Q 2014	2Q 2014	3Q 2014
Subsea	18,855	3,801	3,368	2,667	28,691	4,423	18,463	1,791
Field Design	4,870	2,525	1,960	6,627	15,982	1,507	2,993	1,860
Other	4	83	(36)	(31)	20	17	11	28
Eliminations	(92)	(102)	(50)	(79)	(323)	(51)	(59)	(50)
Order intake	23,637	6,307	5,242	9,184	44,370	5,896	21,408	3,629

Order backlog	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014
Subsea	26,178	25,373	25,099	23,517	23,950	38,500	35,011
Field Design	15,748	15,114	14,150	17,530	15,556	15,376	14,035
Other	620	459	197	83	79	59	(70)
Eliminations	(16)	(23)	(17)	(11)	(14)	(21)	10
Order backlog	42,530	40,923	39,429	41,119	39,571	53,914	48,986

Split per business area

NOK million

Revenues	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2013	1Q 2014	2Q 2014	3Q 2014
Subsea	3,401	3,591	3,212	3,532	13,736	3,454	4,052	4,467
Umbilicals	397	519	488	632	2,036	607	608	585
Eliminations	(3)	-	-	-	(3)	(1)	-	(3)
Subsea	3,795	4,110	3,700	4,164	15,769	4,060	4,660	5,049

Maintenance, Modifications and Operations	2,267	2,509	2,296	2,599	9,671	2,583	2,546	2,403
Engineering	759	702	689	852	3,002	863	905	851
Eliminations	(25)	(29)	(50)	(67)	(171)	(43)	(44)	(42)
Field Design	3,001	3,182	2,935	3,384	12,502	3,403	3,407	3,212

EBITDA	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2013	1Q 2014	2Q 2014	3Q 2014
Subsea	322	337	374	367	1,400	315	463	457
Umbilicals	(63)	(19)	33	47	(2)	47	56	74
Subsea	259	318	407	414	1,398	362	519	531

Maintenance, Modifications and Operations	173	187	148	178	686	167	59	73
Engineering	64	57	60	92	273	91	84	103
Field Design	237	244	208	270	959	258	143	176

EBIT	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2013	1Q 2014	2Q 2014	3Q 2014
Subsea	259	264	294	247	1,064	217	362	342
Umbilicals	(76)	(31)	21	35	(51)	35	42	58
Subsea	183	233	315	282	1,013	252	404	400

Maintenance, Modifications and Operations	160	174	136	155	625	153	49	53
Engineering	55	49	50	76	230	83	79	90
Field Design	215	223	186	231	855	236	128	143



Split per business area

Order intake	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2013	1Q 2014	2Q 2014	3Q 2014
Subsea	17,785	3,695	2,465	1,703	25,648	3,711	18,173	1,706
Umbilicals	1,070	107	902	966	3,045	713	292	88
Eliminations	-	(1)	1	(2)	(2)	(1)	(2)	(3)
Subsea	18,855	3,801	3,368	2,667	28,691	4,423	18,463	1,791

Maintenance, Modifications and Operations	2,942	2,157	1,219	5,761	12,079	1,173	2,251	1,056
Engineering	2,026	463	712	871	4,072	375	781	853
Eliminations	(98)	(95)	29	(5)	(169)	(41)	(39)	(49)
Field Design	4,870	2,525	1,960	6,627	15,982	1,507	2,993	1,860

Order backlog	1Q 2013	2Q 2013	3Q 2013	4Q 2013		1Q 2014	2Q 2014	3Q 2014
Subsea	24,373	23,979	23,276	21,332		21,683	36,513	33,469
Umbilicals	1,805	1,395	1,824	2,185		2,267	1,987	1,542
Eliminations	-	(1)	(1)	-		-	-	-
Subsea	26,178	25,373	25,099	23,517		23,950	38,500	35,011

Maintenance, Modifications and Operations	12,969	12,690	11,642	14,939		13,453	13,373	12,040
Engineering	2,911	2,611	2,616	2,643		2,154	2,053	2,050
Eliminations	(132)	(187)	(108)	(52)		(51)	(50)	(55)
Field Design	15,748	15,114	14,150	17,530		15,556	15,376	14,035

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