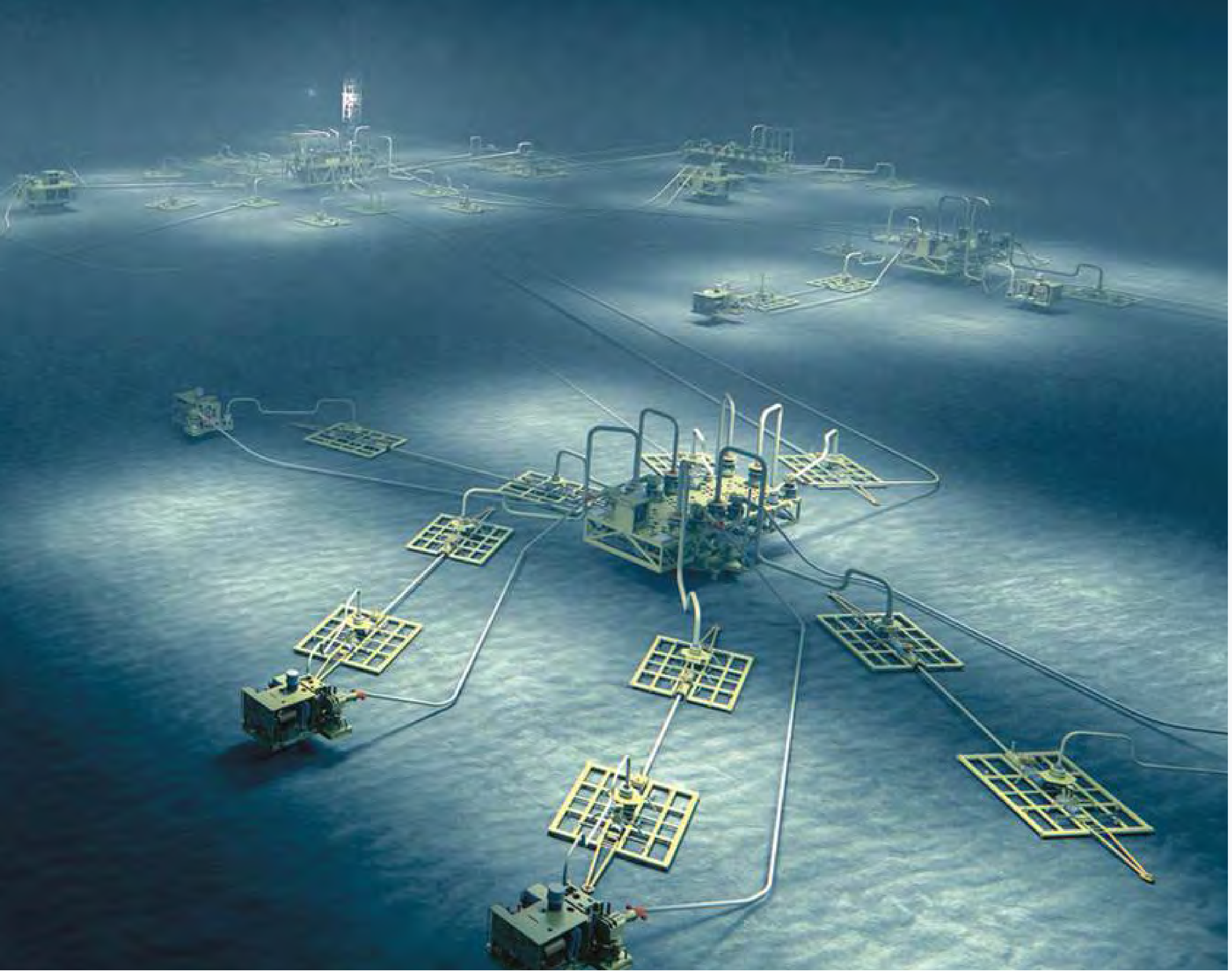
We create solutions
to unlock energy
safely and sustainably
for future generations.

ANNUAL REPORT 2018

Aker Solutions

Vision.
Building on almost 200 years of technological and engineering excellence Aker Solutions is at the forefront in forging a sustainable future for the energy industry and the world it serves. A spirit of collaboration and openness is at the heart of this effort as we set new standards and solve new challenges.



Content

Key Figures

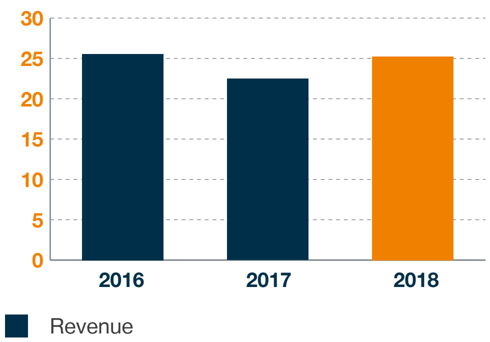
Amounts in NOK million unless otherwise stated		**2018**	**2017**	**2016**
ORDERS AND RESULTS				
Order backlog December 31	NOK mill	35,148	34,581	31,188
Order intake	NOK mill	25,421	23,553	17,004
Revenue	NOK mill	25,232	22,461	25,557
EBITDA	NOK mill	1,810	1,519	1,929
EBITDA margin	Percent	7.2	6.8	7.5
EBITDA margin ex. special items[1]	Percent	7.2	7.4	8.3
EBIT	NOK mill	1,049	571	687
EBIT margin	Percent	4.2	2.5	2.7
EBIT margin ex. special items[1]	Percent	4.3	3.9	5.3
Net profit	NOK mill	554	239	152
CASHFLOW				
Cashflow from operational activities	NOK mill	921	587	312
BALANCE SHEET				
Net interest-bearing debt	NOK mill	347	970	1,002
Equity ratio	Percent	36.3	35.7	29.8
Liquidity reserve	NOK mill	7,473	5,728	7,480
SHARE				
Share price December 31	NOK	39.66	46.19	41.37
Basic earnings per share (NOK)	NOK	1.88	0.81	0.21
EMPLOYEES				
Total employees December 31	Own employees	14,705	13,796	14,385
HSE				
Lost time injury frequency	Per million worked hours	0.55	0.47	0.30
Total recordable injury frequency	Per million worked hours	1.97	1.35	1.30
Sick-leave rate	Percentage of total working hours	2.6	2.8	2.8

1) See page 119 for description and details about special items

Key Figures

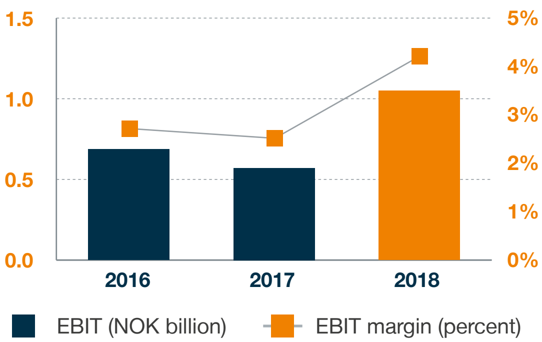
Revenue

Amounts in NOK billion



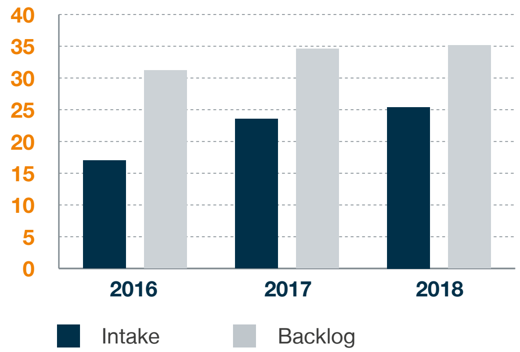
EBIT and margin

Amounts in NOK billion and percent



Order intake and backlog

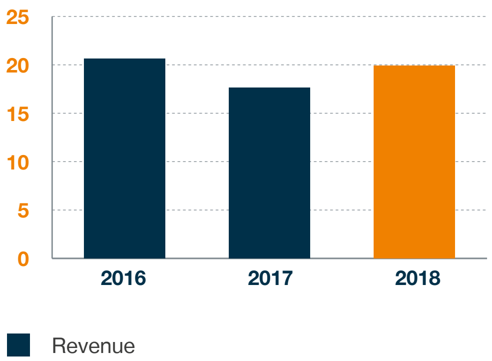
Amounts in NOK billion



Projects

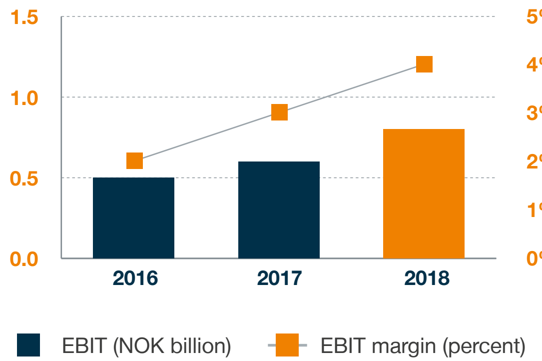
Revenue

Amounts in NOK billion



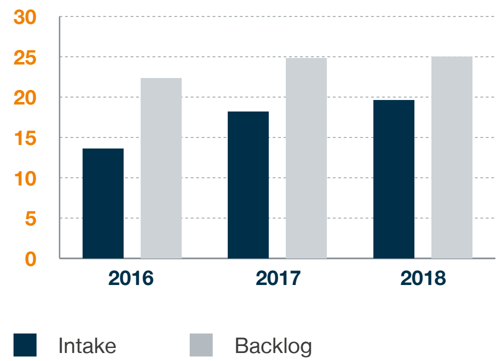
EBIT and margin

Amounts in NOK billion and percent



Order intake and backlog

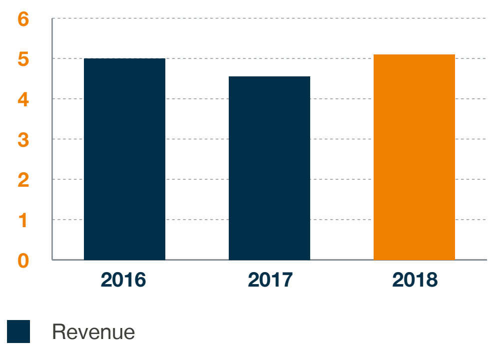
Amounts in NOK billion



Services

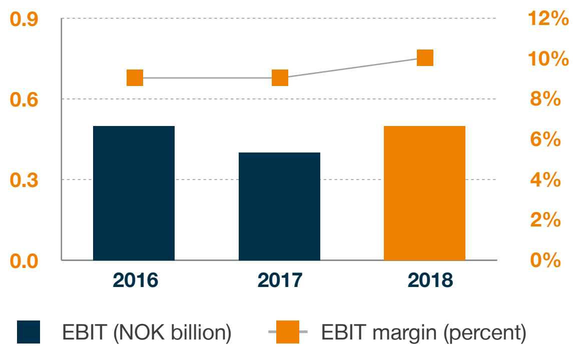
Revenue

Amounts in NOK billion



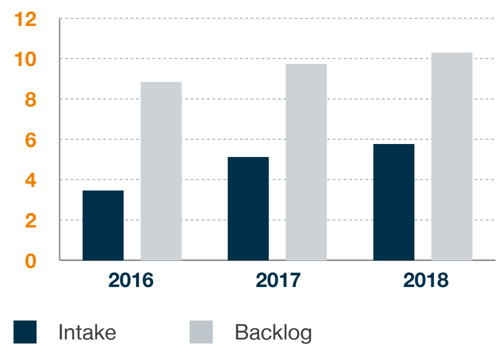
EBIT and margin

Amounts in NOK billion



Order intake and backlog

Amounts in NOK billion



Where we are.

Operations in more than 20 countries.

Highlights

Johan Sverdrup

In collaboration with Kvaerner, Aker Solutions secured additional hook-up and commissioning work for Equinor's Johan Sverdrup field offshore Norway. Aker Solutions, Kvaerner and Equinor also celebrated the start of fabrication for the second phase of the Johan Sverdrup development. This is Norway’s biggest industrial project in three decades.

Petrobras

In Brazil, Aker Solutions was awarded a contract to deliver a subsea production system for the first phase of Libra’s Mero field for Petrobras. Valued at NOK 1 billion the contract is evidence of Aker Solutions’ consistent, high-quality delivery capability in the country. The company also secured two major contracts to provide maintenance, modifications and operation services for twelve Petrobras-operated platforms, a result made possible through the 2016 acquisition of the Brazilian brownfield service provider C.S.E.

CNOOC

In China, Aker Solutions announced a contract to deliver power umbilical systems to CNOOC’s Liuhua oil fields in the South China Sea off Hong Kong. The contract is valued at NOK 350 million and will see the company’s global integrated team deliver more than 115 kilometres of dynamic and static power umbilicals. Aker Solutions also secured the contract to deliver the subsea production system and umbilicals for CNOOC’s Lingshui gas field development in China, strengthening the scope of capabilities in the Asia Pacific market.

Kaombo

Aker Solutions worked closely with operator Total to achieve first oil at the Kaombo field in July. At the end of the year, the company had installed 31 trees and all the manifolds. Kaombo is the world’s largest subsea development, located approximately 150 kilometres offshore Angola. Aker Solutions’ scope on the project is to provide 19 subsea manifolds and 65 vertical subsea trees, as well as associated equipment.

Greenfield and Brownfield Projects

Aker Solutions adjusted its organizational structure in October to strengthen focus on brownfield business and leverage the company’s full global capabilities in this area. This change is expected to further strengthen the international expansion and growth of the company. The Company signed a contract with BP for brownfield services in Angola.

Corporate Responsibility

Corporate responsibility is about creating sustainable communities and leaving a positive impact wherever Aker Solutions does business. In 2018, the company revised and renewed the corporate responsibility strategy to reinforce its commitment to providing a sustainable future and in alignment with the United Nations Sustainability Development Goals.

Digitalization

To accelerate digital life-of-field offerings, Aker Solutions created a “Software House”. The “Software House” will be a hub for innovation at Aker Solutions, and attract new competency and talents needed to continue the digital transformation. In addition the company entered into key partnerships, progressing on the development of digital twins, and leveraging our customers’ data to drive value.

Offshore Floating Wind

A key priority at Aker Solutions is to pursue energy solutions that minimize environmental footprint and promote the shift to a low-carbon energy future. The company is actively engaging to shape an emerging floating wind industry, using five decades of technology and experience from floating facilities, power, and cable systems. At the end of 2018 Aker Solutions holds a 11.8 percent stake in the offshore wind company Principle Power. The company also entered into a consortium to develop a wind farm off the coast of Northern California, a potential flagship floating wind project for the US, which makes it well positioned to capture a significant market share in a growing segment.

Front End

Aker Solutions in 2018, secured a record total of 150 front-end orders and more than doubled the number of studies for international markets from a year earlier. The early-phase studies and FEEDS awarded are for larger and more complex projects than previous years. Several are for offshore fields in Africa, Asia Pacific and North America.

Carbon Capture

Aker Solutions offers Carbon Capture, Utilization, and Storage (CCUS) for industrial applications. The company secured Norcem CCS FEED and a contract on Northern Lights, a CO2 storage project initiated by Equinor with partners Shell and Total. The company also introduced Just CatchTM, a standardized and modular capture plant which offers several advantages in the market. Aker Solutions is the only company offering services, products and solutions throughout the entire CCUS chain, from capture to transport to utilization and permanent storage.

Continuous Improvement

Standardization, simplification and industrialization of products and services are key to helping Aker Solutions achieve its goal of continuous improvement. The company consistently pursues operational excellence through simplifying its methods, standardizing products and services, and increasing efficiency through digital technologies.

Alliances

Teaming with the right players is an essential element in the success of Aker Solutions. In 2018, good progress was made on expanding the alliance portfolio to include digitalization and offshore floating wind. Aker Solutions has been successful in securing projects with its customer alliance partner Aker BP. The company will continue to mature its alliances by developing stronger value propositions, commercializing jointly developed technologies, and securing combined projects.

Securing the Future

Demand for energy will increase globally.
Aker Solutions will continue adapting to new market situations to secure our position as a market leader in our industry.

The oil and gas market remains volatile and competitive, but in 2018 we saw the global market recovery gather strength. The consistent and steady order intake, combined with a solid order backlog, confirms our position in the market. We see that more projects are being sanctioned, and we see an increased interest in our early-phase capabilities, with larger, more complex projects and new clients. In fact we had a record 150 study awards in 2018, and we more than doubled the number of studies for international markets.

In 2018 we delivered a year of solid performance, with our major projects progressing as planned. Last summer we helped Total achieve first oil at Kaombo, the world's largest subsea development. For Equinor, in Norway, we completed solid deliveries on the Johan Sverdrup and Johan Castberg developments, and recently began fabrication on the second phase of the Johan Sverdrup project. We are also receiving repeat orders from clients such as Total, Petrobras, Equinor, Aker BP and BP

We are well placed in key regions globally and in 2018 we improved the geographical balance of our order backlog. Our portfolio of clients outside the Norwegian Continental Shelf grew and we secured orders from CNOOC, Chevron and BP to name a few.

The evidence of strong execution on customer deliveries and winning new and repeat clients can be found in the improved top and bottom lines for 2018. The order intake was solid and our tendering activity remains high in our key markets.

Significant progress was made in 2018 towards the strategic objectives as established in our current enterprise strategy. We continue to make progress on the five pillars of the strategy, centered on customers, partnerships, innovation, operational excellence and services.

We also have seen important developments in our digitalization efforts. To accelerate our digital life-of-field offerings, we created a "Software House". The "Software House" will be called iX3, representing the three words starting with an "i" that outline its core offering – integrated insight through innovation. iX3 will be a hub for innovation at Aker Solutions, and attract new competency and talents needed to continue the digital transformation. In addition we entered into key partnerships, progressing on the development of digital twins, and leveraging our customers' data to drive value.

While oil and gas are still the basis of our business, we are also pursuing energy solutions that minimize the environmental footprint, and promote the shift to a new energy future. This is good business that makes sense to secure future revenue streams. Our position in the offshore floating wind market was strengthened, as we increased our stake in Principle Power. This gives us access to more technology, more competent people and increased knowledge in this fast-developing market. Wind is an increasingly important factor in renewable energy and fits well with our competencies within project management, industrialization of floating structures, dynamic power cables and anchoring systems.

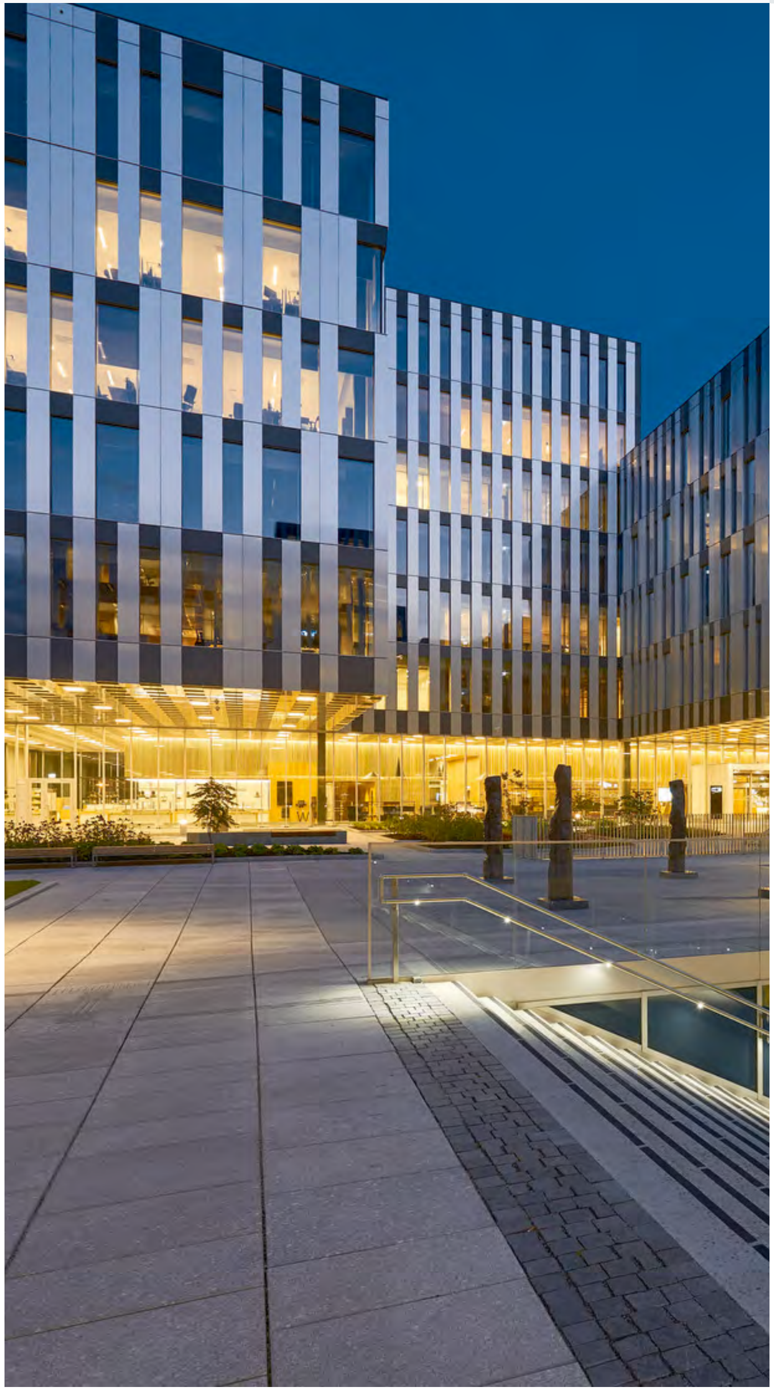
We are committed to the principles of the UN Global Compact and to responsible and sustainable business practices. In 2018 we also updated our corporate responsibility strategy, focusing on the areas where we believe we can truly contribute to making a difference. Our updated strategy will be implemented in 2019.

> "We continue to make progress on the five pillars of the strategy, centered on customers, partnerships, innovation, operational excellence and services.

The health and safety of our employees remains our first priority. In 2018 we had 288 zero days, i.e days without a recordable injury, work-related illness, environmental spill or near miss across the company. At Aker Solutions we believe a goal of zero incidents is achievable and will continue our effort to reach this ambition.

As our vision states, Aker Solutions seeks to be a leader in forging a sustainable future for our industry and the world it serves. I am thankful for the dedication shown by Aker Solutions employees as we continue to adapt to perform in an evolving market.

Luis Araujo
Chief Executive Officer



Board of Directors' Report

Aker Solutions took steps in 2018 to further strengthen its international growth and position.

The company delivered strong execution on customer deliveries and attracted new customers internationally through its innovation and commitment to quality.

Overview

Building on nearly two centuries of technological and engineering excellence, Aker Solutions is committed to finding solutions to bring energy resources safely and cost-effectively into production, maximizing recovery, and minimizing the environmental footprint.

The company provides products, systems and services ranging from concept studies and front-end engineering to subsea production systems and services for enhancing and extending the life of a field. The main customers are international, national and independent oil and gas and energy companies.

Aker Solutions had 14,705 own employees and was present in 25 countries at the end of 2018. The main office is at Fornebu, Norway. Aker Solutions ASA is listed on the Oslo Stock Exchange.

Strategy and Organizational Development

Aker Solutions responded to the downturn well by maintaining its competitiveness. In 2018 the company continued to deliver on its cost efficiency program, while it secured important contracts in a competitive market.

After achieving the target of 30 percent cost reduction in 2017, the company last year extended its ambition. A new target of a 5 percent year-on-year improvement was set to reach an additional 20 percent cost reduction by 2021. The main drivers will be continuous improvement efforts and a push to develop and deploy new and existing digital technologies and offerings.

Aker Solutions' strategy is aimed at further strengthening its competitiveness and ability to serve customers. The strategy has five main priorities: customers, partnerships, innovation, operational excellence and services.

New contract awards in international markets combined with repeat orders from major oil companies are evidence of strong customer relationships. The number of early phase studies in international markets more than doubled last year, accounting for more than a third of the 150 studies in total. The total number was up from 124 in 2017.

Progress was made on expanding the company's portfolio of alliances to include digitalization and offshore floating wind. In 2018 the company entered a collaboration agreement with Siemens, to complement the established collaboration with Cognite. Together, Aker Solutions and Siemens aim to create software applications and joint service offerings, including the development of industrial digital twins, to drive efficiency throughout the entire lifecycle of the field.

"Aker Solutions' strategy is aimed at further strengthening its competitiveness and ability to serve customers. The strategy has five main priorities: customers, partnerships, innovation, operational excellence and services.

Aker Solutions is aiming for a position as the leading digital life-of-field integrator based on its digital transformation program, digital twins, and related offerings. The company is executing on its plan to connect products, assets and workers to the digital ecosystem. Digitalization also enables internal cost savings and there are more than 100 ongoing initiatives. In 2018 the company established a "Software House" to accelerate and commercialize Aker Solutions' own software solutions.

Aker Solutions continued to strengthen its focus on sustainable solutions in the energy value chain. Responding to the ongoing energy transformation, the company made targeted investments in areas where it’s expertise and capability can make a difference. This includes low carbon field development solutions, decarbonization solutions, electrification solutions and technologies.

Investing in Principle Power secured a position in the growing renewable energy market by partnering with a leading offshore floating wind power supplier. The two companies last year took steps to realize a potential floating wind project offshore the U.S. west coast.

Aker Solutions has strengthened its value proposition as a life-of-field integrator in the oil and gas sector, as well as in adjacent sectors such as CCUS (Carbon Capture, Utilization and Storage). In this segment, Aker Solutions secured its first contract on Northern Lights, a project initiated by Equinor with partners Shell and Total to develop the world's first storage facility capable of receiving CO2 from various industrial sources. In parallel, the company will continue to develop sustainable energy and low carbon solutions for traditional oil and gas developments. Solutions to decarbonize the oil and gas sector include subsea gas compression, all-electric systems, unmanned platforms.

Organization

Aker Solutions made some structural changes to the organization by separating the Projects Delivery Center into two delivery centers, one for Brownfield Projects and one for Greenfield Projects to better distribute the span of control. To lead the new Brownfield Projects Delivery Center, Linda Litlekalsøy Aase was appointed as the new executive vice president. She is also responsible for Production Asset Services. The new organizational set-up is a better reflection of the workflows, from early engagement with customers to project execution, and on through life-of-asset services and decommissioning.

Customer Focus

Aker Solutions maintains its ambition to collaborate with customers and suppliers to improve overall economics and performance of key offshore oil and gas developments. By engaging in the earliest phases of an energy project, the company is able to promote an integrated approach to finding effective solutions across the full development and operational lifecycle.

In 2018 Aker Solutions signed a strategic, global collaboration agreement with Equinor to ensure mutual and continuous improvement on current and future subsea projects within the domains of safety, quality, technology, execution and cost. New contract awards from customers like Petrobras in Brazil, BP in Angola, CNOOC in China and Aker BP in Norway also spoke to strong client relations.

Where We Operate

Aker Solutions is pursuing international growth in targeted markets while safeguarding its existing market positions. The company is represented in all major offshore oil and gas basins around the world, from the Gulf of Mexico and Brazil to the North Sea, Africa, Middle East and Southeast Asia. The company progressed in the ambition of growing international markets, with significant awards in Brazil, UK, Africa and Asia.

Market Outlook

Aker Solutions’ financial performance depends primarily on activity in global oil and gas markets.

Markets remained competitive in 2018, and the sharp drop in the price of oil in December 2018 indicates continued volatile and unpredictable market conditions. However, operational activity increased last year, particularly in offshore Norway, Brazil, Africa and Asia. Aker Solutions experienced high demand for front-end engineering and secured key brownfield and greenfield contracts, including subsea projects in international markets.

Improvement measures across the industry are lowering break-even costs and more projects are being sanctioned. Aker Solutions’ tendering activity in main markets is high, particularly in the subsea area, key projects are anticipated to be awarded in 2019.

Longer term, the outlook remains positive. Declining reserves and lower oil and gas production in many parts of the world are expected to generate investments in new developments and increased recovery from existing fields. Demand for gas, especially in Asia, is expected to rise. Additional investments in liquefied natural gas will likely be required to ensure a long-term balance in the oil and gas segment. Aker Solutions is well positioned in key regions to provide the capabilities and technology to lower development costs, improve recovery rates, and reduce the industry's environmental footprint. Renewables continue to grow in scope and importance, but commercial opportunities for Aker Solutions in this segment are more likely to be realized later in the strategy period.

Corporate Responsibility

The company's commitment to human and labour rights is covered by the Global Framework Agreement between Aker ASA and the Norwegian and international trade unions Fellesforbundet, IndustriALL Global Union, NITO and Tekna. Aker Solutions reports and communicates on corporate responsibility based on recommendations from the Global Reporting Initiative. More information is available in the company's corporate responsibility report for 2018 on www.akersolutions.com/cr-reports.

Corporate Governance

Corporate governance is a framework of values, responsibilities and work processes to control the business and promote a sustainable value creation for shareholders and other stakeholders. The board of directors is responsible for ensuring sound governance at Aker Solutions. The audit committee supports the board in ensuring the company has internal procedures and systems in place for effective processes based on the principles set out in the Norwegian Code of Practice for Corporate Governance.

More information is available in the corporate governance report for 2018 on www.akersolutions.com/corporate-governance.

Ethical and Political Risks

Aker Solutions could potentially become involved in unethical behavior, either directly or through third parties and partners. The company has operations in countries associated with high political, reputational and corruption risks. Key tools to reduce these risks are the company's code of conduct and anti-corruption compliance program, which are implemented at all locations globally. Risks are managed through country analyses, mandatory awareness training, compliance reviews and integrity due diligence.
Aker Solutions' anti-corruption program is subject to quarterly reporting to the Audit Committee.

Aker Solutions has zero tolerance for corruption and works vigilantly to prevent such behavior. The company has control systems in place throughout the organization that are designed to identify and limit the effects of violations of the code of conduct. In general, employees face consequences spanning from a warning to dismissal for violating the code of conduct.

The company last year continued to strengthen its anti-corruption compliance framework. The delivery centers' compliance officers continued to support top management on integrity related matters and awareness initiatives. In 2018, the company conducted an increased number of project screenings and integrity due diligences of potential business partners as it pursued more opportunities in high risk markets. Furthermore, a systematic process for follow up and reporting on high risk business partners was implemented. All integrity training material was updated.

Financial Performance

Aker Solutions presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. All amounts except those in the Parent Company Financial Statements on page 96 relate to the consolidated financial statements for the group, since the parent company has very limited operations.

Consolidated Financial Results

Aker Solutions' revenue increased to NOK 25.2 billion in 2018 from NOK 22.5 billion the prior year. Earnings before interest and taxes (EBIT) increased to NOK 1.0 billion from NOK 0.6 billion a year earlier. Earnings were impacted by a gain from the sale of property plant and equipment (PPE) of NOK 50 million, restructuring costs of NOK 39 million, NOK 15 million for lease costs on vacated office space in addition to other special items. Aker Solutions booked NOK 22 million in impairment charges on capitalized research and development programs and machinery and equipment. Excluding these special items EBIT increased to NOK 1.1 billion from NOK 0.9 billion a year earlier.

Interest income was NOK 39 million in 2018 compared with NOK 55 million the previous year. Interest expenses fell to NOK 268 million from NOK 305 million in 2017 because of a decrease in borrowings. Aker Solutions hedges currency risk for all significant project exposures. More than 80 percent of the value of the hedging instruments either qualify for hedge accounting or are hedges of separated embedded derivatives. Income before tax increased to NOK 792 million in 2018 from NOK 399 million the year before. Income tax expenses were NOK 238 million, up from NOK 160 million in 2017. This corresponds to an effective tax rate of 30 percent, down from 40 percent the year before. Net income after tax in 2018 was NOK 554 million compared with NOK 239 million the previous year. Earnings per share were NOK 1.88 versus NOK 0.81 in 2017.

The board of directors has proposed that no dividend payment be made for 2018. While Aker Solutions' finances were solid, with a liquidity buffer of NOK 7.5 billion at the end of the year, the board considered it still prudent to exercise caution and conserve cash amid continued uncertainty about the market outlook. The company maintains its policy of paying a dividend of between 30 and 50 percent of net profit over time.

Projects Financial Results

The projects segment provides greenfield engineering and procurement, brownfield modifications, hook-up and subsea equipment and systems.

The projects segment is externally reported in two sub-segments: subsea and field design. Projects revenue increased to NOK 19.9 billion in 2018 from NOK 17.7 billion the year before, mainly related to the field design sub-segment, partially offset by slightly lower revenue in the subsea sub-segment. The EBIT margin increased to 4.2 percent from 3.4 percent a year earlier. Excluding special items, the EBIT margin was 4.4 percent, same as a year earlier.

The full-year order intake was NOK 19.6 billion in 2018, up from NOK 18.2 billion the prior year. The order backlog was NOK 25.0 billion at the end of 2018 versus NOK 24.8 billion a year earlier.

Services Financial Results

The services segment provides subsea lifecycle services (SLS) and production asset services (PAS). The SLS part is mainly related to installation, operations and maintenance support services related to subsea equipment. The PAS part is mainly related to outsourced asset management services, maintenance of offshore infrastructure and asset integrity management services

Services revenue increased to NOK 5.1 billion in 2018 from NOK 4.6 billion the year before, mainly related to the production asset services area, partially offset by slightly lower revenue in the subsea lifecycle services area. The EBIT margin increased to 10.0 percent from 9.4 percent a year earlier. Excluding special items, the EBIT margin was 10.4 percent compared with 9.5 percent a year earlier.

The full-year order intake was NOK 5.8 billion in 2018, up from NOK 5.1 billion the prior year. The order backlog was NOK 10.3 billion at the end of 2018 versus NOK 9.7 billion a year earlier.

	Projects		Services	
Amounts in NOK million unless otherwise noted	**2018**	**2017**	**2018**	**2017**
Operating revenue	**19,920**	17,660	**5,096**	4,560
EBITDA	**1,354**	1,217	**678**	605
EBITDA margin (%)	**6.8**	6.9	**13.3**	13.3
EBITDA ex. special items	**1,371**	1,292	**692**	607
EBITDA margin ex. special items (%)	**6.9**	7.3	**13.6**	13.3
EBIT	**843**	608	**511**	429
EBIT margin (%)	**4.2**	3.4	**10.0**	9.4
EBIT ex. special items	**874**	773	**528**	432
EBIT margin ex. special items (%)	**4.4**	4.4	**10.4**	9.5
NCOA (or working capital)	**-1,141**	-712	**693**	511
Net capital employed	**3,262**	3,873	**1,867**	1,792
Order intake	**19,642**	18,177	**5,756**	5,116
Order backlog	**25,014**	24,807	**10,294**	9,743
Employees	**7,188**	6,980	**5,473**	5,036

Cashflow

Consolidated cashflow from operating activities depends on a number of factors, including progress on and delivery of projects, changes in working capital and prepayments from customers. Net cash from operating activities was NOK 921 million in 2018 compared with NOK 587 million a year earlier. Net current operating assets were negative NOK 753 million at the end of 2018 compared with negative NOK 844 million a year earlier.

Working capital may fluctuate considerably due to large milestone payments on projects. Aker Solutions' net cash outflow for investing activities was NOK 297 million in 2018, compared with NOK 308 million a year earlier. Investments in technology development and IT were NOK 174 million, compared with NOK 149 million a year earlier. Net cash outflow related to financing activities was NOK 99 million, down from NOK 835 million in 2017.

Financial Position

Assets, Equity and Liability

Non-current assets totalled NOK 9.6 billion at the end of 2018, compared with NOK 10 billion the year before. Goodwill and other intangible assets amounted to NOK 5.7 billion, down from NOK 5.8 billion in 2017. The company had net interest bearing debt of NOK 347 million in 2018, compared with NOK 970 million the prior year. The net interest bearing debt consists of current and non-current borrowings excluding cash and interest-bearing receivables. The debt includes bond loans in the Norwegian market, bank loans with Nordic and international banks, local financing in Brazil and some smaller loan facilities between group subsidiaries and local banks. The financial position was solid at the end of the year with a total liquidity buffer at NOK 7.5 billion. This included cash and bank deposits of NOK 2.5 billion as well as undrawn and committed long-term revolving bank credit facilities of NOK 5.0 billion. Capital adequacy and liquidity were generally deemed solid at the end of 2018, putting the company in a good position to meet challenges and opportunities over the next few years.

The book value of equity including non-controlling interests was NOK 7.6 billion at the end of 2018, compared with NOK 7.0 billion a year earlier. The company's equity ratio was 36.2 percent of the total balance sheet, up from 35.7 percent a year earlier.

Parent Company Financial Statements

Aker Solutions ASA, the parent company of the Aker Solutions group, owns and manages the group's subsidiaries. Aker Solutions ASA has outsourced all company functions to other companies in the group, mainly Aker Solutions AS. Assets and liabilities related to the corporate treasury function are held by Aker Solutions ASA. Aker Solutions ASA had a net loss of NOK 266 million in 2018 compared with a net loss of NOK 187 million in 2017 mainly consisting of corporate costs and interest expenses. The parent company's dividend policy is to pay shareholders 30 percent to 50 percent of net profit as an annual dividend over time.

The dividend will be paid in cash or share buybacks or a combination of both. The board of directors proposed that no dividend payment be made for 2018 as it was deemed prudent to exercise caution and conserve cash amid continued uncertainty about the market outlook. More information on the allocation of profits can be found in the income statement of the parent company on page 97 of this report.

Going Concern

In accordance with the Norwegian Accounting Act, the board confirms that the consolidated financial statements and parent company financial statements have been prepared on the basis of the going-concern assumption.

Research, Innovation and Technology

The company's principal focus is the development of new cost-efficient concepts, technologies and products as customers face declining production rates, and increasingly complex reservoirs at greenfield projects as well as transitioning to a new energy and low carbon future.

The research and development portfolio in 2018 involved more than 15 key projects. Total R&D expenditure was NOK 226 million, of which NOK 174 million was capitalized and NOK 52 million was expensed. The company was awarded funding totaling NOK 85 million in third party funding, with NOK 9 million from the Norwegian Research Council for one of its research projects.

Aker Solutions recognized NOK 15 million in impairment losses on capitalized research and development. This was mainly related to technologies where the market outlook changed as a result of the market slowdown.

More than half of all R&D investments were allocated to digital initiatives last year, up from the year before, and the company expects this share to increase going forward.

The company is developing software and associated offerings to improve how the industry works from concept through field development, operations and decommissioning. This is represented by the company's PUSH program.

As in 2017, much of Aker Solutions' innovation took place in collaboration with other companies, such as ABB, MAN Diesel & Turbo, and Principle Power. Aker Solutions works with these and other companies to develop technologies and products to lower costs, increase recovery and minimize environmental footprints.

Aker Solutions has also continued investing in early phases of technology development, This work has been strengthened in 2018 with new employments to drive these processes. The company engages with university researchers to develop competence and create new technologies. In 2018 Aker Solutions, together with Multiconsult and Digitread, began sponsoring a five-year Professorship at NTNU, focused on research on digital transformation.

Health, Safety, Security and Environment

Aker Solutions is committed to a goal of zero harm to people, assets and the environment. The cornerstone of this objective is a strong, structured and company-wide HSSE system, setting clear standards for HSSE management and leadership. Regular audits aim to identify, isolate and help address potential shortcomings. Aker Solutions is focused on continuous improvement and learning throughout the organization, and the HSSE system is a key enabler in the quest for ever more stringent standards. At Aker Solutions the HSSE culture is founded on the principle that HSSE is the personal responsibility of every employee. To strengthen the culture further and improve the company's HSSE performance, Aker Solutions will from 2019 adopt and implement the new standardized International Association of Oil & Gas Producers (IOGP) Lifesaving Rules.

Safety

Aker Solutions operates with a zero incident mindset and the belief that all incidents can be prevented. Sadly, 75 employees were injured at work last year, 21 of these injuries resulted in lost time, and in three cases the injuries were serious.

The Lost Time Injuries were mainly injured legs, feet and wrists due to slips and trips, cuts and minor burns on fingers and hands and muscle strains after either bumping into or being struck by objects. As of year-end, Aker Solutions' had a lost time injury frequency (LTIF) of 0.6, compared to 0.5 for 2017. The total recordable injuries frequency (TRIF) indicator increased to 2.0, compared to 1.4 in 2017.

The Zero Days indicator counts days without a recordable injury, work-related illness, environmental spill or near miss across the company. In 2018, Aker Solutions had 288 zero incident days compared with 314 in 2017. This represents a decrease of 26 days. The company is now committed to return to the 2017 level, setting a goal of 314 Zero Days for 2019.

Aker Solutions also in 2017 adopted the serious incident frequency (SIF) KPI to focus on the occurrence of high-risk incidents. These are incidents where the actual or potential consequence is deemed to be high or extreme, as defined within the company's risk matrix. The year end result thus indicated a positive performance, with a SIF figure of 0.4 which well below the target.

Overall the HSSE performance of the company were negative and Aker Solutions management has taken actions to reverse these trends. The board of directors will monitor the development in 2019.

Health and Working Environment

Aker Solutions is committed to a goal of zero harm to people, assets and the environment. The cornerstone of this objective is a strong, structured and company-wide HSSE system, setting clear standards for HSSE management and leadership. Regular audits aim to identify, isolate and help address potential shortcomings. The HSSE system is a key enabler in the quest for even more stringent standards. At Aker Solutions the HSSE culture is founded on the principle that HSSE is the personal responsibility of every employee.

More detailed information is available in the company's corporate responsibility report for 2018 on www.akersolutions.com/cr-reports.

Security

Aker Solutions' commitment towards safeguarding employees, assets and reputation has been further enhanced by strengthening the Global Security Operations Center (GSOC). GSOC can remotely monitor and provide security assistance to company locations such as Brazil, Malaysia, Angola, UK and Norway. The center also includes a dedicated resource to monitor incidents around the world, ensuring early identification of situations potentially affecting Aker Solutions' sites or employees. It also offers support and assistance for all employees on business travels, and maintains an overview of the travelling population within the company. No serious security incidents were reported in 2018.

The corporate visitor management system was replaced in 2018, in line with GDPR requirements, and provides an improved user interface. Physical security requirements have been updated and will be communicated globally to ensure the same minimum standards across the company regardless of geographical location.

Aker Solutions is committed to utilizing a fleet of on-site vehicles that conforms with the highest safety standards. In line with the IOGP expectation of providing 5-star NCAP rated vehicles only, the company is conducting an ongoing fleet renewal program.

Cybercrime

The threats from Cyber Criminals is increasing and the most used attack vector is so-called phishing emails. Aker Solutions has taken steps to harden the protection of email, improve capabilities to identify ongoing malicious activities and increase employee awareness of cyber threats. With more smartness in all products there is also an increasing threat to devices connected to the internet. Necessary precautions have been taken to protect Aker Solutions and the company's clients assets.

Emergency Preparedness and Response

There have been no major incidents in 2018 involving the company's corporate emergency response team (CERT). To ensure a robust and resilient response in the event of an incident, procedures have been updated and training initiatives have been undertaken at all levels. The last year has also seen improvements made to the company's specialized response software, while notification lines to the GSOC have been strengthened and centralized.

Environment

Aker Solutions works to protect the environment by offering products, systems and services that help reduce the environmental footprint of customers' operations and by seeking to reduce negative climate impact of own operations.

Aker Solutions' total energy consumption, based on the recorded use of oil, gas, fuels and electricity, increased from 90,709 megawatt hours (MWh) in 2017 to 97,434 MWh in 2018. Total carbon dioxide emissions were 34,025 tonnes in 2018. The 2017 figure was 18,383 tonnes, but a comparison between the two is misleading as in 2018 the company included carbon dioxide emissions from travels booked in Norway, UK and US for the first time. Work is now underway to include travel emissions from Aker Solutions' other operational regions in 2019, which should again lead to an increase in overall figures. In 2019 Aker Solutions intends to report its carbon footprint to CDP.

Aker Solutions is focused on waste segregation and recycling. In 2018 the company recorded total waste of 9,034 tonnes, compared with 6,410 tonnes a year earlier. In total 71 percent of the waste was sent for recycling. This number is lower than in 2017, when the recycling factor was 87 percent. The reason for this significant decline was a change in the reporting of waste numbers. To align with industry standards, the company now only includes material recycling in its recycled waste fraction, excluding hazardous waste and waste to energy recovery. As a result a year-on-year comparison cannot be made.

Aker Solutions is committed to increasing efficiency and decreasing energy consumption. The 2018 figures reflect greater activity levels. Moving forward, the company is focusing on meeting production objectives with lower energy use and less waste.

Safeguarding Diversity and Equal Opportunity

Aker Solutions had 14,705 employees and 4,737 contract staff as of year-end 2018. Aker Solutions is strongly committed to the principles of non-discrimination and equal opportunity, regardless of gender, nationality or other factors. Men have traditionally dominated the oil and gas industry and, particularly, offshore work. This continues to be reflected in our organization, where around 17 percent of our employees are women. The number of women in leadership roles increased from 124 to 136 in 2018.

Aker Solutions' diverse workforce represents about 79 nationalities and offers a wide range of competencies and insights, benefitting both its customers and the business. Aker Solutions seeks to promote diversity in its workforce through clear recruitment requirements and the development of individuals and programs supporting equal opportunity, in accordance with its people policy and recruitment procedures.

More information regarding the company's commitment to equality and diversity is available in the company's 2018 corporate responsibility report.

Risk Factors

Aker Solutions' global footprint, operations and exposure to energy markets provide both opportunities and risks that may affect the company's operations, performance, finances, reputation and share price.

Overall company performance is affected by both external and internal factors. External factors include issues such as fluctuations in energy prices, customer behaviour and market developments, while internal factors may encompass matters such as project execution and service delivery. The inherent complexity of Aker Solutions internal operations and the costs across a broad-based value chain also impact upon results. Principal cost drivers include the cost of suppliers' direct and indirect material, sub-contractor costs and the company's own man-hours, and fluctuations in oil and gas prices. Through its business, Aker Solutions is exposed to legal, regulatory and political risks, such as tax changes, decisions on environmental regulation, and international sanctions that impact supply and demand, as well as risks associated with unethical and criminal behaviour. The company is also exposed to financial market risks, including changes in currency rates, interest rates, credit and counterparty risks, as well as risks associated with access to and terms of financing.

Market Risk

Compared to recent years, the market situation and current outlook for the oil-services industry is improving. Nevertheless, significant challenges remain. Some of the principal factors that contribute to market risk are outlined below:

- Changes in global demand, energy prices and environmental requirements impact upon oil company activities and the overall development of the market.
- Local content requirements, legislative restrictions and/or prohibitions on oil and gas activities in countries of existing or planned operations.
- Liabilities under environmental laws or regulations.
- Uncertainty regarding future contract awards and their impact on future earnings and profitability.

These factors will influence oil price and oil companies' exploration, development, production, investment, modification and maintenance activity.

Developments within the market will lead to capacity adjustments and changes in the valuation of company assets and liabilities. The main uncertainties include delivering on the company's international growth ambitions, entry and establishment in new growth markets, and delivering a competitive cost base. Aker Solutions is committed to an active policy of risk management and will take mitigating actions to increase flexibility in its operations, for instance by seeking to drive down costs, build a sustainable global workforce and enhance standardization and simplification. The company aims to be agile in its approach to the market, effectively adapting to industry demand and fluctuations to deliver optimal value and rewards across the value chain. A focus on continuous improvement in productivity and sustainability is central to these efforts.

Operational Risk

Aker Solutions utilizes both reimbursable and fixed-price contracts. Contracts that include fixed prices for all or parts of the deliverables are subject to the risk of potential cost overruns. Aker Solutions is involved in projects that are both demanding and complex in nature, with significant design and engineering requirements, as well as extensive procurement and manufacturing of equipment, sourcing supplies and construction management. In certain situations the projects may also require the development of innovative new technology and solutions. These can impact upon the company's ability to deliver on time and in accordance with a contract, potentially harming Aker Solutions' reputation, performance and finances. Factors that may have an adverse material effect on the business, results of operations and finances of Aker Solutions include, but are not limited to:

- The loss of business from a significant customer, the failure to deliver a significant project as agreed, or alterations to the order backlog
- Aker Solutions' ability to compete effectively and maintain market positions and sales volumes
- The company's capability to successfully commercialize new technology
- Partnerships, joint ventures and other types of cooperation that expose the company to risks and uncertainties outside its control
- Non-delivery and/or disputes with a key supplier
- Significant delays or quality issues impacting upon project delivery or performance
- Cybercrime leading to system downtime or significant loss of intellectual property

Financial Risks

The objective of financial risk management is to manage exposure from financial risks to increase predictability of earnings and minimize potential adverse effects on financial performance. Financial risk management and exposures are described in detail in note 22 and capital management is described in note 23. The main financial risks are:

- **Currency risk:** Aker Solutions has international operations and is exposed to currency risk on commercial transactions, assets and liabilities when payments and revenues are denominated in a currency other than the functional currency of the respective entity. The currency risks in all major contracts are hedged with external banks in the foreign exchange market. More than 80 percent of the hedging volume either qualifies for hedge accounting or is presented separately as hedges of embedded derivatives. Some jurisdictions may have currency restrictions and / or restrictions on repatriation of funds, in which case the company takes mitigating actions to minimize the currency exposure. These actions include non-deliverable forwards, multilateral or bilateral agreements with banks, customers and vendors regarding conversion of currencies, and timing of invoicing and payments.
- **Liquidity risk:** The corporate treasury department ensures financial flexibility by ensuring sufficient liquidity reserves and available committed credit lines. The company monitors rolling 12 weeks and 12 months cash forecasts of the company's future liquidity reserve, based on committed and expected cashflow in all business entities.
- **Interest rate risk:** The company's interest exposure mainly arises from external funding in bank and debt capital markets. Currently all external debt in Aker Solutions is at floating interest rates. The company's risk management strategy is that 30-50% of the interest exposure shall be fixed interest rate for the duration of the debt. The company uses interest rate swaps to achieve the desired fixed / floating ratio of the external debt. As the group has no significant interest-bearing operating assets, operating income and operating cashflow are substantially independent of changes in market interest rates.
- **Credit risk:** The credit risk related to customers' ability to pay is assessed in the bid phase and during execution of a project. The majority of the customers are highly rated oil companies where the credit risk is considered to be limited. Risk related to lower rated companies is monitored closely.
- **Price risk:** Aker Solutions is exposed to fluctuations in market prices which are mitigated in the bid process to a great extent by locking in committed prices with vendors or through escalation clauses with customers.

More information on financial risk factors is available in note 22. Aker Solutions has company-wide policies, procedures and tools that identify, evaluate and respond to risks actively and systematically. The assessment, definition, follow-up and implementation of adequate mitigating actions towards the main risk factors are all integral parts of the overall governance of the company. Aker Solutions applies a combination of risk management practices in order to effectively manage the risk to the company such as: internal controls, scenario planning, sensitivity analysis and audit management.

Fornebu, March 7, 2019
Board of Directors of Aker Solutions ASA

Øyvind Eriksen
Chairman

Koosum Kalyan
Director

Kristian Røkke
Director

Birgit Aagaard-Svendsen
Director

Henrik O. Madsen
Director

Atle Teigland
Director

Hilde Karlsen
Director

Oddvar Hølland
Director

Luis Araujo
Chief Executive Officer

Consolidated Financial Statements

Aker Solutions Group

December 31, 2018

Declaration by the Board of Directors and Chief Executive Officer

The board and chief executive officer have today considered and approved the annual report and financial statements for the Aker Solutions group and its parent company Aker Solutions ASA for the 2018 calendar year ended on December 31, 2018.

This declaration is based on reports and statements from the chief executive officer, chief financial officer and on the results of the group's business as well as other essential information provided to the board to assess the position of the parent company and the group.

To the best of our knowledge:

- The 2018 financial statements for the parent company and the group have been prepared in accordance with all applicable accounting standards.
- The information provided in the financial statements gives a true and fair portrayal of the parent company's and the group's assets, liabilities, financial position and results taken as a whole as of December 31, 2018.
- The board of directors' report for the parent company and the group provides a true and fair overview of the development, performance and financial position of the parent company and the group taken as a whole, and the most significant risks and uncertainties facing the parent company and the group.

Fornebu, March 7, 2019
Board of Directors of Aker Solutions ASA

Øyvind Eriksen
Chairman

Koosum Kalyan
Director

Kristian Røkke
Director

Birgit Aagaard-Svendsen
Director

Henrik O. Madsen
Director

Atle Teigland
Director

Hilde Karlsen
Director

Oddvar Hølland
Director

Luis Araujo
Chief Executive Officer

Income Statement

Consolidated statement for the year ended December 31

Amounts in NOK million	Note	2018	2017
Revenue	3, 4	**25,232**	**22,461**
Materials, goods and services		**-10,560**	-8,359
Personnel expenses	5	**-9,534**	-9,290
Other operating expenses	6	**-3,328**	-3,292
Operating expenses before depreciation, amortization and impairment		**-23,422**	**-20,941**
Operating income before depreciation, amortization and impairment		**1,810**	**1,519**
Depreciation and amortization	10, 11	**-739**	-792
Impairment	10, 11, 12	**-22**	-156
Operating income		**1,049**	**571**
Interest income	7	**39**	55
Interest expenses	7	**-268**	-305
Net other financial items	7	**-28**	78
Income before tax		**792**	**399**
Income tax	9	**-238**	-160
Net income		**554**	**239**
Net income attributable to:			
Equity holders of the parent company		**511**	221
Non-controlling interests		**43**	18
Net income		**554**	**239**
Earnings per share in NOK (basic and diluted)	8	**1.88**	**0.81**

Other Comprehensive Income (OCI)

Consolidated statement for the year ended December 31

Amounts in NOK million	Note	2018	2017
Net income		**554**	**239**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cashflow hedges, effective portion of changes in fair value		**8**	348
Cashflow hedges, reclassified to income statement		**3**	233
Cashflow hedges, deferred tax	9	**-2**	-147
Translation differences - foreign operations		**-69**	112
Total		**-60**	**546**
Items that will not be reclassified to profit or loss:			
Remeasurements of defined pension obligations	18	**-71**	-60
Remeasurements of defined pension obligations, deferred tax asset	9	**12**	10
Change in fair value of equity investments over OCI	25, 27	**12**	-17
Total		**-48**	**-67**
Other comprehensive income (loss), net of tax		**-108**	**479**
Total comprehensive income		**446**	**718**
Total comprehensive income (loss) attributable to:			
Equity holders of the parent company		**400**	701
Non-controlling interests		**47**	17
Total comprehensive income		**446**	**718**

Balance Sheet

Consolidated statement as of December 31

Amounts in NOK million	Note	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	10,12	**3,044**	3,316
Intangible assets	11,12	**5,686**	5,814
Deferred tax assets	9	**663**	633
Other investments	22, 25, 27	**79**	91
Other non-current assets	25	**84**	106
Total non-current assets		**9,556**	**9,960**
Current assets			
Current tax assets		**109**	174
Inventories	13	**326**	428
Customer contract assets and receivables	3, 14, 25	**6,887**	5,246
Prepayments		**1,348**	1,597
Derivative financial instruments	24, 25	**218**	226
Interest-bearing receivables	25	**47**	128
Cash and cash equivalents	15, 25	**2,473**	1,978
Total current assets		**11,408**	**9,775**
Total assets		**20,964**	**19,736**

Fornebu, March 7, 2019
Board of Directors of Aker Solutions ASA

Øyvind Eriksen
Chairman

Koosum Kalyan
Director

Kristian Røkke
Director

Birgit Aagaard-Svendsen
Director

Henrik O. Madsen
Director

Atle Teigland
Director

Hilde Karlsen
Director

Oddvar Hølland
Director

Luis Araujo
Chief Executive Officer

Amounts in NOK million	Note	2018	2017
Equity and liabilities			
Equity			
Share capital	16	**294**	294
Treasury shares	16	**-1**	-1
Reserves	16	**1,161**	1,115
Retained earnings		**6,047**	5,572
Total equity attributable to the parent		**7,502**	**6,981**
Non-controlling interests	26	**106**	**67**
Total equity		**7,608**	**7,047**
Non-current liabilities			
Non-current borrowings	17, 25	**1,788**	2,576
Pension obligations	18	**572**	556
Deferred tax liabilities	9	**266**	238
Other non-current liabilities		**10**	83
Total non-current liabilities		**2,636**	**3,453**
Current liabilities			
Current tax liabilities		**68**	43
Current borrowings	17, 25	**1,125**	539
Provisions	20	**906**	942
Trade and other payables	21, 25, 28	**7,741**	7,304
Customer contract liabilities	3	**709**	0
Derivative financial instruments	24, 25	**172**	408
Total current liabilities		**10,721**	**9,236**
Total liabilities		**13,357**	**12,688**
Total equity and liabilities		**20,964**	**19,736**

Cashflow

Consolidated statement for the year ended December 31

Amounts in NOK million	Note	2018	2017
Cashflow from operating activities			
Net income		**554**	**239**
Adjustments for:			
Income tax	9	**238**	160
Net interest cost		**218**	213
(Profit) loss on foreign currency forward contracts	7	**17**	-41
Depreciation, amortization and impairment	10, 11, 12	**761**	948
Other (profit) loss on disposals and non-cash effects		**-73**	70
Net income after adjustments		**1,715**	**1,589**
Changes in operating assets and liabilities		**-447**	-482
Cash generated from operating activities		**1,268**	1,107
Interest paid		**-313**	-327
Interest received		**96**	91
Income taxes paid		**-130**	-283
Net cash from operating activities		**921**	**587**
Cashflow from investing activities			
Acquisition of property, plant and equipment	10	**-331**	-211
Payments for capitalized development	11	**-174**	-149
Business combinations, net of cash acquired		**0**	-221
Proceeds from sale of property, plant and equipment		**104**	26
Interest-bearing loan to third party		**62**	264
Acquisition/sale of shares and funds		**66**	5
Other investing activities		**-23**	-21
Net cash used in investing activities		**-297**	**-308**

Amounts in NOK million	Note	2018	2017
Cashflow from financing activities			
Proceeds from borrowings	17	**1,617**	1,317
Repayment of borrowings	17	**-1,716**	-2,078
Paid dividends including tax	8	**0**	-27
Acquisition of non-controlling interests		**0**	-47
Net cash from financing activities		**-99**	**-835**
Effect of exchange rate changes on cash and bank deposits		**-30**	54
Net increase (decrease) in cash and bank deposits		**495**	**-502**
Cash and cash equivalents at the beginning of the period		**1,978**	2,480
Cash and cash equivalents at the end of the period	15	**2,473**	**1,978**

Equity

Consolidated statement of changes in equity

Amounts in NOK million	Note	Share capital	Treasury share reserve	Retained earnings	Hedging reserve	Translation reserve	Fair value reserve	Pension reserve	Equity attributable to parent	Non-controlling interests	Total equity
Equity as of January 1, 2017		294	-1	5,350	-618	1,187	28	38	**6,278**	138	**6,415**
Net income		0	0	221	0	0	0	0	**221**	18	**239**
Other comprehensive income		0	0	0	434	114	-17	-50	**480**	-2	**479**
Total comprehensive income		0	0	**221**	**434**	**114**	**-17**	**-50**	701	**17**	718
Change in non-controlling interests from acquisition of shares		0	0	2	0	0	0	0	**2**	-50	**-48**
Taxes on internal dividends		0	0	0	0	0	0	0	**0**	-38	**-38**
Equity as of December 31, 2017		**294**	**-1**	**5,572**	**-184**	**1,301**	**10**	**-12**	6,981	**67**	7,047
Effect from implementing IFRS 9 Financial Instruments	25	0	0	0	168	11	3	0	**181**	0	**181**
Effect from implementing IFRS 15 Revenue from Customer Contracts	3	0	0	-43	0	0	0	0	**-43**	-24	**-67**
Equity as of January 1, 2018		**294**	**-1**	**5,529**	**-16**	**1,312**	**13**	**-12**	7,119	**43**	7,162
Net income		0	0	511	0	0	0	0	**511**	43	**554**
Other comprehensive income		0	0	0	9	72	12	-59	**-111**	3	**-108**
Total comprehensive income		**0**	**0**	**511**	**9**	**-72**	**12**	**-59**	400	**47**	446
Realization of equity instruments valued at FVOCI		0	0	25	0	0	-25	0	**0**	0	**0**
Sale of shares to non-controlling interest without change in control		0	0	-17	0	0	0	0	**-17**	17	**0**
Equity as of December 31, 2018		**294**	**-1**	**6,047**	**-8**	**1,240**	**0**	**-71**	7,502	**106**	7,608

Notes to the Consolidated Financial Statements

For the year ended December 31

Note 1 Company Information

Aker Solutions is a global provider of products, systems and services to the oil and gas industry. The company had 14,705 own employees and was present in 25 countries at the end of 2018. The main office is at Fornebu, Norway.

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 incorporate the financial statements of the company and its subsidiaries collectively referred to as “the group” or "the company" and separately as group companies. The parent company Aker ASA publishes consolidated financial statements. The Resource Group TRG AS is the ultimate parent company of Aker Solutions ASA.

Note 2 Basis of Preparation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union, their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Norwegian Accounting Act as of December 31, 2018.

The consolidated financial statements were approved by the Board of Directors and the chief executive officer (CEO) on March 7, 2019. The consolidated financial statements will be authorized at the Annual General Meeting on April 10, 2019. Until this date the Board of Directors has the authority to amend the financial statements.

Financial Reporting Principles

The relevant financial reporting principles are described in each note to the consolidated financial statements. Aker Solutions focuses on describing the reporting within the IFRS framework rather than repeating the actual text of the standard.

Basis of Measurement

The consolidated balance sheet has been prepared on the historical cost basis except for certain financial assets and liabilities as presented in note 25 measured at fair value on each reporting date. The financial information presented in Norwegian Kroner (NOK) has been rounded to the nearest million (NOK million), therefore the subtotals and totals in some tables may not equal the sum of the amounts shown. Certain comparative figures have been adjusted to conform to the presentation adopted in the current year, including note 13, 14, 18, 19, 21 and 25.

Note 2 continues on next page

Note 2 Basis of Preparation cont.

Consolidation

The consolidated financial statements comprise the parent company Aker Solutions ASA and its subsidiaries. Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Judgments and Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, 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 main areas where judgements and estimates have been made are described in each of the following notes:

- Note 3 Revenue
- Note 9 Tax
- Note 10 Property, Plant and Equipment
- Note 11 Intangible Assets
- Note 12 Impairment of Assets
- Note 13 Inventories
- Note 14 Customer Contract Assets and Receivables
- Note 18 Pension Obligations
- Note 20 Provisions and Contingent Liabilities

New Financial Reporting Principles

IFRS 15 Revenue from Customer Contracts has been implemented per January 1, 2018, and implementation effects are presented in note 3. IFRS 9 Financial Instruments was also implemented per January 1, 2018. Implementation effects are presented in note 3 and 25.

IFRS 16 Leasing will be implemented on January 1, 2019. Expected implementation effects impacting the balance sheet and expected impact on future income statements are described in note 32.

Note 3 Revenue

The revenue in Aker Solutions ranges from man-hour based maintenance and engineering services in the oil and gas industry, to complex construction contracts for delivery of subsea systems and modifications of oil and gas installations. Project execution is a key component of all deliveries.

Financial Reporting Principles

IFRS 15 Revenue from Contracts with Customers was adopted on January 1, 2018. The company has applied a modified retrospective implementation method, with cumulative impact recognized in retained earnings and no restatement of 2017 figures. The standard supersedes IAS 11 Construction Contracts and IAS 18 Revenue. The transition effects are explained below.

IFRS 15 introduces a new five-step model that applies to all customer contracts. Under the new standard, only approved customer contracts with a firm commitment is basis for revenue recognition. Variation orders are included when they have been approved, either verbally, in writing or implied by customary business practice. The deliveries in the contracts are reviewed to identify distinct performance obligations, and this assessment may involve significant judgement. For the majority of the identified performance obligations, control has been assessed to be transferred to the customer over time as the performance obligation is satisfied. Revenue is recognized over time using a cost based progress method, or revenue is recognized as time and materials are delivered to the customer. These methods are assessed to best reflect the pattern of transfer of control of goods and services to the customer.

Variable considerations, such as incentive payments, are included in revenue when they are highly probable. Expected liquidated damages (LD) are recognized as a reduction of the transaction price unless it is highly probable LDs will not be incurred. The transaction price of performance obligations is adjusted for significant financing components to reflect the time value of money. Financing components may exist when the expected time period between the transfer of the promised goods and services and the payment is more than twelve months. This assessment is performed at the contract inception. Profit is not recognized until the outcome of the performance obligations can be measured reliably. Contract costs are expensed as incurred. The full loss is recognized immediately when identified on loss-making contracts. The loss is determined based on revenue less direct cost (i.e.labour, subcontractor and material cost) and an allocation of overhead that relate directly to the contract or activities required to fulfil the contract.

Judgments and Estimates

It can be challenging to estimate the expected revenue and cost in the company's customer contracts, in particular if there are operational challenges. The most significant judgments and estimates in the customer contracts are described below.

Variable Consideration

Incentive payments are integral and significant parts of contract revenue on certain reimbursable contracts. They can also be present in lumpsum contracts. Incentive payments include key performance indicators, bonuses, target sum mechanisms and productivity measures and can potentially both increase and decrease revenue. Most incentives are estimated using the most likely amount. Revenue from variable consideration is included only when it is highly probable that the revenue will not be reversed. There is a risk that the actual payment of incentives may differ from the estimated amount.

Liquidated Damages (LDs)

LDs are penalties for not achieving defined milestones on time. LDs are common in construction contracts, but can also be present in service contracts. If a project does not meet the defined milestone in a contract, a provision reducing the transaction price is made unless it is highly probable that LD will not be imposed. The estimated LD provision is highly judgmental and based on experience from similar LD situations and negotiations with customers in addition to an assessment of client relationship and economic impact.

Total Contract Cost

The estimates of total contract cost can be judgmental and sensitive to changes. The cost estimates can significantly impact revenue recognition for contracts using cost progress, particularly in lump sum construction contracts. The forecasting of total project cost depends on the ability to properly execute the engineering and design phase, availability of skilled resources, manufacturing capacity, productivity and quality factors,

Note 3 continues on next page

Note 3 Revenue cont.

performance of subcontractors and sometimes also weather conditions. Experience, systematic use of the project execution model and focus on core competencies reduce, but do not eliminate, the risk that cost estimates may change significantly.

Performance Obligations

Significant management judgement is sometimes required in order to identify distinct performance obligations in customer contracts. This includes an analysis of the customer contract to determine if the goods or services are distinct deliveries or inputs to an overall promise to deliver a combined item.

Different Types of Customer Contracts

The revenue in Aker Solutions consists of various contracts for the engineering, procurement, construction, modification and maintenance of various oil and gas installations.

Projects - Subsea

Deliveries include stand-alone subsea equipment or complete subsea systems consisting of subsea trees, wellheads, manifolds, umbilicals, tie-in and other types of subsea equipment. Most contracts last more than one year and can be as long as five years. The contracts include engineering, procurement and construction (EPC) of subsea production equipment. Each contract is usually assessed as one performance obligation as the deliveries are combined in one output. The contracts are mainly lumpsum with penalties (LDs). Some contracts may have incentive arrangements. Payment terms are normally 30-90 days according to predefined milestones. If payment is agreed upon delivery of the equipment, a financing component will be presented if significant. Revenue is recognized over time using a cost progress method. Estimates of total contract revenue and cost may require management judgment. No profit is recognized unless the outcome can be measured reliably, usually at 10-20 percent progress. These contracts are reported in the "projects" operating segment.

Projects - Field Design

The engineering contracts and the brownfield maintenance, modification and hook-up contracts for oil and gas installations are mainly reimbursable, but can also include lumpsum elements. Some contracts have incentive mechanisms including bonuses, target sum mechanisms, key performance indicators and productivity measures. Each engineering, hook-up, modification and maintenance job is usually assessed as a separate performance obligation. The contracts usually last from one to five years. Revenue is recognized over time using a cost progress method or revenue is recognized according to delivered time and materials. Payment terms are normally 30 days after time and materials are delivered. These contracts are referred to as "Field Design" in the revenue table below and are included in the "projects" operating segment.

Services

Services include maintenance, repair, spares supply, installation and commissioning of subsea equipment and production asset through regional service bases. The contracts are mainly reimbursable, but lumpsum contracts or elements of lumpsum exist in some regions. Each service job under a frame agreement is usually assessed as a separate performance obligation. The frame agreements can run for several years, and each service job usually last for some months to as long as two years. Revenue is normally recognized according to delivered time and materials. Contracts with a significant lumpsum element usually use a cost progress method to determine progress and recognize revenue. Payment terms are normally 30 days after time and materials are delivered. These contracts are reported in the "Services" operating segment.

The following tables show the revenue from customer contracts by type. Revenue by country is shown in note 4 (operating segments).

Amounts in NOK million	**2018**	**2017**
Projects - Subsea	**8,162**	8,336
Projects - Field Design	**11,814**	9,402
Projects - Intra-group revenue	**-57**	-78
Sum Projects	**19,920**	**17,660**
Services	**5,096**	4,560
Total revenue from customer contracts (in scope of IFRS 15)	**25,016**	**22,220**

Note 3 continues on next page

Note 3 Revenue cont.

Timing of Revenue

The performance obligations in customer contracts vary from a few months to as long as five years. The order backlog as of December 31, 2018, was NOK 35.1 billion. The table below shows the expected timing of future revenue for ongoing and not yet started performance obligations at year-end.

Amounts in NOK billion	2019	2020	2021	2022 and later	Total backlog
Backlog phasing of ongoing performance obligations	18.7	6.0	2.7	1.5	28.9
Backlog phasing of performance obligations not yet started	1.9	1.4	1.0	1.9	6.3
Total backlog	**20.7**	**7.4**	**3.7**	**3.4**	**35.1**

Revenue recognized in 2018 for performance obligations delivered in prior years due to constraining the revenue was NOK 199 million.

Contract Balances

The company has recognized the following assets and liabilities related to contracts with customers.

Amounts in NOK million	December 31, 2018	January 1, 2018
Trade receivables	**3,236**	2,876
Customer contract assets	**3,559**	4,015
Customer contract liabilities	**709**	749

Contract assets relate to consideration for work completed, but not yet invoiced at the reporting date. The contract assets are transferred to customer receivables when the right to payment become unconditional, which usually occurs when invoices are issued to the customers. Contract liabilities relate to advances from customer for work not yet performed.

The change in contract assets and liabilities relates to the natural progression of the project portfolio, as well as the current project mix. The amount of NOK 749 million recognized in contract liabilities at the beginning of the period has been recognized as revenue in 2018.

The bad debt provision included in receivables at December 31, 2018 was NOK 84 million, compared to NOK 93 million the year before. No impairment has been recognized on contract assets.

Effect of Transitioning to IFRS 15

The company has applied a modified restrospective implementation method, with the cumulative impact recognized in retained earnings as of January 1, 2018. Comparative figures for 2017 are not restated. The main changes are described below.

- Subsea contracts previously using a technical progress method changed to a cost progress method under IFRS 15. The progress on some contracts was reduced, whereas others were accelerated. The net impact resulted in a decrease of equity of NOK 106 million before tax and an increase of order backlog of NOK 247 million as of January 1, 2018.
- Tender costs previously capitalized when award was probable are fully expensed under IFRS 15. The effect of removing capitalized tender cost in the balance sheet upon transition as of January 1, 2018 was a reduction of equity of NOK 48 million before tax.
- Waste cost will not be included when determining cost progress. No waste costs were identified upon transition.
- IFRS 15 introduces a higher threshold for including revenue from variable consideration and modifications. No transitioning effects were identified.
- Revenue accruals are presented separately as contract asset or liabilities under IFRS 15, not netted with cost accruals and presented as work in progress (WIP) as under IAS 11/18.

Net of tax, the total effect from implementing IFRS 15 was presented as a reduction of equity of NOK 67 million as of January 1, 2018.

Note 3 continues on next page

Note 3 Revenue cont.

Amounts in NOK million	**January 1, 2018**
Change of progress method	-106
Removal of capitalized tender cost	-48
Tax effects	86
Total IFRS 15 impact on equity	**-67**

The tables below show the impact of IFRS 15 for 2018 and the reporting if IAS 11/18 would have been applied.

IFRS 15 Impact on Income Statement

Amounts in NOK million	**Reported 2018 IFRS 15**	**Impact of IFRS 15**	**Adjusted 2018 IAS 11/18**	**Reported 2017 IAS 11/18**
Revenue	25,232	42	**25,274**	22,461
Operating expenses	-23,422	55	**-23,367**	-20,941
Operating income before depreciation, amortization and impairment	**1,810**	**96**	**1,906**	**1,519**
Depreciation, amortization and impairment	-761	0	**-761**	-948
Operating income	**1,049**	**96**	**1,145**	**571**
Net financial items	-258	0	**-258**	-172
Income before tax	**792**	**96**	**887**	**399**
Income tax	-238	-29	**-267**	-160
Net income	**554**	**68**	**621**	**239**
Order backlog	35,148	-42	**35,106**	34,581

IFRS 15 Impact on Balance Sheet

Amounts in NOK million	Reported 2018 IFRS 15	Impact of IFRS 15	Adjusted 2018 IAS 11/18	Reported 2017 IAS 11/18
Property, plant and equipment	3,044	0	**3,044**	3,316
Intangible assets	5,686	0	**5,686**	5,814
Deferred tax asset	663	0	**663**	633
Other Investments	79	0	**79**	91
Other non-current assets	84	0	**84**	106
Total non-current assets	**9,556**	**0**	9,556	**9,960**
Current tax assets	109	0	**109**	174
Inventories	326	0	**326**	428
Customer contract assets and receivables	6,887	-2,501	**4,387**	5,246
Prepayments	1,348	0	**1,348**	1,597
Derivative financial instruments	218	0	**218**	226
Interest-bearing receivables	47	0	**47**	128
Cash and cash equivalents	2,473	0	**2,473**	1,978
Total current assets	**11,408**	**-2,501**	8,908	**9,775**
Total assets	**20,964**	**-2,501**	18,464	**19,736**

Amounts in NOK million	Reported 2018 IFRS 15	Impact of IFRS 15	Adjusted 2018 IAS 11/18	Reported 2017 IAS 11/18
Total equity attributable to the parent	7,502	146	**7,648**	6,981
Non-controlling interests	106	-23	**83**	67
Total equity	**7,608**	**123**	7,731	**7,047**
Non-current borrowings	1,788	0	**1,788**	2,576
Pension obligations	572	0	**572**	556
Deferred tax liabilities	266	0	**266**	238
Other non-current liabilities	10	0	**10**	83
Total non-current liabilities	**2,636**	**0**	2,636	**3,453**
Current tax liabilities	68	117	**185**	43
Current borrowings	1,125	0	**1,125**	539
Provisions	906	-181	**725**	942
Trade and other payables	7,741	-1,852	**5,890**	7,304
Customer contract liabilities	709	-709	**0**	0
Derivative financial instruments	172	0	**172**	408
Total current liabilities	**10,721**	**-2,625**	8,097	**9,236**
Total liabilities and equity	**20,964**	**-2,501**	18,464	**19,736**

See note 4 for more information about revenue per segment and per country
See note 14 for more information about customer contract assets and receivables
See note 21 for more information about other payables

Note 4 Operating Segments

Aker Solutions is a global provider of equipment, systems and services to the oil and gas industry. The operations are managed through value-chain based delivery centers. Early customer engagement, engineering and project execution are reported in the "Projects" segment whereas life-of-field offerings are reported in "Services".

Financial Reporting Principles

Operating segments are components of the group regularly reviewed by the chief operating decision maker to assess performance and be able to allocate resources. The group's CEO (chief executive officer) is the chief decision maker at Aker Solutions. The accounting principles of the operating segments are the same as described in this annual report, except for hedge accounting. When contract revenues and contract costs are denominated in a foreign currency, the subsidiary hedges the exposure against corporate treasury. Hedge accounting is applied independently of whether the hedge qualifies for hedge accounting in accordance with IFRS. The correction of the non-qualifying hedges to secure that the consolidated financial statements are in accordance with IFRS is made as an adjustment at the corporate level and reported in the "other" segment. This means that the group's segment reporting reflects all hedges as qualifying even though they may not qualify according to IFRS. Transactions between the segments are based on market prices and eliminated upon consolidation. Aker Solutions has a central finance function. Financing of the various segments does not necessarily reflect the financial strenght of the individual segments. Financial items are therefore presented only for the group as a whole.

Projects

The Projects segment provides subsea equipment and systems, engineering and procurement in addition to brownfield maintenance, modifications and hook-up. The objective of the segment is to deliver world-class project execution by building excellence in project management, engineering, fabrication and offshore construction.

Services

Services include maintenance, repair, spares supply, installation and commissioning of subsea equipment and production asset through regional service bases. The objective of the segment is to grow a focused service business and position Aker Solutions the a key partner of choice for customers.

Other

The "other" segment includes unallocated corporate costs, onerous lease cost and the effect of hedges not qualifying for hedge accounting. Lease decisions are taken by the corporate center and onerous lease cost has for that reason been reported in the "other" segment. After the restructuring in 2017, the number of employees in the operations and finance support functions are reported in the "other" segment while the related cost is allocated to the segments.

Note 4 Operation Segments cont.

Segment Performance 2018

Amounts in NOK million	Note	Projects	Services	Total operating segments	Other	Intra-group elimination	Total
Income statement							
External revenue		19,842	5,095	**24,936**	296	0	**25,232**
Inter-segment revenue		78	2	**80**	2	-82	**0**
Total revenue		**19,920**	**5,096**	**25,016**	**298**	**-82**	**25,232**
Operating income before depreciation, amortization and impairment		1,354	678	**2,032**	-222	0	**1,810**
Depreciation and amortization	10, 11	-497	-164	**-661**	-78	0	**-739**
Impairment	10, 11, 12	-15	-2	**-17**	-5	0	**-22**
Operating income		**843**	**511**	**1,354**	**-305**	**0**	**1,049**
Assets							
Current operating assets		4,703	2,438	**7,141**	1,612	-83	**8,671**
Non-current operating assets		5,433	2,714	**8,147**	621	0	**8,767**
Derivative financial instruments		0	0	**0**	217	0	**217**
Operating assets		**10,137**	**5,151**	**15,288**	**2,450**	**-83**	**17,655**
Liabilities							
Current operating liabilities		5,844	1,744	**7,589**	1,918	-83	**9,424**
Non-current operating liabilities		0	0	**0**	572	0	**572**
Derivative financial instruments		-37	2	**-35**	207	0	**172**
Operating liabilities		**5,807**	**1,746**	**7,554**	**2,697**	**-83**	**10,168**
Net current operating assets		-1,141	693	**-448**	-306	0	**-753**
Net capital employed		3,262	1,867	**5,129**	2,780	0	**7,909**
Cashflow							
Cashflow from operating activities		1,544	463	**2,007**	-1,087	0	**921**
Acquisition of property, plant and equipment	10	-196	-103	**-299**	-32	0	**-331**
Capitalized development	11	-158	-2	**-159**	-15	0	**-174**
Other key figures							
Order intake (unaudited)		19,642	5,756	**25,398**	223	-200	**25,421**
Order backlog (unaudited)		25,014	10,294	**35,308**	0	-159	**35,148**
Own employees (unaudited)		7,188	5,473	**12,661**	2,044		**14,705**

Note 4 continues on next page

Note 4 Operation Segments cont.

Segment Performance 2017

Amounts in NOK million	Note	Projects	Services	Total operating segments	Other	Intra-group elimination	Total
Income statement							
Construction revenue		12,107	0	**12,107**	40	0	**12,147**
Services revenue		5,422	4,554	**9,976**	1	0	**9,977**
Products revenue		113	0	**113**	0	0	**113**
Other revenue		0	1	**1**	222	0	**223**
Total external revenue		**17,643**	**4,555**	**22,197**	**263**	**0**	**22,461**
Inter-segment revenue		18	5	**23**	1	-24	**0**
Total revenue		**17,660**	**4,560**	**22,220**	**264**	**-24**	**22,461**
Operating income before depreciation, amortization and impairment		1,217	605	**1,822**	-303	0	**1,519**
Depreciation and amortization	10, 11	-519	-178	**-697**	-95	0	**-792**
Impairment	10, 11, 12	-90	2	**-88**	-68	0	**-156**
Operating income		**608**	**429**	**1,037**	**-466**	**0**	**571**
Assets							
Current operating assets		4,669	2,127	**6,796**	714	-65	**7,444**
Non-current operating assets		5,650	2,825	**8,475**	722	0	**9,197**
Derivative financial instruments		0	0	**0**	226	0	**226**
Operating assets		**10,319**	**4,952**	**15,271**	**1,661**	**-65**	**16,866**
Liabilities							
Current operating liabilities		5,381	1,616	**6,997**	1,357	-65	**8,289**
Non-current operating liabilities		5	0	**5**	551	0	**556**
Derivative financial instruments		-37	0	**-37**	445	0	**408**
Operating liabilities		**5,350**	**1,616**	**6,966**	**2,353**	**-65**	**9,253**
Net current operating assets		-712	511	**-201**	-643	0	**-844**
Net capital employed		3,873	1,792	**5,665**	2,535	0	**8,199**
Cashflow							
Cashflow from operating activities		281	816	**1,097**	-511	0	**587**
Acquisition of property, plant and equipment	10	-110	-87	**-196**	-15	0	**-211**
Capitalized development	11	-143	-3	**-146**	-4	0	**-149**
Other key figures							
Order intake (unaudited)		18,177	5,116	**23,293**	381	-121	**23,553**
Order backlog (unaudited)		24,807	9,743	**34,550**	135	-103	**34,581**
Own employees (unaudited)		6,980	5,036	**12,016**	1,780		**13,796**

Note 4 continues on next page

Note 4 Operation Segments cont.

Reconciliation of Information on Operating Segments to IFRS Measures

Amounts in NOK million	2018	2017
Assets		
Total operating segment assets	**17,655**	16,866
Deferred tax assets	**663**	633
Other investments	**79**	91
Current interest-bearing receivables	**47**	128
Cash and cash equivalents	**2,473**	1,978
Other	**46**	39
Total assets	**20,964**	**19,736**
Liabilities		
Total operating segment liabilities	**10,168**	9,253
Tax-related liabilities	**266**	238
Net interest-bearing borrowings	**2,913**	3,114
Other non-current liabilities	**10**	83
Total liabilities	**13,357**	**12,688**

Geographical Information

External revenue is presented on the basis of geographical location of the selling company. Non-current segment assets and capital expenditures are based on the geographical location of the company owning the assets.

	Revenue		Non-current operating assets		Capital expenditure fixed assets	
Amounts in NOK million	2018	2017	2018	2017	2018	2017
Norway	**15,367**	12,984	**4,121**	4,129	**148**	70
UK	**3,695**	2,411	**2,150**	2,265	**26**	51
Brazil	**1,755**	2,068	**1,138**	1,335	**39**	20
Malaysia	**907**	546	**396**	430	**8**	17
Angola	**890**	1,095	**51**	64	**6**	28
USA	**829**	1,506	**454**	484	**19**	2
Brunei	**711**	732	**2**	3	**1**	1
Congo	**225**	364	**10**	14	**0**	0
Other countries	**853**	754	**446**	474	**85**	24
Total	**25,232**	**22,461**	**8,767**	**9,197**	**331**	**211**

See note 3 for more information about revenue

Major Customer

One major customer represented 24.8 percent of total revenue in 2018, of which NOK 5.5 billion (2017: NOK 5.0 billion) in Projects and NOK 0.7 billion (2017: NOK 0.6 billion) in Services. Aker Solutions has long-term contracts with this customer which is a large international oil company.

Note 5 Personnel Expenses

Financial Reporting Principles

Personnel expenses include wages, salaries, social security contributions, sick leave, parental leave and other employee benefits. The benefits are recognized in the year in which the associated services are rendered by the employees.

Personnel Expenses

Amounts in NOK million	2018	2017
Salaries and wages including holiday allowance	**7,419**	7,244
Social security contribution	**1,103**	951
Pension cost	**493**	466
Restructuring cost related to personnel	**32**	92
Other employee benefits	**487**	538
Personnel expenses	**9,534**	**9,290**
Total number of employees as of December 31	**14,705**	13,796

Loans to Employees

There were no loans to employees per December 31, 2018, same as in the previous year.

See note 18 for more information about the pension cost and obligation
See note 20 for more information about restructuring provision related to downsizing of personnel

Note 6 Other Operating Expenses

Amounts in NOK million	2018	2017
Rental and other cost for land and buildings	**1,310**	1,391
IT and office supplies	**985**	818
Travel expenses	**368**	348
External consultants	**296**	339
Insurance	**117**	123
Other expenses	**252**	274
Other operating expenses	**3,328**	**3,292**

See note 19 for more information about operating leases
See note 30 for more information about audit fees

Note 7 Finance Income and Expenses

Financial Reporting Principles

Interest income and expenses include effects from using the effective interest rate method where fees, interest paid, transaction costs and other premiums are deferred and amortized over the life of the instrument. Effects from net present value calculations of assets and liabilities are also included.

Foreign exchange gains and losses arise upon settlement of monetary assets and liabilities that are not hedged. Foreign exchange gains and losses also include result from Corporate Treasury's trading mandate and the effects from translating monetary assets and liabilities denominated in foreign currencies at the balance sheet date. The profit on foreign exchange forward contracts include effects from derivatives that do not qualify for hedge accounting, embedded derivatives and the ineffective portion of qualifying hedges.

Financial Income and Expenses

Amounts in NOK million	2018	2017
Interest income	**39**	**55**
Interest expense on financial liabilities measured at amortized cost	**-236**	-273
Interest expense on financial liabilities measured at fair value	**-32**	-33
Interest expense	**-268**	**-305**
Net foreign exchange gain (loss)	**-30**	27
Profit (loss) on foreign currency forward contracts	**-16**	41
Other finance income	**27**	25
Other financial expense	**-9**	-15
Net other finance items	**-28**	**78**
Net finance cost	**- 258**	**-172**

See note 24 for more information about derivative financial instruments
See note 25 for more information about financial assets and liabilities

Note 8 Earnings per Share and Dividends

Financial Reporting Principles

The calculation of basic and diluted earnings per share is based on the income attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding. Treasury shares are not included in the weighted average number of ordinary shares. Weighted average number of diluted and ordinary shares is the same, as the company does not have any dilutive instruments.

Earnings per Share (EPS)

	2018	2017
Income attributable to ordinary shares (NOK million)	**511**	221
Weighted average number of issued ordinary shares for the year adjusted for treasury shares	**271,532,588**	271,532,588
Basic and diluted earnings per share (NOK)	**1.88**	0.81

Dividends

The board of directors has proposed that no dividend payment be made for 2018. While Aker Solutions' finances were solid, with a liquidity buffer of NOK 7.5 billion at the end of the year, the board considered it still prudent to exercise caution and conserve cash amid continued uncertainty about the market outlook.

See note 16 for more information about share capital and treasury shares

Note 9 Tax

Financial Reporting Principles

Income tax in the income statement consists of current tax, effect of change in deferred tax positions and withholding tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date that will be paid during the next 12 months. Current tax also includes any adjustment of taxes from previous years and taxes on dividends recognized in the year.

Deferred Tax

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for goodwill identified in business combinations. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences. The deferred tax asset is only recognized to the extent it is considered probable that future taxable profits will be available to utilize the credits.

Withholding Tax

Withholding tax and any related tax credits are generally recognized in the period they are incurred. Withholding tax and related tax credits directly related to construction contracts are recognized according to the progress of the construction contract, and follow the same recognition criteria as the underlying construction contract.

Judgments and Estimates

The group is subject to income taxes in numerous jurisdictions, and judgment may be involved when determining the taxable amounts. Tax authorities in different jurisdictions may challenge calculation of taxes payable from prior periods. In particular, management judgment is required when assessing valuation of unused losses, tax credits and other deferred tax assets. The recoverability is assessed by estimating taxable profits in future years taking into consideration also expected changes in temporary differences. The discounted amount from these profits is compared to book value of the tax assets.

The estimate of future taxable profits is sensitive to future market development for the projects and services of Aker Solutions. Forecasts are based on firm orders in the backlog and identified prospects in addition to expected service revenue. Changes in the assumptions related to the expected prospects and services can have a significant impact on the forecasted cashflows. Economic conditions may change and lead to a different conclusion regarding recoverability, and such changes may effect future reporting periods.

Note 9 continues on next page

Note 9 Tax cont.

Income Tax Expense

Amounts in NOK million	2018	2017
Current income tax		
Current year	**159**	303
Adjustments for prior years	**3**	-9
Total current income tax	**162**	**293**
Deferred income tax		
Origination and reversal of temporary differences	**114**	-181
Write down of tax loss carry-forwards and deferred tax assets	**20**	23
Change in tax rates[1]	**-22**	43
Adjustment for prior periods	**-35**	-19
Total deferred income tax	**76**	**-133**
Total income tax	**238**	**160**

1) Includes the effect of change in Norwegian tax rate from 23 to 22 percent in 2019 and the UK tax rate from 19 to 17 percent in 2020.

Taxes in OCI and Equity

Amounts in NOK million	2018	2017
Cashflow hedges, deferred tax	**-2**	-147
Remeasurement of defined benefit pension plans	**12**	10
Deferred tax charged to OCI	**9**	**-136**
Taxes on acquisition of non-controlling interests	**0**	-7
Current tax charged to equity	**0**	**-7**

Note 9 continues on next page

Note 9 Tax cont.

Effective Tax Rate

The table below reconciles the tax expense as if the Norwegian tax rate of 23 percent was applied.

Amounts in NOK million	2018		2017	
Income before tax	**792**		399	
Income tax when applying Norwegian tax rate of 23 percent (24 percent in 2017)	**182**	**23.0%**	96	24.0%
Tax effects of:				
Effect of different tax rates	**15**	**1.8 %**	-30	-7.5 %
Non-deductible expenses	**11**	**1.4 %**	20	5.1 %
Effect of withholding tax	**101**	**12.7 %**	75	18.9 %
Effect of tax incentives	**-18**	**-2.2 %**	-23	-5.8 %
Current tax adjustments related to prior years	**3**	**0.3 %**	-9	-2.3 %
Deferred tax adjustments related to prior years	**-35**	**-4.4 %**	-19	-4.7 %
Previously unrecognized tax losses used to reduce payable tax	**-22**	**-2.8 %**	-11	-2.7 %
Write down of deferred tax assets	**20**	**2.5 %**	23	5.9 %
Impact of change in tax rate	**-22**	**-2.8 %**	43	10.8 %
Other	**3**	**0.4 %**	-6	-1.5 %
Income tax and effective tax rate	**238**	**30.0 %**	**160**	**40.2 %**

Recognized Deferred Tax Assets and Liabilities

	Assets		Liabilities		Net	
Amounts in NOK million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Property, plant and equipment	**14**	4	**-108**	-87	**-94**	-83
Pensions	**116**	113	**0**	0	**116**	113
Projects under construction	**88**	0	**-1,594**	-1,643	**-1,505**	-1,643
Tax loss carry-forwards	**991**	1,073	**0**	0	**991**	1,073
Intangible assets	**0**	0	**-239**	-257	**-239**	-257
Provisions	**188**	258	**-11**	-5	**177**	253
Derivatives	**4**	54	**0**	0	**4**	54
Tax credits and other	**924**	884	**25**	3	**949**	887
Total before offsetting	**2,324**	**2,384**	**-1,926**	**-1,989**	**398**	**395**
Offsetting	**-1,661**	-1,751	**1,661**	1,751	**0**	0
Total	**663**	**633**	**-266**	**-238**	**398**	**395**

Note 9 continues on next page

Note 9 Tax cont.

Change in Net Recognized Deferred Tax Assets and Liabilities

Amounts in NOK million	Property, plant and equipment	Pensions	Projects under construction	Tax loss carry-forwards	Intangible assets	Provisions	Derivatives	Other	Total
Balance as of January 1, 2017	-89	112	-1,444	745	-252	258	209	797	335
Recognized in profit and loss	9	-10	-199	366	10	-8	-8	-27	133
Recognized in other comprehensive income (OCI)	0	10	0	0	0	0	-147	15	-121
Tax losses offset against indirect taxes	0	0	0	-28	0	0	0	0	-28
Prepaid withholding tax	0	0	0	0	0	0	0	94	94
Reclassification between categories	0	0	0	0	-9	9	0	0	0
Currency translation differences	-4	0	0	-11	-6	-7	0	9	-18
Balance as of December 31, 2017	**-83**	**113**	**-1,643**	**1,073**	**-257**	**253**	**54**	**887**	**395**
Effect of implementing IFRS 9 and 15	0	0	86	0	0	0	-54	0	32
Adjusted balance as of January 1, 2018	**-83**	**113**	**-1,557**	**1,073**	**-257**	**253**	**1**	**887**	**427**
Recognized in profit and loss	-24	-8	50	-73	15	-76	1	39	-76
Recognized in other comprehensive income (OCI)	0	12	0	0	0	0	-2	0	9
Prepaid withholding tax	0	0	0	0	0	0	0	44	44
Reclassification between categories	13	0	0	0	0	7	0	-20	0
Currency translation differences	0	0	2	-9	3	-6	5	-1	-7
Balance as of December 31, 2018	**-94**	**116**	**-1,505**	**991**	**-239**	**177**	**4**	**949**	**398**

Tax Loss Carry-Forwards (gross amounts)

Amounts in NOK million	Expiry within 5 years	Expires within 5-20 years	Indefinite	Total
Norway	0	0	3,151	3,151
Europe excluding Norway	143	0	517	660
North America	83	495	0	577
South America	0	0	433	433
Asia Pacific	2	397	134	533
Middle East and Africa	145	0	0	145
Total	**372**	**892**	**4,235**	**5,499**

See note 20 for information about contingent tax claims

Unrecognized Deferred Tax Assets (gross amounts)

Amounts in NOK million	Unrecognized tax loss carry-forwards	Unrecognized other tax assets
Norway	0	58
Europe excluding Norway	22	0
North America	34	0
South America	0	0
Asia Pacific	533	2
Middle East and Africa	0	0
Total	**588**	**60**

Note 10 Property, Plant and Equipment

The majority of property, plant and equipment relates to subsea manufacturing plants and service bases in Norway, Brazil, Malaysia, the US and the UK. Fixed assets also include furniture and fittings in office buildings.

Financial Reporting Principles

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment losses. Components of property, plant and equipment with different useful lives are accounted for separately. Assets are normally depreciated on a straight-line basis over their expected economic lives as follows:

- Machinery and equipment: 3-15 years
- Buildings: 8-30 years
- Land: No depreciation

Impairment triggers are assessed quarterly and impairment testing is performed when triggers have been identified. Borrowing costs are capitalized as part of the cost of the asset when significant. The cost of self-constructed assets includes the cost of materials, direct labor, production overheads and borrowing cost.

Judgment and Estimates

Judgment is involved when determining the depreciation period and when assessing impairment or reversal of impairment. Impairment is assessed for individual assets and for cash generating units. The impairment testing involves judgmental assumptions about future market development, cashflows, determination of weighted average cost of capital (WACC), growth rate and other assumptions that may change over time.

Commitments

Aker Solutions has entered into contractual commitments for the acquisition of property, plant and equipment amounting to NOK 233 million as of December 31, 2018 which will expire in 2019. Contractual commitments were NOK 281 million per December 31, 2017.

See note 12 for information about impairment testing
See note 17 for information about PPE being held as security for borrowings
See note 26 for information about acquisition of subsidiaries

Property, Plant and Equipment

Amounts in NOK million	Buildings and sites[1]	Machinery and equipment	Under construction	Total
Historical cost				
Balance as of January 1, 2017	2,102	5,138	216	7,456
Additions	5	40	161	206
Reclassifications and transfer from assets under construction	-190	387	-197	0
Additions through acquisition of subsidiaries	0	5	0	5
Disposals and scrapping	-15	-18	0	-33
Currency translation differences	-51	-5	3	-54
Balance as of December 31, 2017	**1,851**	**5,548**	**181**	**7,580**
Additions	6	34	291	**331**
Reclassifications and transfer from assets under construction	-21	179	-176	**-19**
Disposals and scrapping	-35	-79	0	**-114**
Currency translation differences	-79	43	5	**-31**
Balance as of December 31, 2018	**1,722**	**5,724**	**301**	**7,747**
Accumulated depreciation and impairment				
Balance as of January 1, 2017	-469	-3,164	-16	-3,648
Depreciation for the year	-66	-471	0	-537
Impairment	-58	-26	0	-84
Disposals and scrapping	13	11	0	24
Reclassification between categories	143	-143	0	0
Currency translation differences	1	-19	0	-18
Balance as of December 31, 2017	**-436**	**-3,812**	**-15**	**-4,264**
Depreciation for the year	-54	-417	0	**-471**
Impairment	-5	-2	0	**-7**
Disposals and scrapping	3	72	0	**75**
Reclassification between categories	-21	40	0	**19**
Currency translation differences	-3	-52	-1	**-55**
Balance as of December 31, 2018	**-516**	**-4,171**	**-16**	**-4,703**
Book value as of December 31, 2017	**1,415**	**1,735**	**166**	**3,316**
Book value as of December 31, 2018	**1,206**	**1,553**	**285**	**3,044**

1) There were no assets held for sale included in buildings and sites as of December 31, 2018 (NOK 38 million in 2017).

Note 11 Intangible Assets

The research and development (R&D) programs at Aker Solutions are closely monitored in order to secure the desired technological achievements in time and at acceptable cost levels. R&D programs that meet certain criteria are capitalized and amortized over the expected useful life. Digital development is high on Aker Solutions' agenda, and more than half of the capitalized development in 2018 was related to digital development programs. Intangible assets also include goodwill and other assets identified in previous mergers and acquisitions.

Financial Reporting Principles

Capitalized Development

The technology development at Aker Solutions is graded according to a Technology Readiness Level (TRL) consisting of eight phases. Research and development costs are expensed as incurred until a program has completed the concept phase. Development cost is only capitalized if the product or process is technically and commercially feasible and the business case shows a positive net present value. Capitalized development mainly includes internal labor costs in addition to materials for the development program. Any third-party funding is presented as a reduction of the capitalized amount. The capitalized development is normally amortized over five years on a straight-line basis, but certain programs with a clear differentiating offering and a longer economic benefit may be amortized up to seven years. For development projects in progress, a full impairment test is performed annually or when impairment indicators are identified. The asset is written down to recoverable amount, if lower than book value.

Goodwill

Goodwill represents the consideration paid in excess of identifiable assets and liabilities in business combinations. Goodwill has an indefinite useful life and is tested for impairment annually, or when impairment indicators are identified.

Other

Other intangible assets include IT systems and technology development acquired through business combinations.

Judgments and Estimates

The decision to capitalize a development program involves management judgment. There are strict internal rules defining what qualifies for capitalization, and the documentation of the assessment is monitored centrally. Management makes assessment of future market opportunities, ability to successfully achieve the desired technological solution and the time and cost it takes to develop it. These factors may change over time.

Judgment is involved when determining the amortization period and when assessing impairment or reversal of impairment. Impairment indicators are assessed for individual development projects, other intangible assets and for cash generating units as a whole, including goodwill. Impairment testing is performed when impairment indicators have been identified. In addition, goodwill and capitalized development programs that have not been completed are subject to an annual impairment test. The impairment testing involves judgmental assumptions about future market development, cashflows, determination of weighted average cost of capital (WACC), growth rate and other assumptions that may change over time.

Note 11 continues on next page

Note 11 Intangible Assets cont.

Intangible Assets

Amounts in NOK million	Capitalized development	Goodwill	Other	Total
Historical cost				
Balance as of January 1, 2017	2,472	3,976	381	6,829
Additions from internal development[1]	149	0	0	149
Additions through business combinations	45	239	0	284
Disposals	-7	0	-44	-50
Currency translation differences	5	68	4	78
Balance as of December 31, 2017	**2,664**	**4,283**	**342**	**7,289**
Additions from internal development[1]	174	0	0	**174**
Reclassifications between categories	20	0	-20	**0**
Assets fully written down, no longer in use	-26	0	0	**-26**
Currency translation differences	13	-26	-2	**-15**
Balance as of December 31, 2018	**2,845**	**4,258**	**319**	**7,422**
Accumulated amortization and impairment				
Balance as of January 1, 2017	-1,007	6	-182	-1,182
Amortization for the year	-211	0	-44	-255
Impairment	-72	0	0	-72
Assets fully written down, no longer in use	7	0	44	51
Currency translation differences	-6	-9	-2	-17
Balance as of December 31, 2017	**-1,288**	**-3**	**-184**	**-1,475**
Amortization for the year	-233	0	-35	**-268**
Impairment	-15	0	0	**-15**
Reclassifications between categories	-6	0	6	0
Assets fully written down, no longer in use	26	0	0	**26**
Currency translation differences	-7	3	-1	**-5**
Balance as of December 31, 2018	**-1,523**	**0**	**-214**	**-1,737**
Book value as of December 31, 2017	**1,375**	**4,281**	**158**	**5,814**
Book value as of December 31, 2018	**1,323**	**4,258**	**105**	**5,686**

1) Development cost funded by third-party totaled NOK 85 million in 2018 (NOK 52 million in 2017)

Research and Development Expenses

The research and development expenses amounted to NOK 52 million in 2018 compared to NOK 41 million in 2017.

See note 12 for more information about impairment testing
See note 26 for more information about acquisition of subsidiaries

Note 12 Impairment of Assets

There are continued signs of a recovery in the global market, and improvement measures across the industry are lowering break-even costs and more projects are being sanctioned. The assets at Aker Solutions have been assessed for impairment on an individual basis and as part of cash generating units. The impairment testing of the assets resulted in impairment losses of NOK 15 million for intangible assets and NOK 7 million for property, plant and equipment in 2018.

Financial Reporting Principles

Individual Assets

Each property, plant and equipment is assessed for impairment triggers every quarter to identify assets that are damaged, no longer in use or will be disposed. Capitalized development is assessed for impairment triggers every quarter to identify development programs where the technological development or commercial outlook for that specific technology no longer justify the book value. Capitalized development programs that have not been completed are subject to annual impairment testing. The impairment testing of capitalized development include update of the future expected cashflows, assessing status on technical achievements and reviewing cost incurred compared to budget in order to identify if any of the capitalized cost should be expensed. The assets are written down to recoverable amount, if lower than book value. Reversal of impairment is assessed quarterly for assets previously impaired.

Assets in a Cash Generating Unit (CGU)

Impairment indicators are assessed for all assets as part of a cash generating unit (CGU) every quarter. A CGU represents the lowest level of independent revenue generated by the assets. This is usually the lowest level where a separate external market exists for the output from the CGU. Impairment indicators are reviewed for all assets with assessment of market conditions, technological development, change in order backlog, change in discount rate and other elements that may impact the value of the assets in the CGU. Assets are usually tested using the value-in-use approach determined by discounting expected future cashflows. Impairment losses are recognized for assets in CGUs where the recoverable amount is lower than book value.

Goodwill

The groups of CGUs that include goodwill are aligned with the operating segments in the company. These are tested for impairment annually or when impairment triggers have been identified. The company does not have other assets than goodwill with indefinite useful lives.

Judgments and Estimates

The impairment testing of assets is by nature highly judgmental as it includes estimates such as future market development, cashflows, determination of WACC, growth rate used for calculation of terminal value and other assumptions that may change over time. In particular, future cashflows are uncertain as they are impacted by market developments beyond Aker Solutions' control. The oil price impacts the investment levels in capex and maintenance projects by the oil companies. This in turn impacts the markets in which Aker Solutions operates.

Cashflow Assumptions

Expectations about the long-term oil prices are important when assessing the future market development for the projects and services of Aker Solutions. After several years with a challenging oil services market, the market recovery has continued in 2018. The long-term oil price per barrel has been assumed to gradually increase to USD 70 in the terminal year. This assumption is particularly sensitive in the current market conditions. Four year cashflows in the period 2019 to 2022 projected from the forecast and strategy process, approved by management and the Board of Directors in 2018, have been used as basis for the estimates of future cashflows. The forecasts are based on firm orders in the backlog and identified prospects in addition to expected service revenue. Changes in the assumptions related to the expected prospects can have a significant impact on the forecasted cashflows. The forecasted cashflows used in the impairment tests reflect organic growth only. Other parameters in the assessment are the mix of projects and services, level of operating expenses and capital expenditure for maintenance of the asset portfolio.

Note 12 continues on next page

Note 12 Impairment of Assets cont.

Discount and Growth Rate

Estimated future cashflows are discounted to their present value using the weighted average cost of capital (WACC), which is a post-tax discount rate. The WACC is based on a risk free interest rate, a risk premium and average beta values of peers within each market. A separate WACC has been calculated for each of the CGUs taken into consideration country specific risk premiums and long-term risk free interest rates. A growth rate has been applied to calculate terminal value after the four-year period.

Impairment Testing of Individual Assets

When reviewing the individual capitalized development certain development programs were identified where the technology or commercial outlook no longer justified the value. In total, NOK 15 million related to capitalized development in the "projects" operating segment was impaired, compared to NOK 72 million in the prior year. In addition, the impairment on individual machines, furniture and fittings was NOK 7 million compared to NOK 84 million in the prior year. The value-in-use method was used for both fixed and intangible assets.

Impairment Testing of Assets in CGUs

CGUs identified for testing fixed and intangible assets is usually a plant or a group of plants which are deemed to produce independent cash inflows. No impairment losses were recognized as a result of the impairment testing of assets in CGUs based on the value-in-use method. Various sensitivity analysis for change in future cash flows, growth rate and WACC have been performed for the CGUs with limited headroom in the impairment testing. The results from the analysis support the conclusion from the test that no impairment should be recognized. The group is continuously monitoring the market development and will perform impairment testing if further impairment triggers are identified.

One CGU with net assets of NOK 613 million is sensitive for impairment. The WACC used in the impairment testing was 8.8 percent and the growth rate was 1.5 percent. The WACC can be increased to 9.4 percent, the growth rate can be reduced to 0.7 percent and the free cashflows can be reduced by 13 percent withouth triggering an impairment.

Note 12 continues on next page

Note 12 Impairment of Assets cont.

Impairment Testing of Goodwill

The groups of CGUs identified when testing goodwill represent the operating segments of Aker Solutions (Projects and Services) as this is the level where synergies are expected and goodwill is monitored. The goodwill in the two operating segments are shown in the following table.

Amounts in NOK million	2018	2017
Projects	**2,117**	2 123
Services	**2,141**	2 157
Total goodwill as of December 31	**4,258**	**4 281**

The WACC used in the impairment testing of goodwill is shown below.

	Post-tax WACC	Pre-tax WACC
Projects	**9.3%**	**12.2 %**
Services	**9.5%**	**14.3%**

Assumptions

A post-tax value in-use method was used, with pre-tax rates calculated using an iterative method for illustration purposes only. The calculated annual average growth rate for revenue in the cashflow used for impairment testing is 21.5 percent for Services and 8.0 percent for Projects. Management has forecasted that cashflows will continue to recover from the decline in the oil services sector, as proven by more projects being sanctioned and several contracts awarded to Aker Solutions in 2018. The forecasted cashflows are based on firm orders and an expected share of new contracts. When determining the terminal value, a growth rate of 1.5 percent has been used for both Services and Projects. The annual impairment testing of goodwill did not result in any impairment losses.

Sensitivities

The impairment testing is affected by changes in the long-term oil price as it will impact the expected order intake. The testing is also affected by changes in the discount rate, growth rates, and the ability of Aker Solutions to secure projects as estimated in the cashflow, product mix and cost levels. Multiple sensitivity tests have been run to address the current uncertainty in the oil service market. Sensitivity testing of goodwill includes changing various assumptions to consider other potential alternative market conditions. This includes changing the discount rate and growth rate in addition to reducing the expected cashflows in the future. The headroom was comfortable in all scenarios in the goodwill impairment testing.

See note 10 for more information about property, plant and equipment
See note 11 for more information about intangible assets

Note 13 Inventories

Financial Reporting Principles

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses and the estimated cost to complete the inventory. The cost of inventories is based on the weighted average cost.

Judgments and Estimates

The assessment of obsolete and slow-moving inventory in order to determine inventory write-downs is subject to management judgment. The selling price in the market has to be estimated, and there is a risk that the actual selling price may turn out to be different than the amount estimated by management.

Inventories

Amounts in NOK million	**2018**	**2017**
Raw materials and semi-finished goods	**326**	404
Finished goods	**0**	24
Total	**326**	**428**
Inventories at cost	**556**	716
Inventory write-downs to net realizable value	**-230**	-288
Total	**326**	**428**
Balance of January 1	**428**	575
Purchase of inventory	**1,360**	1,313
Recognized as expense	**-1,437**	-1,382
Write down for obsolete inventory	**-54**	-160
Reversal of write down for obsolete inventory	**39**	87
Currency translation differences	**-10**	-4
Total	**326**	**428**

There are no securities pledged over inventories.

Note 14 Customer Contract Assets and Receivables

Financial Reporting Principles

Trade and other receivables are recognized at the original invoiced amount, less impairment losses. The invoiced amount is considered to be approximately equal to the value derived if the amortized cost method would have been used.

The new impairment model in IFRS 9 implemented on January 1, 2018 requires the recognition of impairment provisions based on expected credit losses (ECL) rather than incurred credit losses as was the case under IAS 39. The company has applied the lifetime ECL for trade receivables, contract assets with or without a significant financing component and operational lease receivables. This resulted in a small increase of the loss allowance for trade receivables and contract assets of approximately NOK 1 million on January 1, 2018.

Judgments and Estimates

Judgment is involved when determining the impairment losses on doubtful receivables. The impairment is based on individual assessments of each customer and default risk in the industry and the country in which the customer operates. The customers of Aker Solutions are mainly large, international oil companies with low credit risk.

Customer Contract Assets and Receivables

Amounts in NOK million	2018	2017
Trade receivables	2,725	2,664
Trade receivables, related parties	594	305
Less provision for impairment of receivables	-84	-93
Trade receivables, net	**3,236**	**2,876**
Customer contract assets	3,559	0
Amounts due from customers for construction work	0	883
Accrued operating revenue from service contracts	0	1,298
Other receivables	93	189
Total	**6,887**	**5,246**

The presentation of customer contract assets has changed as a result of implementing IFRS 15 on January 1, 2018. The standard requires separate presentation of revenue and cost accruals, and not netted per project as amounts due to/from customers as under IAS 11/18.

Bad Debt Provision

Amounts in NOK million	2018	2017
Balance as of January 1 under IAS 39	-93	-170
Adjustment on initial application of IFRS 9	-1	0
Balance as of January 1 under IFRS 9	**-94**	**-170**
Provisions made during the year	-4	-1
Provisions used during the year	0	39
Provisions reversed during the year	15	37
Currency translation differences	-2	3
Balance as of December 31	**-84**	**-93**

Aging of Trade Receivables

Amounts in NOK million	2018	2017
Not due	2,868	2,425
Past due 0-30 days	265	267
Past due 31-90 days	72	106
Past due 91 days to one year	41	61
Past due more than one year	73	110
Total	**3,319**	**2,969**

See note 3 for more information about customer contract assets and receivables
See note 22 for more information about credit risk
See note 25 for more information about financial assets and liabilities
See note 28 for more information about receivables to related parties

Note 15 Cash and Cash Equivalents

Financial Reporting Principles

Cash and cash equivalents include cash on hand, demand deposits in banks and other short-term highly liquid deposits with original maturity of three months or less.

Cash and Cash Equivalents

Amounts in NOK million	2018	2017
Cash pool	**1,258**	635
Other cash at banks	**1,215**	1,343
Total	**2,473**	**1,978**

Available Liquidity

Additional undrawn committed non-current bank revolving credit facilities amounted to NOK 5 billion, compared to NOK 3.75 billion in the prior period. Together with cash and cash equivalents, this gives a total liquidity buffer of NOK 7.5 billion, compared to NOK 5.7 billion in prior year.

See note 17 for more information about borrowings
See note 22 for more information about currency risk and the cash pool arrangement
See note 23 for more information about capital management

Note 16 Equity

Share Capital

Aker Solutions ASA was founded May 23, 2014 with a nominal share capital of NOK 293,807,940 through the issuance of 272,044,389 shares. The total number of outstanding shares is 272,044,389 at par value NOK 1.08 per share as of December 31, 2018. All issued shares are fully paid. Aker Solutions ASA has one class of shares, ordinary shares, with equal rights for all shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at general meetings. The number of own shares (treasury shares) was 511,801 per December 31, 2018, which is the same as last year. The consideration for these shares was NOK 16 million.

Hedging Reserve

In the equity table, the hedge reserve mainly relates to effects of currency cashflow hedges that are not yet recognized in the income statement. The hedging effects are recognized in the income statement according to the progress of the underlying customer contract.

Translation Reserve

In the equity table, the currency translation reserve includes foreign exchange differences arising from the translation of the subsidiaries into the presentation currency of the consolidated financial statements.

Pension Reserve

In the equity table, the defined benefit plan actuarial gains and losses reserve includes remeasurement of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest).

See note 2 for more information about currency translation of subsidiaries
See note 18 for more information about the pension obligation
See note 24 for more information about hedging

Note 17 Borrowings

Financial Reporting Principles

Interest-bearing borrowings are recognized initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Norwegian Bonds

The group has two bond loans listed on the Oslo Stock Exchange denominated in Norwegian Kroner. The bond of NOK 1,000 million matures on October 9, 2019 and the bond of NOK 1,500 million matures on July 25, 2022. The interest rate for both loans is three months floating interbank rate (NIBOR) plus a predefined margin. Trustee services are provided by Nordic Trustee and the loan documentation is based on Nordic Trustee's standard loan agreement for bond issues. The bond loans are unsecured on a negative pledge basis and includes no dividend restrictions. Aker Solutions' strategy is to have between 30-50 percent of borrowings at fixed interest rates. Parts of the external loans with floating interest rates are swapped to fixed interest rates by means of interest rate derivatives to maintain the desired split between fixed and floating interest rates.

Note 17 continues on next page

Note 17 Borrowings cont.

Bonds and Borrowings 2018

Amounts in NOK million	Currency	Nominal currency value	Carrying amount (NOK)	Interest rate	Fixed interest margin	Interest coupon	Maturity date (mm/dd/yy)	Interest terms
ISIN NO 0010661051	NOK	1,000	**1,011**	1.05%	4.20%	5.25%	10/09/19	Floating, 3M+fix margin
ISIN NO 0010814213	NOK	1,500	**1,497**	1.10%	3.15%	4.25%	07/25/22	Floating, 3M+fix margin
Total bond[1]			**2,508**					
Revolving credit facility (NOK 5,000 million)[2]	NOK	0	**-25**	0.00%	1.10%	1.10%	03/19/23	NIBOR + Margin[3]
Total credit facility			**-25**					
Brazilian Development Bank loans[4]	BRL	188	**425**	9.41%	0.00%	9.41%	2019-2024	Fixed, periodically
Brazilian Development Bank loans			**425**					
Other borrowings			**5**					
Total borrowings			**2,913**					
Current borrowings			**1,125**					
Non-current borrowings			**1,788**					
Total borrowings			**2,913**					

1) The carrying amount is calculated by reducing the nominal value of NOK 2,500 million by total issue costs related to the new financing of NOK 16 million. Amount includes NOK 24 million of accrued interest related to the bonds.
2) The carrying amount includes fees for establishing the credit facility which is deferred according to the amortized cost method.
3) The margin applicable to the facility is decided by a price grid based on the gearing ratio. Commitment fee is 35 percent of the margin.
4) Brazilian loans consist of loans with interest rates ranging from 5.8 percent to 12.3 percent in 2018. The weighted average interest rate is used in the table and is calculated based on the contractual rates on the loans at December 31 and does not include the effect of swap agreements.

Note 17 continues on next page

Note 17 Borrowings cont.

Bonds and Borrowings 2017

Amounts in NOK million	Currency	Nominal currency value	Carrying amount (NOK)	Interest rate	Fixed interest margin	Interest coupon	Maturity date (mm/dd/yy)	Interest terms
ISIN NO 0010661051	NOK	1,000	**1,008**	0.79%	4.20%	4.99%	10/09/19	Floating, 3M+fix margin
Total bond[1]			**1,008**					
Revolving credit facility (NOK 5,000 million)[2]	NOK	1,250	**1,239**	0.89%	1.10%	1.99%	07/03/19	NIBOR + Margin[3]
Total credit facility			**1,239**					
Brazilian Development Bank loans[4]	BRL	345	**858**	11.10%	0.00%	11.10%	2018-2024	Fixed, periodically
Brazilian Development Bank loans			**858**					
Other borrowings			**10**					
Total borrowings			**3,114**					
Current borrowings			**539**					
Non-current borrowings			**2,576**					
Total borrowings			**3,114**					

1) The carrying amount is calculated by reducing the nominal value of NOK 1,000 million by total issue costs related to the new financing of NOK 3 million. Amount includes NOK 12 million of accrued interest related to the bonds.
2) The carrying amount includes fees for establishing the credit facility which is deferred according to the amortized cost method.
3) The margin applicable to the facility is decided by a price grid based on the gearing ratio. Commitment fee is 35 percent of the margin.
4) Brazilian loans consist of loans with interest rates ranging from 5.8 percent to 12.4 percent in 2017. The weighted average interest rate is used in the table and is calculated based on the contractual rates on the loans at December 31 and does not include the effect of swap agreements.

Note 17 continues on next page

Note 17 Borrowings cont.

Maturity of Bonds and Borrowings

2018

Amounts in NOK million	Carrying amount	Total cashflow[1]	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
ISIN NO 0010661051	1,011	**1,055**	27	1,028	0	0	0
ISIN NO 0010814213	1,497	**1,750**	33	34	67	1,617	0
Total bonds	**2,508**	**2,805**	**60**	**1,061**	**67**	**1,617**	**0**
Revolving credit facility (NOK 5,000 million)	-25	**0**	0	0	0	0	0
Brazilian development bank loans	425	**494**	64	62	174	194	0
Other loans	5	**5**	0	5	0	0	0
Total other loans	**405**	**499**	**64**	**67**	**174**	**194**	**0**
Total borrowings	**2,913**	**3,304**	**124**	**1,128**	**241**	**1,810**	**0**

2017

Amounts in NOK million	Carrying amount	Total cashflow[1]	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
ISIN NO 0010661051	1,008	**1,101**	25	25	1,051	0	0
Total bonds	**1,008**	**1,101**	**25**	**25**	**1,051**	**0**	**0**
Revolving credit facility (NOK 5,000 million)[2]	1,239	**1,286**	12	12	1,262	0	0
Brazilian development bank loans	858	**979**	126	449	131	272	1
Other loans	10	**10**	10	0	0	0	0
Total other loans	**2,106**	**2,275**	**148**	**461**	**1,393**	**272**	**1**
Total borrowings	**3,114**	**3,376**	**173**	**486**	**2,444**	**272**	**1**

1) The interest costs are calculated using either the last fixing rate known by year end (plus applicable margin) or the contractual fixed rate (when fixed rate debt).
2) The cashflow is based on the assumption that the nominal currency value will remain on NOK 1,250 million until the maturity of the revolving credit facility.

Note 17 continues on next page

Note 17 Borrowings cont.

Movement of Liabilities

Amounts in NOK million	Bond	Credit Facilities	Other Borrowings	Total
Balance as of January 1, 2018	1,008	1,239	868	**3,115**
Proceeds from loans and borrowings	1,500	0	117	**1,617**
Repayment of borrowings	0	-1,250	-466	**-1,716**
Total changes from financial cashflows	1,500	-1,250	-349	**-99**
Accrued interest	13	0	-6	**7**
Amortization of borrowing cost	-13	-13	0	**-27**
Currency translation differences	0	0	-83	**-83**
Balance as of December 31, 2018	**2,508**	**-25**	**430**	**2,913**

Mortgages

The company has no mortgage liabilities in 2018.

See note 23 for more information about capital management
See note 24 for more information about interest rate derivatives
See note 25 for more information about financial assets and liabilities

Note 18 Pension Obligations

Aker Solutions operates several pension plans around the world. The most common type of plan is the defined contribution plan, where Aker Solutions makes contributions to the employee's individual pension account. Aker Solutions has a closed defined benefit plan where the impact is gradually reduced.

Financial Reporting Principles

Defined Contribution Plans

A defined contribution plan is a type of retirement plan where the employer makes contributions on a regular basis to the employees individual pension account. The benefits received by the employee are based on the employer contributions and gains or losses from investing the capital. Contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

Defined Benefit Plans

A defined benefit plan is a type of pension plan where the employer promises an annual pension on retirement based on a percentage of the salary upon retirement and the employee's earnings history, years of service and age. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

The defined benefit obligation is calculated separately for each plan by discounting the estimated amount of future benefit that employees have earned in the current and prior periods and deducting the fair value of any plan assets. The change of the defined benefit obligation as a result of the change of assumptions (actuarial gains and losses) and the return on plan assets are recognized immediately in other comprehensive income. Net interest expense and other expenses related to defined benefit plans are recognized in the income statement. When the benefits of a plan are changed, settled or when a plan is curtailed, the change relating to past service or the gain or loss on curtailment or settlement is recognized immediately in the income statement.

Judgments and Estimates

The present value of the pension obligations depends on a number of factors determined on the basis of actuarial assumptions. These assumptions include financial factors such as the discount rate, expected salary growth, inflation and return on assets as well as demographical factors concerning mortality, employee turnover, disability and early retirement. Assumptions about all these factors are based on the situation at the time the assessment is made. However, it is reasonably certain that such factors will change over long periods for which pension calculations are made. Any changes in these assumptions will affect the calculated pension obligations with immediate recognition in other comprehensive income.

Pension Plans in Norway

The main pension arrangement in Norway is a general pension plan organized by the Norwegian state providing a basic pension entitlement to all tax payers. The additional pension plans which all Norwegian employers are obliged to provide according to current legislation, represent limited additional pension entitlements. The following pension plans exist in Norway:

Defined Contribution Plans

All employees in Norway are offered participation in a defined contribution plan. The annual contributions expensed for the Norwegian plans in 2018 were NOK 207 million. The estimated contribution expected to be paid in 2019 is NOK 239 million.

Defined Benefit Plans

The defined benefit plans in the Norwegian companies at Aker Solutions are split between funded and unfunded plans.The Norwegian companies at Aker Solutions closed the defined benefit plans in 2008. Employees who were 58 years or older in 2008 are still members of the closed defined benefit plan. This is a funded plan and represents the funded pension liability reported in the tables below. In addition to the closed defined benefit plan, Aker Solutions also has a defined benefit plan for top management. The defined benefit plan for top management is an unfunded plan, and is included in the unfunded pension liability in the tables below. The estimated contribution expected to be paid during 2019 is NOK 67 million.

Note 18 continues on next page

Note 18 Pension Obligations cont.

Compensation Plans

All employees in 2008 who had a calculated loss of more than NOK 1,000 per year upon transition to the defined contribution plan were offered compensation. The compensation amount will be adjusted annually in accordance with the adjustment of the employees' pensionable income, and accrued interest according to market interest. If the employee leaves the company voluntarily before the age of 67 years, the accrued compensation amount will be paid out. The compensation plan is an unfunded plan, and is included in the unfunded pension liability reported in the tables below.

Tariff Based Pension Agreement (AFP)

Employees in Norway have a tariff based lifelong retirement arrangement (AFP) organized by the main labor unions and the Norwegian state. The pension plan can be withdrawn from the age of 62. The information required to estimate the pension obligation from this defined benefit plan is not available from the plan administrator. Aker Solutions therefore currently accounts for the plan as if it was a defined contribution plan. The company will account for it as a defined benefit plan if information becomes available from the plan administrator.

Pension Plans outside Norway

Pension plans outside Norway are mainly defined contribution plans. The annual contributions expensed for plans outside Norway in 2018 were NOK 161 million. The estimated contributions expected to be paid in 2019 is NOK 166 million to the plans outside Norway.

Total Pension Cost

Amounts in NOK million	**2018**	**2017**
Defined benefit plans	**59**	66
Defined contribution plans	**434**	400
Total	**493**	**466**

Note 18 continues on next page

Note 18 Pension Obligations cont.

Movement in Net Defined Benefit (Asset) Liability

The table below shows the movement from the opening balance to the closing balance for the defined benefit asset and liability.

	Present value of obligation		Fair value of plan assets		Impact of asset ceiling		Net defined benefit liability	
Amounts in NOK million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Balance as of January 1	**1,727**	1,789	**-1,174**	-1,249	**3**	0	**556**	540
Current service and administration cost	**44**	52	**3**	3	**0**	0	**47**	55
Interest cost (income)	**39**	42	**-28**	-31	**0**	0	**12**	12
Included in income statement	**84**	**94**	**-25**	**-28**	**0**	**0**	**59**	**66**
Actuarial loss (gain) arising from financial assumptions	**-35**	15	**0**	0	**0**	0	**-35**	15
Return on plan assets	**0**	0	**43**	14	**0**	0	**43**	14
Changes in asset ceiling	**0**	0	**0**	0	**47**	3	**47**	3
Actuarial loss (gain) arising from experience adjustments	**16**	28	**0**	0	**0**	0	**16**	28
Re measurements loss (gain) included in OCI	**-19**	**43**	**43**	**14**	**47**	**3**	**71**	**60**
Contributions paid into the plan	**0**	0	**-76**	-73	**0**	0	**-76**	-73
Benefits paid by the plan	**-147**	-199	**109**	162	**0**	0	**-38**	-38
Other	**-147**	**-199**	**33**	**89**	**0**	**0**	**-114**	**-110**
Balance as of December 31	**1,644**	**1,727**	**-1,122**	**-1,174**	**50**	**3**	**572**	**556**

The net liability disclosed above relates to funded and unfunded plans as follows:

	Present value of obligation		Fair value of plan assets		Asset ceiling		Net defined benefit liability	
Amounts in NOK million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net defined benefit liability funded plan	**1,073**	1,171	**-1,122**	-1,174	**50**	3	**0**	0
Net defined benefit liability unfunded plans	**572**	556	**0**	0	**0**	0	**572**	556
Balance as of December 31	**1,644**	**1,727**	**-1,122**	**-1,174**	**50**	**3**	**572**	**556**

Note 18 Pension Obligations cont.

Assets in the Defined Benefit Plan

Amounts in NOK million	2018	2017
Bonds	**812**	990
Funds	**310**	153
Equity securities	**0**	31
Total plan assets at fair value	**1,122**	**1,173**

The majority of the bond investment is in Norwegian municipalities and is assumed to have a rating equal to AA, but there are few official ratings for these investments. The remaining bond investment is primarily in the Norwegian market within bonds assumed to be of "Investment Grade" quality. The majority of these investments do not, however, have an official rating. The fund investments consist of fixed income funds and equity funds with listed securities where the value is based on quoted prices. The equity securities are invested globally, and the value is based on quoted price at the reporting date without any deduction for estimated future selling cost.

Actuarial Assumptions

The information below relates only to Norwegian plans as these represent the majority of the plans. The following were the principal actuarial assumptions at the reporting date:

	2018	2017
Discount rate	**2.80%**	2.40%
Asset return	**2.80%**	2.40%
Salary progression	**2.75%**	2.50%
Pension indexation funded plans[1]	**0.00%**	0.00%
Mortality table	**K2013**	K2013
Remaining life expectancy at age 65 for pensioners, males	**22.3**	22.2
Remaining life expectancy at age 65 for pensioners, females	**25.6**	25.5

1) Pension indexation for unfunded plans is agreed individually (0-8 percent).

The discount rate is based on government bonds or high-quality corporate bonds with maturities consistent with the terms of the obligations. The assumptions used are in line with recommendations from the Norwegian Accounting Standards Board.

Sensitivity Analysis

Changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have changed the defined benefit obligation as of December 31 by the amounts shown below.

	Change net liability increase (+)/decrease (-)	
Amounts in NOK million	2018	2017
Discount rate increase by 1 percent	**-143**	-154
Discount rate decrease by 1 percent	**175**	198
Expected rate of salary increase by 1 percent	**1**	1
Expected rate of salary decrease by 1 percent	**-1**	-1
Expected rate of pension increase by 1 percent	**139**	163
Expected rate of pension decrease by 1 percent	**-117**	-128

At Aker Solutions, a one percent increase of discount rate decreases the benefit obligation by only 9 percent. This is because the benefit obligation in Aker Solutions consists mainly of pensioners and employees over 60 years of age.

See note 5 for more information about personnel expenses
See note 29 for more information about pension arrangements for the management

Note 19 Operating Leases

Aker Solutions leases office buildings and sites for manufacturing and service that account for the significant part of the lease commitment. The company also leases machines and vehicles. All leases are currently accounted for as operating leases. The new IFRS 16 Leasing standard effective from January 1, 2019 will significantly change the accounting for leases, as an on-balance sheet model similar to the current financial lease accounting will be applied to nearly all lease contracts in the company. Refer to note 32 for further description.

Financial Reporting Principles

Operating lease expenses are recognized in the income statement on a straight-line basis over the term of the lease. Rent free periods and other lease incentives received are recognized as an integral part of the total lease expense over the term of the lease. The group does not have any financial leases. Sub-lease income is recognized as operating revenue. The minimum lease payment includes the annual rental as defined in the lease agreement. The effect of onerous lease provisions is not included in the table below.

Lease Expense and Sub-Lease Income

Aker Solutions leases a number of production sites and office buildings worldwide. The leases typically run for a period of 10-15 years, with an option to renew the lease at market rates. Other leasing contracts mainly relate to machinery and vehicles with a lease period between three to five years.

2018

Amounts in NOK million	Buildings, plants and sites	Other	Total
Minimum lease expense	798	39	**837**
Contingent lease expense	0	0	**0**
Minimum lease income	-11	0	**-11**
Sub-lease income	-223	0	**-223**
Total	564	39	**604**

2017

Amounts in NOK million	Buildings, plants and sites	Other	Total
Minimum lease expense	852	12	**864**
Contingent lease expense	2	0	**2**
Minimum lease income	-12	0	**-12**
Sub-lease income	-148	0	**-148**
Total	694	12	**706**

Lease Commitments

Future minimum lease payments for non-cancellable operating leases are shown in the table below.

Amounts in NOK million	2018	2017
Less than one year	**830**	810
Between one and five years	**2,786**	2,857
More than five years	**3,246**	3,760
Total	**6,862**	**7,428**

Minimum sub-lease payments to be received in the future are shown in the table below and relate mainly to sub-lease of office buildings.

Amounts in NOK million	2018	2017[1]
Less than one year	**-167**	-167
Between one and five years	**-523**	-505
More than five years	**-385**	-548
Total	**-1,075**	**-1,220**

1) The 2017 minimum sub-lease payments to be received in the future have been increased by NOK 620 million compared to the 2017 annual report as a result of correcting an error.

See note 6 for more information about operating expenses for land and buildings
See note 20 for more information about onerous lease provisions
See note 28 for more information about leasing contracts with related parties
See note 32 for more information about the new IFRS 16 leasing standard

Note 20 Provisions and Contingent Liabilities

Financial Reporting Principles

A provision is a liability with uncertain timing and amount. Provisions are recognized when cash outflow is considered probable, the amount can be reliably estimated and the obligation is a result of a past event. All provisions are presented as short-term as they are part of the operating cycle.

A contingent liability is a possible obligation that arises from past events that typically depends on a future event outside of the company's control, for example a court decision. A provision is made when it is considered as probable that cash outflow will take place, and the obligation can be measured reliably.

Judgments and Estimates

The provisions are estimated based on a number of assumptions and are highly judgmental in nature. The various provisions with assumptions and estimation uncertainties are discussed below.

Provisions

Amounts in NOK million	Warranties	Onerous contracts	Restructuring	Other	Total
Balance as of January 1, 2018	532	210	75	125	942
Effect of implementing IFRS 15	155	123	0	0	277
Adjusted balance as of January 1, 2018	**686**	**333**	**75**	**125**	**1,219**
Provisions made during the year	96	59	31	101	287
Provisions used during the year	-116	-110	-86	-109	-421
Provisions reversed during the year	-104	-55	-13	-37	-209
Unwinding of discounting effect	0	8	0	0	8
Reclassifications	-11	0	0	34	23
Currency translation differences	0	2	-2	-1	-2
Balance as of December 31, 2018	**551**	**237**	**5**	**113**	**906**
Expected timing of payment as of December 31, 2018					
Due within twelve months	126	147	5	28	**306**
Due after twelve months	424	90	0	85	**600**
Total	**551**	**237**	**5**	**113**	**906**

Warranties

The provision for warranties relates to expected re-work and improvements for products and services delivered to customers. The warranty period is normally two to five years. The provision is based on the historical average warranty expenses for each type of equipment and an assessment of the value of delivered products and services currently in the warranty period. The provision can also be a higher or lower amount following a specific evaluation of the actual circumstances for each contract. The final warranty cost may differ from the estimated warranty provision. The warranty provision for ongoing projects previously reported as part of amounts due to/from customers has been reclassified to provisions as a result of implementing IFRS 15 on January 1, 2018.

Onerous Contracts

The provision includes onerous lease contracts and onerous customer contracts. The onerous lease provision relates to estimated losses on separable parts of leased office buildings that have been vacated or will be vacated in the near future by Aker Solutions. Future lease commitments and future expected sub-lease income have been discounted to present value using a market rate of 5.73 percent. The provision is sensitive to changes in the discount rate and assumptions relating to the sub-lease period and the sub-lease revenue. The onerous customer contracts provision relates to total estimated losses on customer contracts upon completion. The estimated losses previously reported as part of amounts due to/from customers have been reclassified to provisions as a result of implementing IFRS 15 on January 1, 2018.

Restructuring Provision

The restructuring provision relates to expected employee costs for permanent and temporary redundancies for 2019. The provision has been estimated based on assumptions of number of employees affected, salary levels, notice period, idle time assumed during notice period and severance pay. The provision is sensitive for changes in any of these assumptions.

Note 20 continues on next page

Note 20 Provisions and Contingent Liabilities cont.

Other

Other provisions relate to other liabilities with uncertain timing or amount. This includes provisions for claims, leasehold dilapidations and certain employee benefits.

Contingent Liabilities

Disputes with customers are normally settled during the final negotiations with the customer upon delivery and provided for in the projects accounts. However, given the scope of the group's worldwide construction and service operations there is a risk that legal claims may arise in the future for deliveries where revenue has been recognized in the past. Legal and tax claims are assessed on a regular basis.

Tax Claim in Brazil

The tax authorities in the state of Parana in Brazil has claimed the Aker Solutions company in Brazil for approximately BRL 312 million (NOK 699 million) including penalties and interests, stating that the conditions for the export exemption from ICMS are not fulfilled. ICMS is a value added tax on sales and services related to the movement of goods. Management has the opinion that a successful outcome in the administrative appeal system or in a judicial process likely based on current law and practice. The claim is regarded as a contingent liability since the possible outcome will be confirmed by the occurrence of an uncertain future event (a potential court decision). No provision has been made for this contingent liability since a cash outflow is not considered probable, nor is it possible to establish a reliable estimate.

See note 5 for more information about restructuring costs
See note 19 for more information about operating leases

Note 21 Trade and Other Payables

Financial Reporting Principles

Trade and other payables are recognized at the original invoiced amount. The invoiced amount is considered to be approximately equal to the value derived if the amortized cost method would have been used.

Trade and Other Payables

Amounts in NOK million	2018	2017
Trade creditors[1]	**1,605**	1,807
Trade creditors, related parties	**75**	58
Amount due to customers for construction work	**0**	833
Advances received from customers	**0**	372
Deferred revenue for service contracts	**0**	196
Accrued operating costs	**4,539**	2,237
Public duties and taxes	**729**	627
Other current liabilities	**793**	1,174
Total	**7,741**	**7,304**

1) Trade creditors includes an amount of NOK 238 million (NOK 824 million in 2017) subject to reverse factoring. Trade creditors include NOK 7 million (NOK 2 million in 2017) due after one year.

The presentation of customer contract assets and liabilities has changed as a result of implementing IFRS 15 on January 1, 2018. The standard requires separate presentation for revenue and cost accruals, and does not allow netting and presentation as "amounts to/from customers for construction work" as under IAS 11/18.

See note 3 for more information about customer contract liabilities
See note 28 for more information about receivables to related parties

Note 22 Financial Risk Management and Exposures

The objective of financial risk management is to manage and control financial risk exposures to increase the predictability of earnings and minimize potential adverse effects on the company's financial performance. Aker Solutions uses derivatives to hedge currency risk exposures and aims to apply hedge accounting whenever possible in order to reduce the volatility resulting from the periodic market-to-market revaluation of financial instruments in the income statement. The company is also exposed to interest rate risk, credit risk, liquidity risk and price risk.

Risk Management

Risk management of financial risks is performed in every project and is the responsibility of the project manager. They cooperate with local finance managers and corporate treasury to identify, evaluate and hedge financial risks under policies approved by the board of directors. The company has well-established procedures for overall risk management, as well as policies for the use of derivatives and financial investments.

Currency Risk

Aker Solutions operates internationally and is exposed to currency risk on commercial transactions, assets and liabilities and net investments in foreign operations. Commercial transactions and assets and liabilities are subject to currency risk when payments are denominated in a currency other than the respective functional currency of the subsidiary. The company's exposure to currency risk is primarily related to USD, EUR, GBP and BRL. The company's primary translation risk is related to USD, EUR, GBP and BRL.

Use of Currency Derivatives

The Aker Solutions' policy requires business units to mitigate currency exposure in all projects. Corporate treasury manages internal exposures by entering into forward contracts or currency options with the financial market place. The Aker Solutions group has a large number of contracts involving foreign currency exposures and the currency risk policy has been well established.

Each business unit designates all foreign currency hedge contracts with corporate treasury as cashflow hedges or as hedges of separated embedded derivatives. Corporate treasury enters into external foreign exchange contracts separately for revenue and cost exposure.

More than 80 percent of the value of the hedging instruments either qualify for hedge accounting or are hedges of separated embedded derivatives. Corporate treasury monitors hedges not qualifying for hedge accounting and disqualification effects are reported in the "other" segment. Currency exposure from investments in foreign currencies is only hedged when specifically instructed by management.

Exposure to Currency Risk

Corporate treasury is allowed to hold positions within an approved trading mandate. The net exposure as of December 31 is shown in the following table. Estimated forecasted cashflows in the table are calculated based on the company's hedge transactions through corporate treasury, as these are considered to be the best estimate of the currency exposure. The net exposure is closely monitored by corporate treasury and reported on a daily basis to management.

	2018			2017		
Amounts in NOK million	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
Bank deposits	-45	-13	-59	-56	-19	-41
Intercompany loans	-17	-119	5	-45	-107	4
Balance sheet exposure	**-62**	**-132**	**-54**	**-101**	**-126**	**-37**
Forecasted receipts from customers	461	98	167	641	76	96
Forecasted payments to vendors	-149	-158	-209	-196	-201	-138
Cashflow exposure	**312**	**-60**	**-42**	**445**	**-125**	**-42**
Forward exchange contracts	**-249**	**187**	**96**	**-342**	**249**	**79**
Net exposure	**1**	**-5**	**0**	**1**	**-1**	**0**

The currency exposure was within the trading mandate as of December 31, 2018 and 2017.

Note 22 continues on next page

Note 22 Financial Risk Management and Exposures cont.

Sensitivity Analysis - Fair Value of Financial Instruments

The impact on income and equity from a 15 percent strengthening of EUR, USD and GBP against other currencies is shown below. A 15 percent weakening would have had the equal, but opposite effect. This sensitivity analysis shows the impact on financial instruments denominated in a foreign currency per December 31 and assumes that all other variables, in particular interest rates, remain constant. The analysis does not include the effect on future transactions (not invoiced as of December 31) or any effect from translation of subsidiaries.

	2018		2017	
Amounts in NOK million	Profit (loss) before tax	Equity increase (decrease)	Profit (loss) before tax	Equity increase (decrease)
USD - 15 percent strengthening	**-68**	**-149**	-285	-535
EUR - 15 percent strengthening	**-87**	**13**	-115	23
GBP - 15 percent strengthening	**88**	**217**	-17	65

The competitiveness of Aker Solutions is influenced by currency exchange rate fluctuations, choices of locations, suppliers and other strategic decisions. Such effects are not systematically hedged and are not included in the sensitivity analysis.

Sensitivity Analysis - Currency Translation of Subsidiaries

A change in foreign currency rates will also impact the income and balance sheet when translating the Aker Solutions companies into the presentation currency which is NOK. The effect of change in the various currencies will impact the company accounts in the following manner:

	2018			
Amounts in NOK million	Revenue increase (decrease)	EBIT increase (decrease)	Profit (loss) before tax	Equity increase (decrease)
USD - 15 percent strengthening	304	32	18	253
EUR - 15 percent strengthening	0	-5	-3	238
GBP - 15 percent strengthening	554	-10	-9	417
BRL - 15 percent strengthening	263	13	6	213

Regulatory Restrictions

Different regulatory rules may put restrictions on free flow of cash in some jurisdictions, including (but not limited to) Angola and Nigeria. Although the currency in these countries may not be fully convertible with other currencies, mitigating actions have been taken in order to minimize the currency exposure. These include multilateral agreements with banks, customers and vendors on timing of payments to minimize the exposed cash balance. Aker Solutions will always strive to minimize cash balances and maximize cash available for treasury. The cash in these countries amounted to NOK 280 million as of December 31, 2018 compared to NOK 237 million in the prior year.

Interest Rate Risk

Borrowings issued at variable rates expose the company to cashflow interest rate risk. Borrowings issued at fixed rates do not affect profit and loss when held to maturity, as these borrowings are measured at amortized cost.

As the company has no significant interest-bearing operating assets, operating income and operating cashflow are substantially independent of changes in market interest rates. At year-end, 50 percent of NOK 2,500 million in bonds was fixed for the duration of the bonds through interest rate swaps.

An increase of 100 basis points in interest rates during 2018 would have increased (decreased) equity and profit and loss by the amounts shown on the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Note 22 continues on next page

Note 22 Financial Risk Management and Exposures cont.

Interest Rates Sensitivity

	2018		2017	
Amounts in NOK million	**Income (loss) before tax**	**Equity increase (decrease)[1]**	**Income (loss) before tax**	**Equity increase (decrease)[1]**
Interest on cash and cash equivalents	**25**	**0**	18	0
Interest on borrowings	**12**	**37**	-35	0
Effect of interest rate swap	**-30**	**0**	14	9
Cashflow sensitivity (net)	**6**	**37**	**-2**	**9**

1) Not including tax effect on hedge reserve or effects to equity that follow directly from the effects to profit and loss.

A decrease of 100 basis points in interest rates during 2018 would have had the equal but opposite effect on the amounts, on the basis that all other variables remain constant.

Credit Risk

Credit risk is the risk of financial losses if a customer or counterparty to financial receivables and financial instruments fails to meet contractual obligations.

Investment Securities and Derivatives

Investment securities and derivatives are only traded against approved banks and governed by standard agreements (ISDA). All approved banks are participants in the Aker Solutions loan syndicate and have investment grade ratings. Credit risk related to investment securities and derivatives is therefore considered to be insignificant.

Trade Receivables and Contract Assets

Assessment of credit risk related to customers and subcontractors is an important requirement in the bid phase and throughout the contract period. Such assessments are based on credit ratings, income statement and balance sheet reviews and using credit assessment tools available (e.g. Dun & Bradstreet). Revenues are mainly related to large and long-term projects closely followed up in terms of payments up front and in accordance with agreed milestones. Normally, lack of payment is due to disagreements related to project deliveries and is solved together with the customer.

Aker Solutions's major customers are highly rated oil companies where the credit risk is considered to be limited. Risk related to lower rated companies is monitored closely. The maximum exposure to credit risk at the reporting date equals the book value of each category of financial assets. The company does not hold collateral as security.

Measurement of Expected Credit Losses (ECLs)

IFRS 9 implemented on January 1, 2018 introduced the expected credit loss (ECL) method for financial assets. The company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligation to the company in full. ECLs are estimated probability-weighted net present value of future expected credit losses. ECLs are discounted at the effective interest rate of the financial asset. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime ECLs. Twelve month ECLs are used for interest-bearing receivables and bank balances for which credit risk has not increased significantly since initial recognition.

At each reporting date, the company assesses whether any financial assets are credit-impaired. Evidence that a financial asset is credit-impaired includes when invoiced are more than 90 days past due without agreed postponement, knowledge of significant financial difficulty of the customer or debtor or other forward-looking information. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off.

Liquidity Risk

Liquidity risk is the risk that the company is unable to meet the obligations associated with its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity reserves to meet its liabilities when due.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Management monitors rolling weekly and monthly forecasts of the company’s liquidity reserve on the basis of expected cashflow. Due to the dynamic nature of the underlying businesses, corporate treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Note 22 continues on next page

Note 22 Financial Risk Management and Exposures cont.

Financial Liabilities and the Period in Which They Mature

2018

Amounts in NOK million	**Book value**	**Total cashflow[1]**	**6 months and less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Borrowings	2,913	**3,304**	124	1,128	241	1,810	0
Net derivative financial instruments	46	**46**	55	4	-13	0	0
Trade and other payables	7,741	**7,741**	7,490	244	0	7	0
Total liabilities	**10,700**	**11,091**	**7,669**	**1,377**	**229**	**1,817**	**0**
Financial guarantees		**14,133**	2,870	383	321	2,446	8,113

2017

Amounts in NOK million	**Book value**	**Total cashflow[1]**	**6 months and less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Borrowings	3,114	**3,376**	173	486	2,444	272	1
Net derivative financial instruments	183	**183**	163	2	18	0	0
Trade and other payables	7,304	**7,304**	7,302	0	2	0	0
Total liabilities	**10,601**	**10,863**	**7,638**	**488**	**2,464**	**272**	**1**
Financial guarantees		**11,476**	1,523	1,327	1,809	616	6,202

1) Nominal currency value including interest.

Cash Pool Arrangements

The company policy for the purpose of optimizing availability and flexibility of cash within the company is to operate centrally managed cash pooling arrangements. Such arrangements are either organized with a bank as a service provider, or as a part of the operation of corporate treasury. An important condition for the participants (business units) in such cash pooling arrangements is that Aker Solutions as an owner of such pools is financially viable and is able to prove its capability to service its obligations concerning repayment of any net deposits made by business units. The company policy is not applied in countries where local laws prohibit international cash pool arrangements, such as Brazil, Angola and India.

Price Risk

The company is exposed to fluctuations in market prices both in the investment portfolio and in the operating businesses related to individual contracts. The units are exposed to changes in market price for raw materials, equipment and development in wages. This is managed in the bid process by locking in committed prices from key vendors as basis for offers to customers or through escalation clauses with customers.

Guarantees

The company has provided the following guarantees on behalf of wholly owned subsidiaries as of December 31 (all obligations are per date of issue):

- Non-financial parent company guarantees related to project performance on behalf of group companies
- Financial parent company indemnity guarantees for fulfillment of lease obligations, credits and loans were NOK 7.9 billion (NOK 6.2 billion in 2017)
- Financial guarantees including counter guarantees for bank/surety bonds and guarantees for pension obligations to employees were NOK 6.2 billion (NOK 5.3 billion in 2017)

Guarantee on Behalf of Akastor

Aker Solutions was demerged from Akastor in 2014, and parties in a demerger have joint liability according to Norwegian law. If an obligation that arose prior to the completion of the demerger is not met by either party, the other party will have secondary joint liability for such obligation. This statutory liability is unlimited in time, but is limited in amount. The remaining value of the financial guarantees where Aker Solutions has a secondary joint liability was NOK 3.6 billion per December 31, 2018 compared to NOK 4.1 billion per December 31, 2017.

See note 14 for more information about trade and other receivables
See note 15 for more information about cash and available credit facility
See note 17 for more information about borrowings
See note 21 for more information about trade and other payables
See note 24 for more information about derivatives
See note 25 for more information about financial assets and liabilities

Note 23 Capital Management

The objective of Aker Solutions' capital management policy is to optimize the capital structure to ensure sufficient and timely funding over time to finance its activities at the lowest cost, in addition to investing in projects and businesses which will increase the company's return on capital employed over time.

Investment Policy

Aker Solutions' capital management is based on a rigorous investment selection process which considers not only Aker Solutions' weighted average cost of capital and strategic orientation, but also external factors such as market expectations and extrinsic risk factors. This selection process is coupled with a centralized approval process for all capital expenditures to be incurred by the group.

Funding Policy

Liquidity Planning

Aker Solutions has a strong focus on its liquidity in order to meet its working capital needs short-term and to ensure solvency for its financial obligations long-term. The group's internal guideline is to have a minimum liquidity reserve of NOK 3 billion, including cash and undrawn committed credit facilities. As per December 31, 2018 this liquidity reserve amounted to NOK 7.5 billion and was composed of an undrawn committed credit facility and bank deposits.

Funding of Operations

Aker Solutions' group funding policy states that all operating units will be funded through corporate treasury. This ensures optimal availability and transfer of cash within the group, better control of the group's overall debt as well as discounted funding for its operations. The group policy is not applied in countries where local laws prohibit international cash pool arrangements, such as Brazil, Angola and India.

Aker Solutions emphasizes financial flexibility and steers its capital structure accordingly to ensure a balance between liquidity risk and refinancing risk. In this perspective, loans and other external borrowings are to be renegotiated well in advance of their due date.

Aker Solutions aims to have diversified mix of funding sources in order to obtain an optimal cost of capital. These funding sources include:

- the use of banks based on syndicated credit facilities or bilateral agreements
- the issue of debt instruments in the Norwegian capital market
- the issue of debt instruments in foreign capital markets

Debt Covenants

As per end of 2018, the capital structure of Aker Solutions was 14 percent from bank and export credit agency (ECA) debt and 86 percent from bonds issued in the Norwegian market. The group monitors capital on the basis of gearing and interest coverage ratios. The reported ratios are well within the requirements in the loan agreements as shown in the table below.

Aker Solutions has the following debt covenants for the revolving facility:

- The company's gearing ratio shall not exceed 3.5, calculated from the net debt to the adjusted EBITDA.
- The company's interest coverage ratio shall not be less than 3.5, calculated from the adjusted EBITDA to net finance cost.

Aker Solutions has the following debt covenants for the bonds:

- 2019 NOK bond loan: the company's gearing ratio shall not exceed 4.0, calculated from the gross interest bearing debt to the adjusted EBITDA.
- 2022 NOK bond loan: the company's interest coverage ratio shall not be less than 3.5 calculated from the adjusted EBITDA to net finance cost.

These guidelines aim to maintain a strong financial position for Aker Solutions, which enables the company to comply with its covenants on existing debt and to maintain satisfactory external credit rating to ensure reliable access to capital over time.

Note 23 continues on next page

Note 23 Capital Management cont.

Gearing and Interest Coverage Ratios at December 31

Amounts in NOK million	2018	2017
Gearing ratios		
Non-current interest-bearing debt	**1,788**	2,576
Current interest-bearing debt	**1,125**	539
Gross interest-bearing debt	**2,913**	**3,114**
Cash and cash equivalent	**-2,473**	-1,978
Net debt	**440**	**1,137**
EBITDA (Operating income before depreciation, amortization and impairment)	**1,810**	1,519
Restructuring and other special items as defined in the loan agreement	**39**	88
Adjusted EBITDA	**1,850**	**1,607**
Gross interest-bearing debt/adjusted EBITDA	**1.6**	**1.9**
Net debt/adjusted EBITDA	**0.2**	**0.7**
Interest coverage		
Adjusted EBITDA	**1,850**	1,607
Net interest expense as defined in the loan agreement	**198**	218
Adjusted EBITDA/Net finance cost	**9.4**	**7.4**

See note 17 for more information about borrowings
See note 22 for more information about financial risk management
See note 24 for more information about interest rate derivatives
See note 25 for more information about financial assets and liabilities

Note 24 Derivative Financial Instruments

The company has future cashflows to be settled in foreign currencies, and forward contracts are the most commonly used derivative to hedge such exposures. The company's risk management policy states that all foreign exchange exposure shall be hedged, of which at least 80 percent shall qualify for hedge accounting or be hedges of separated embedded derivatives. The company also has interest rate exposure from its external funding. Interest rate swaps are used to achieve the risk management strategy of having 30-50 percent at fixed interest rates.

Financial Reporting Principles

Cashflow Hedges of Foreign Currency

Forward contracts are the most commonly used derivative to hedge foreign currency exposure. In addition currency options are sometimes used to hedge uncertain exposures. In case of changes in the expected maturity dates, currencies or amounts of the hedged items corresponding derivatives are routinely adjusted (pre-matured or rolled over), usually by means of currency swaps.

The hedged transactions in foreign currency subject to cashflow hedge accounting are highly probable future transactions expected to occur at various dates during the next one to four years, depending on progress in the projects and firm commitments. The derivatives are recognized initially and subsequently at fair value in the balance sheet, and the effective portion of changes in the fair value is recognized in other comprehensive income as a hedge reserve.

The company designates the full forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The company's policy is for the critical terms, such as currency pair, amount and timing, of the forward exchange contracts to align with the hedged item.
The company determines the existence of an economic relationship between the hedging instrument and hedged item based on matching critical terms of their respective cash flows. In addition, the company assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting changes in cash flows of the hedged item by the hypothetical derivative method. In these hedge relationships, the main sources of ineffectiveness are:

- any sequential change of timing of the hedged item;
- change in the total amount of the hedge item; and
- significant change in the counterparty's and the company's own credit risk

The company does not designate any net positions in a hedging relationship. Some hedged transactions are not accounted for by applying hedge accounting, primarily because internal hedged transactions are grouped and netted before external hedge transactions are established. Changes in the fair value of derivatives will be reported as financial income or expenses. Remaining derivatives not applying hedge accounting include derivatives used by corporate treasury to hedge the residual exposure of the company as part of its risk mandate. As of December 31, 2018, these hedging instruments only include currency forwards, currency options, interest swaps and foreign exchange swaps.

Hedge accounting is discontinued with immediate recognition in finance income and expenses in the income statement when the hedge no longer qualifies for hedge accounting, for example upon sale, expiration, termination or when a forecasted transaction is no longer probable.
The derivative financial instruments are classified as current assets or liabilities as they are part of the operating cycle.

Note 24 continues on next page

Note 24 Derivative Financial Instruments cont.

Foreign Currency as Embedded Derivatives

Embedded derivatives may exist in contracts with a currency other than the currency of the contracting partners. The embedded derivative will under certain circumstances be separated and recognized at fair value in the balance sheet and changes recognized in the income statement. These entries will result in corresponding and opposite effects compared to the hedging instrument. Aker Solutions applies the following separation criteria for embedded derivatives: The embedded derivative needs to be separated if the agreed payment is in a currency different from any of the major contract parties' own functional currency, or that the contract currency is not considered to be commonly used for the relevant economic environment defined as the countries involved in the cross-border transaction.

Cashflow Hedges of Interest Rates

The company's interest exposure mainly arises from external funding in bank and debt capital markets. Most of the external debt in Aker Solutions is at floating interest rates. The company's risk management strategy is that 30-50% of the interest exposure shall be fixed interest rate for the duration of the debt. The company uses interest rate swaps to achieve the desired fixed/floating ratio of the external debt.

Hedge accounting is applied using the cashflow model for interest rate swaps which means that gains and losses from floating to fixed interest rates as of December 31, 2018 are recognized in the hedging reserve in equity and will be continuously released to the income statement until the bank borrowings are repaid. This is done based on the periodic market-to-market revaluation of the interest rate swaps whose fair value tends to reach zero upon maturity.

Note 24 continues on next page

Note 24 Derivative Financial Instruments cont.

Fair Values and Maturity

The following table presents the fair value of the derivatives and a maturity analysis of the derivatives undiscounted cashflows. Given Aker Solutions hedging policy and the assumption that projects are cash neutral, this table also indicates when the cashflows related to project expenses are expected to impact profit and loss. The majority of project revenues are recognized over time according to the progress of the project. This may result in differences between cashflow and revenue recognition.

2018

Amounts in NOK million	Instruments at fair value[1]	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Assets						
Cashflow hedging instruments	132	80	36	13	2	0
Fair value adjustments to hedged instruments	-30	-22	-4	-3	-1	0
Embedded derivatives in ordinary commercial contracts	58	39	9	7	3	0
Financial instruments not hedge accounted	58	51	4	2	2	0
Total financial instrument assets	**218**	**148**	**45**	**18**	**6**	**0**
Liabilities						
Cashflow hedging instruments	-234	-177	-30	-26	-1	0
Fair value adjustments to hedged instruments[2]	123	116	4	3	0	0
Embedded derivatives in ordinary commercial contracts	-8	-3	-1	-2	-2	0
Financial instruments not hedge accounted	-44	-29	-6	-7	-3	0
Total forward foreign exchange contracts	**-163**	**-93**	**-33**	**-32**	**-6**	**0**
Cashflow hedges interest rate instruments	-9	0	-8	0	-1	0
Total financial instrument liabilities	**-172**	**-93**	**-41**	**-32**	**-7**	**0**
Net financial instruments	**46**	**55**	**4**	**-13**	**0**	**0**

1) Cashflows from matured derivatives are translated to NOK using the exchange rates on the balance sheet date.
2) Fair value of settled derivatives not yet booked in the income statement are recognized in balance sheet and will be reclassified to the income statement over the next years as the projects progress.

Note 24 continues on next page

Note 24 Derivative Financial Instruments cont.

2017

Amounts in NOK million	Instruments at fair value	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Assets						
Cashflow hedges	182	171	5	6	0	0
Fair value adjustments to hedged assets[2]	-17	-20	5	-2	0	0
Embedded derivatives in ordinary commercial contracts	0	0	0	0	0	0
Financial instruments not hedge accounted	60	52	5	2	0	0
Total financial instrument assets	**226**	**203**	**15**	**6**	**0**	**0**
Liabilities						
Cashflow hedges	-145	-126	-13	-5	-1	0
Fair value adjustments to hedged liabilities[2]	-20	-24	2	2	0	0
Embedded derivatives in ordinary commercial contracts	-179	-172	-1	-5	0	0
Financial instruments not hedge accounted	-49	-44	-5	0	0	0
Total forward foreign exchange contracts	**-393**	**-366**	**-17**	**-9**	**-1**	**0**
Cashflow hedges interest rate instruments	-16	0	0	-16	0	0
Total financial instrument liabilities	**-408**	**-366**	**-17**	**-24**	**-1**	**0**
Net financial instruments	**-183**	**-163**	**-2**	**-18**	**0**	**0**

1) Cashflows from matured derivatives are translated to NOK using the exchange rates on the balance sheet date.
2) Fair value of settled derivatives not yet booked in the income statement are recognized in balance sheet and will be reclassified to the income statement over the next years as the projects progress.

Note 24 continues on next page

Note 24 Derivative Financial Instruments cont.

Unsettled Hedges

The table below shows the unsettled cashflow hedges' impact on profit and loss and equity (not adjusted for tax).

	2018			2017		
Amounts in NOK million	**Fair value of all hedging instruments**	**Recognized in profit and loss**	**Deferred in equity (the hedge reserve)**	**Fair value of all hedging instruments**	**Recognized in profit and loss**	**Deferred in equity (the hedge reserve)**
Forward exchange contracts (cashflow hedges)	**-102**	-101	-1	**38**	39	**-2**
Interest rate swaps	**-9**	0	-9	**-16**	0	**-16**
Total	**-112**	**-101**	**-10**	**22**	**39**	**-17**

The purpose of the hedging instrument is to secure a situation where the hedged item and the hedging instrument together represent a predetermined value independent of fluctuations of exchange rates. Revenue and expenses on the underlying customer contracts are recognized in the income statement in accordance with progress. Consequently, negative NOK 101 million (NOK 39 million in 2017) of the value of the forward contracts have already impacted the income statement indirectly as revenues and expenses are recognized based on updated forecasts and progress. The negative NOK 1 million (negative NOK 2 million in 2017) that are currently recorded directly in the hedging reserve, will be reclassified to the income statement over the next years.

The value of the interest swaps is attributable to changes in the interest swap curve for Norwegian Kroner during the period from inception of the hedge to the balance sheet date, excluding accrued interest rates of the swaps, tax and deferred settlements related to matured instruments.

Hedge Reserve Movement

The table below shows the movement in the hedge reserve from changes in the cashflow hedges.

Amounts in NOK million	**Hedge reserve**
Balance as of January 1, 2018 under IAS 39	-184
Adjustment on initial application of IFRS 9	168
Balance as of January 1, 2018 under IFRS 9	**-16**
Changes in fair value:	
Forward currency contracts	-132
Interest rate swaps	6
Amount reclassified to profit or loss:	
Forward currency contracts	134
Interest rate swaps	3
Tax on movements on reserves during the year	-2
Balance at December 31, 2018	**-8**

Interest Rate Swaps

Aker Solutions currently has two outstanding bonds. For the bond of NOK 1,000 million at floating interest rates maturing October 9, 2019, NOK 500 million has been swapped to fixed interest rate. For the bond of NOK 1,500 at floating interest rates maturing July 25, 2022, NOK 750 million has been swapped to fixed interest rate. Floating interest rates are tied to inter-bank offered rates (NIBOR for NOK).

See note 17 for more information about borrowings
See note 25 for more information about financial assets and liabilities

Note 25 Financial Assets and Liabilities

Financial assets and liabilities in the group consist of investments in other companies, trade and other receivables, cash and cash equivalents, trade and other payables, borrowings and equity. The new accounting standard for financial instruments (IFRS 9) was implemented as of January 1, 2018. The new standard includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements.

Financial Reporting Principles

IFRS 9 Financial Instruments implemented on January 1, 2018 replaced IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, the standard contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cashflow characteristics. The following financial reporting policies apply to initial and subsequent measurement from January 1, 2018:

Financial assets at amortized cost	These financial assets are initially recognized at fair value plus attributable transaction costs, except for trade and other receivables that are measured at the transaction price. The assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange effects and gains or losses from derecognition is recognized in the income statement.
Financial assets at FVTPL (fair value through profit and loss)	These financial assets are initially and subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Equity investments at FVOCI (fair value over other comprehen-sive income)	These financial assets are initially and subsequently measured at fair value. Dividends are recognized as income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Classification and Measurement of Financial Assets and Financial Liabilities

The table below shows the financial assets in the group and how they are classified under IAS 39 and IFRS 9 at the date of transition (January 1, 2018):

Amounts in NOK million	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Other investments	Available for sale	Equity investments at FVOCI	91	95
Non-current receivables	Loans and receivables	Financial assets at amortized cost	106	106
Trade and other receivables	Loans and receivables	Financial assets at amortized cost	3,052	3,051
Forward foreign exchange contract	Fair value - hedging instruments	Fair value - hedg-ing instruments	226	458
Current interest-bearing receivables	Financial assts at FVTPL	Financial assets at FVTPL	69	69
Current interest-bearing receivables	Loans and receivables	Financial assets at amortized cost	59	59
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	1,978	1,978
Total			**5,581**	**5,816**

Note 25 continues on next page

Hedge Accounting

The foreign currency exchange contracts and interest rate swaps in place as of December 31, 2018 qualified as cashflow hedges under IFRS 9. The company's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges.

Cashflow hedges associated with forecast transactions that subsequently results in recognition of a non-financial asset or liability is treated differently under IFRS 9 and IAS 39. Under IAS 39, the amounts accumulated in the cashflow hedge reserve in equity are reclassified to the income statement in the same period as the hedged transaction is settled. Under IFRS 9, it is required to adjust the initial cost or other carrying amount of the non-financial asset or the non-financial liability. On the date of transition to IFRS 9, the company has moved the amount accumulated in the cashflow hedge reserve for those hedges to the carrying amount of the corresponding non-financial asset or non-financial liability.

The Fair Value Hierarchy

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

For financial instruments measured at fair value, the levels in the fair value hierarchy are:

- Level 1: Fair values are based on prices quoted in an active market for identical assets or liabilities.
- Level 2: Fair values are based on price input other than quoted prices. Such prices are derived from observable market transactions in an active market for identical assets or liabilities. Level 2 includes currency or interest derivatives and interest bonds, typically when the group uses forward prices on foreign exchange rates or interest rates as inputs to valuation models.
- Level 3: Fair values are based on unobservable input, mainly based on internal assumptions used in the absence of quoted prices from an active market or other observable price inputs.

Note 25 Financial Assets and Liabilities cont.

Financial Instruments as of December 31, 2018

	Carrying value							Fair value			
Amounts in NOK million	Fair value - hedging instruments	Financial assets at FVTPL[1]	Amortized cost	Equity investments at FVOCI[1]	Financial liabilities at FVTPL[1]	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Other investments[2]	0	0	0	79	0	0	**79**			79	**79**
Non-current receivables	0	0	84	0	0	0	**84**				
Trade and other receivables	0	0	3,328	0	0	0	**3,328**				
Forward foreign exchange contracts	218	0	0	0	0	0	**218**		218		**218**
Current interest-bearing receivables	0	25	21	0	0	0	**47**	25			**25**
Cash and cash equivalents	0	0	2,473	0	0	0	**2,473**				
Financial assets	**218**	**25**	**5,906**	**79**	**0**	**0**	**6,228**	**25**	**218**	**79**	**322**
Non-current borrowings[3]	0	0	0	0	0	-1,788	**-1,788**	-1,515		-291	**-1,806**
Other non-current liabilities	0	0	0	0	0	-10	**-10**			-10	**-10**
Current borrowings[3]	0	0	0	0	0	-1,125	**-1,125**	-1,014		-114	**-1,128**
Deferred consideration[4]	0	0	0	0	-34	0	**-34**			-34	**-34**
Trade and other payables[5]	0	0	0	0	0	-3,913	**-3,913**				
Forward foreign exchange contracts	-163	0	0	0	0	0	**-163**		-163		**-163**
Interest rate instruments	-9	0	0	0	0	0	**-9**		-9		**-9**
Financial liabilities	**-172**	**0**	**0**	**0**	**-34**	**-6,836**	**-7,042**	**-2,529**	**-172**	**-449**	**-3,150**

1) FVTPL is short for fair value through profit and loss, FVOCI is short for fair value through other comprehensive income.
2) Investments in level 1 consist of listed shared with quoted market prices, and investments in level 3 are shares where fair value cannot be measured reliably as the financial instrument is not traded in an active market. The best estimate of fair value is initial purchase price.
3) Fair value is quoted prices for the bonds noted on the Oslo Stock Exchange.
4) Fair value is based on net present value of estimated future profits of a subsidiary. There is no limit to the maximum potential payout.
5) Trade and other payables that are not financial liabilities at negative NOK 3,794 million in 2018 are not included.

Note 25 continues on next page

Note 25 Financial Assets and Liabilities cont.

Financial Instruments as of December 31, 2017

	Carrying value							Fair value			
Amounts in NOK million	**Fair value - hedging instruments**	**Financial assets at FVTPL[1]**	**Loans and receivables**	**Available for sale**	**Financial liabilities at FVTPL[1]**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Other investments[2]	0	0	0	91	0	0	**91**	43		48	**91**
Non-current receivables	0	0	106	0	0	0	**106**				
Trade and other receivables	0	0	3,052	0	0	0	**3,052**				
Forward foreign exchange contract	226	0	0	0	0	0	**226**		226		**226**
Current interest-bearing receivables	0	69	59	0	0	0	**128**	69			**69**
Cash and cash equivalents	0	0	1,978	0	0	0	**1,978**				
Financial assets	**226**	**69**	**5,194**	**91**	**0**	**0**	**5,579**	**112**	**226**	**48**	**385**
Non-current borrowings[3]	0	0	0	0	0	-2,576	**-2,576**	-1,040		-1,568	**-2,608**
Other non-current liabilities	0	0	0	0	0	-9	**-9**			-9	**-9**
Current borrowings[3]	0	0	0	0	0	-539	**-539**			-539	**-539**
Deferred consideration[4]	0	0	0	0	-74	0	**-74**			-74	**-74**
Trade and other payables[5]	0	0	0	0	0	-4,951	**-4,951**				
Forward foreign exchange contracts	-393	0	0	0	0	0	**-393**		-393		**-393**
Interest rate instruments	-16	0	0	0	0	0	**-16**		-16		**-16**
Financial liabilities	**-408**	**0**	**0**	**0**	**-74**	**-8,074**	**-8,557**	**-1,040**	**-408**	**-2,189**	**-3,637**

1) FVTPL is short for fair value through profit and loss.
2) All available for sale investments are designated as such upon initial recognition. Investments in level 1 consist of listed shared with quoted market prices, and investments in level 3 are shares where fair value cannot be measured reliably as the financial instrument is not traded in an active market. The best estimate of fair value is initial purchase price.
3) Fair value is quoted prices for the bonds noted on the Oslo Stock Exchange.
4) Fair value is based on net present value of estimated future profits of a subsidiary. There is no limit to the maximum potential payout.
5) Trade and other payables that are not financial liabilities at negative NOK 2,353 million in 2017 are not included.

Note 25 continues on next page

Note 25 Financial Assets and Liabilities cont.

Effect of Transitioning to IFRS 9

The company has applied a modified restrospective implementation method, with the cumulative impact recognized in retained earnings as of January 1, 2018. Comparative figures for 2017 are not restated. The impact of transition to IFRS 9 on the group's retained earnings as of January 1, 2018 is summarized below.

IFRS 9 Financial Instruments was adopted on January 1, 2018. The standard supersedes IAS 39 Financial Instruments: Recognition and Measurement and addresses classification and measurements of financial instruments, impairment of financial assets and hedge accounting. The company has implemented the standard with the cumulative impact recognized in retained earnings as of January 1, 2018 and no restatement of comparative figures. The main changes are described below.

- The group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and all hedge relationships at December 31, 2017 are therefore continued. For cashflow hedges associated with forecasted transactions that subsequently result in recognition of contract asset or liability, the gains and losses previously recognized in OCI are included in the carrying amount of the contract asset or liability. This resulted in an increase of derivative financial instruments (assets) and an increase of equity of NOK 232 million excluding tax.
- Equity investments of NOK 91 million previously classified as available-for-sale were reclassified to fair value through other comprehensive income (FVOCI) as of January 1, 2018. Equity securities in unlisted companies previously measured at cost were re-valued at fair value, resulting in an increase of value and equity of NOK 4 million upon transition.
- The company applies the expected credit loss (ECL) method for its trade receivables and contracts assets, which resulted in an increase of loss allowance (with corresponding decrease of equity) of NOK 1 million upon transition.

Net of tax, the effect from implementing IFRS 9 was an increase of equity of NOK 181 million as of January 1, 2018.

Amounts in NOK million	**January 1, 2018**
Reclassification of hedge reserve	232
Other investments re-measured at fair value	4
Increased impairment losses on receivables	-1
Tax effects	-54
Total effect from implementing IFRS 9 on equity	**181**

See note 14 for more information about trade and other receivables
See note 17 for more information about borrowings
See note 21 for more information about trade and other payables
See note 22 for more information about financial risk management
See note 24 for more information about derivatives
See note 27 for more information about other investments

Note 26 Subsidiaries

Financial Reporting Principles

The consolidated statements include all entities controlled by Aker Solutions ASA. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. Non-controlling interests (NCIs) are measured on initial recognition at their portion of fair values, and yearly earnings are allocated to the NCI according to their ownership interest.

Subsidiaries

Aker Solutions has 55 subsidiaries in 25 countries at the reporting date. Aker Solutions AS in Norway and Aker Offshore Partner Ltd in the UK are material subsidiaries with revenue of more than 10 percent of consolidated revenue. The group holds the majority of the shares in all subsidiaries except four, see description below. Subsidiaries fully owned or controlled by Aker Solutions as of December 31, 2018 are listed below. If not stated otherwise, ownership equals the percentage of voting shares.

Company	Location	Country	Percent
Aker Solutions Enterprises, LDA	Luanda	Angola	49
Aker Solutions Pty Ltd	Perth	Australia	100
Aker Solutions Azerbaijan LLC	Baku	Azerbaijan	100
Aker Solutions do Brasil Ltda	Curitiba	Brazil	100
C.S.E. Mecânica e Instrumentacâo Ltda	Curitiba	Brazil	70
Aker Solutions Sdn Bhd	Kuala Belait	Brunei	100
Aker Solutions Asset Integrity and Management Canada Inc.	Newfoundland	Canada	100
Aker Solutions Canada Inc	Vancouver	Canada	100
Aker Solutions (Shenzhen) Co. Ltd	Shenzhen	China	100
Aker Solutions Congo SA	Point-Noire	Congo	70
Aker Solutions Cyprus Limited	Limassol	Cyprus	100
Aker Solutions SAS	Paris	France	100
Aker Solutions Ghana Ltd	Adabraka	Ghana	90
Aker Powergas Pvt Ltd	Mumbai	India	95
Aker Powergas Subsea Pvt Ltd	Mumbai	India	95
Aker Engineering International Sdn Bhd	Kuala Lumpur	Malaysia	100
Aker Engineering Malaysia Sdn Bhd	Kuala Lumpur	Malaysia	90
Aker Solutions APAC Sdn Bhd	Kuala Lumpur	Malaysia	48
Aker Solutions India Operations Sdn Bhd	Kuala Lumpur	Malaysia	100
Aker Solutions India Sdn Bhd	Kuala Lumpur	Malaysia	100
Aker Solutions India Services Sdn Bhd	Kuala Lumpur	Malaysia	100
Aker Solutions Malaysia Sdn Bhd	Kuala Lumpur	Malaysia	100
Aker Solutions Umbilical Asia Pacific Sdn Bhd	Kuala Lumpur	Malaysia	100
Aker Solutions de Mexico	Mexico City	Mexico	100
Aker Solutions Mocambique Ltda	Maputo	Mozambique	100
Aker Solutions BV	Zoetemer	Netherlands	100
Aker Solutions Nigeria Ltd	Ikoyi-Lagos	Nigeria	100
Aker Installation FP AS	Fornebu	Norway	100
Aker Insurance Services AS	Fornebu	Norway	100

Note 26 continues on next page

Note 26 Subsidiaries cont.

Company	Location	Country	Percent
Aker Solutions AS	Fornebu	Norway	100
Aker Solutions Holding AS	Fornebu	Norway	100
Aker Solutions Middle East AS	Fornebu	Norway	100
Aker Solutions Russia AS	Fornebu	Norway	100
Benestad Solutions AS	Lierskogen	Norway	100
KBeDesign AS	Fornebu	Norway	100
Aker Solutions Gulf Services WLL	Doha	Qatar	49
Aker Process Gulf Co. Ltd	Al-Khobar	Saudi Arabia	100
Aker Solutions Saudi Arabia Limited	Dhahran	Saudi Arabia	100
Aker Solutions Korea Co. Ltd	Geoje	South Korea	100
K Water AB	Örnsköldsvik	Sweden	100
Aker Solutions Tanzania Ltd	Dar es Salaam	Tanzania	100
Aker Engineering Malaysia Ltd	Leeds	UK	100
Aker Engineering and Technology Ltd	London	UK	100
Aker Offshore Partner Ltd	Aberdeen	UK	100
Aker Solutions Angola Ltd	Maidenhead	UK	100
Aker Solutions DC Trustees Ltd	London	UK	100
Aker Solutions Enterprises International (UK) Limited	London	UK	49
Aker Solutions EAME Limited	Aberdeen	UK	100
Aker Solutions IP Limited	Aberdeen	UK	100
Aker Solutions Holding Limited	Aberdeen	UK	100
Aker Solutions Ltd	Maidenhead	UK	100
Enovate Systems Limited	Aberdeen	UK	95
International Design Engineering and Services Ltd	Glasgow	UK	100
Aker Solutions Inc.	Houston	USA	100
Aker Solutions USA Corporation	Houston	USA	100

Subsidiaries where Aker Solutions does not have the Majority of Shares

Aker Solutions has less than 50 percent of the shares in four subsidiaries as shown in the table. Aker Solutions has control over relevant activities through shareholders agreements. The subsidiaries are fully consolidated and the non-controlling interest share of profit and equity is presented in the income statement and in the balance sheet.

See note 28 for more information about customer contracts organized as joint arrangements

See note 31 for more information about subsequent event related to C.S.E.

Note 27 Other Investments

Financial Reporting Principles

Other investments are those entities in which the company does not have significant influence. This is usually entities were the company holds less than twenty percent of the voting power. Upon implementing IFRS 9 on January 1, 2018, the company designated the investments shown below as equity securities at fair value through other comprehensive income (FVOCI) as they represent long-term strategic investments. When the investments are sold, the accumulated gain or loss in equity is not reclassified to the income statement.

Under IAS 39, these investments were classified as available-for-sale investments. The fair value changes (other than impairment losses) were recognized in other comprehensive income (OCI) in equity. When the investments were sold, the accumulated gain or loss in equity was reclassified to the income statement.

Equity Securities

Amounts in NOK million	**2018**	**2017**
Equity securities in unlisted companies	**79**	15
Equity securities in listed companies	**0**	76
Equity securities	**79**	**91**

Investment in unlisted shares are measured at cost less impairment. Cost is used when there is no quoted marked prices and there is no other information available to measure fair value.

See note 25 for more information about financial assets and liabilities

Note 28 Related Parties

Financial Reporting Principles

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.

Related Parties of Aker Solutions

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, Kvaerner and Aker BP and are referred to as Aker entities in this note. Non-controlling interests with significant influence are also considered as related parties.

Note 28 continues on next page

Note 28 Related Parties cont.

Transactions and Balances with Related Parties

Amounts in NOK million	2018	2017
Income statement		
Operating revenues	**3,360**	1,902
Operating costs	**-315**	-286
Balance sheet		
Trade receivables	**594**	305
Non-current interest-bearing receivable	**45**	18
Trade payables	**-75**	-58
Current interest-bearing loan	**-1**	-1

The Major Related Parties Transactions

Aker Solutions has several transactions with related parties on a recurring basis as part of normal business and leases property from related parties. Below is a description of the significant related party transactions and balances in 2018.

Lease Agreements with The Resource Group TRG AS

Aker Solutions leases several of its industrial buildings in Norway including Tranby, Egersund and Ågotnes from companies owned by The Resource Group TRG AS, a company fully owned by Kjell Inge Røkke. The rent recognized in 2018 was NOK 157 million (2017: NOK 154 million). Further, Aker Solutions sub-leased offices in Stavanger, Norway to Aker BP in 2018 for NOK 35 million (2017: NOK 30 million).

Commercial Contracts with Kvaerner and Aker BP

Aker Solutions both buys from and delivers services and products to Kvaerner through subcontractor agreements. Aker Solutions holds agreements for delivery of equipment and services to Aker BP for various oil fields offshore Norway including a new six-year framework agreement for engineering and procurement services signed in 2017. The framework agreement may be extended by four years.

Joint Arrangement with Kvaerner

Aker Solutions has entered into two joint arrangement with Kværner ASA for deliveries under customer contracts. One is a joint operation, as the parties are jointly and severally liable for the project performance in an arrangement without a legal structure. Aker Solutions presents its 50 percent share of revenue, cost, assets and liabilities in the financial statements. The other one is a joint venture structured in a limited company. The joint venture is accounted for using the equity method. The profit from the joint venture is not significant in 2018.

Other

Other agreements with related parties include:

- Aker Solutions entered into an agreement in February 2018 to purchase digital services from Cognite, a subsidiary of Aker ASA. The services include development of and access to Cognite's advanced industrial data platform to analyze large volumes of data from offshore energy installations.
- Aker Solutions contributed NOK 76 million in 2018 (NOK 70 million in 2017) to Aker Pensjonskasse, which is a fund established by Aker to manage the retirement plan for employees and retirees in Aker Solutions and other Aker companies
- Aker Solutions supported the group's union representative function with NOK 525,000 in 2018 (NOK 510,000 in 2017)

See note 14 for more information about customer contract assets and receivables
See note 19 for more information about operating leases
See note 21 for more information about trade and other payables
See note 22 for more information about guarantee commitments for Akastor
See note 26 for more information about subsidiaries

Note 29 Management Remuneration

Remuneration to the Board of Directors

The current board of directors has been elected by the general meeting to serve for an appointment period of two years. The shareholder elected directors are serving for the period 2018-2020, while the employee elected directors are serving for the period 2017-2019. Fees to the board of directors are approved by the annual general meeting. The board held 13 meetings in 2018 with an average attendance rate of 86 percent. In addition, certain matters were processed by way of circulation of documents. The audit committee held six meetings in 2018. As of December 31, 2018 the audit committee comprised Birgit Aagaard-Svendsen (chairperson), Kristian Røkke and Atle Teigland.

The fees in the table below represent what is recognized as expenses in the income statement based on expected fees to be approved at the annual general meeting to be held in April 2019. The directors did not receive any other fees except for employee elected directors who have received salary as employees. No agreements exist which entitle the directors to any extraordinary compensation and no board members have loans in the company.

		December 31, 2018	December 31, 2017	2018		2017	
Amounts in NOK		Number of shares owned[1]		Audit Committee fees	Board fees[2]	Audit Committee fees	Board fees[2]
Øyvind Eriksen[3]	Chairman	0	0	0	610,000	0	600,000
Koosum Kalyan		0	0	0	400,000	0	390,000
Birgit Aagaard-Svendsen[5]		25,000	na	157,500	262,500	na	na
Henrik O. Madsen[5]		0	na	0	262,500	na	na
Kristian Røkke[3, 5]		0	na	90,000	262,500	na	na
Hilde Karlsen		5,363	5,363	0	175,000	0	170,000
Atle Teigland		8,751	8,751	120,000	175,000	115,000	170,000
Oddvar Hølland		3,179	16,179	0	175,000	0	85,000
Kjell Inge Røkke[3]		0	0	0	87,500	0	340,000
Anne Drinkwater		na	3,500	52,500	137,500	205,000	490,000
Stuart Ferguson[6]		na	0	na	na	57,500	195,000
Åsmund Knutsen[6]		na	9,028	na	na	0	85,000
Total		**42,293**	**42,821**	**420,000**	**2,547,500**	**377,500**	**2,525,000**

1) The number of shares owned covers direct ownership of Aker Solutions ASA only and does not include Øyvind Eriksen's and Kjell Inge Røkke's indirect ownership.
2) Board fees include an allowance of NOK 12,500 per meeting per physical attendance for board members residing outside the Nordic countries.
3) The fee allocated to Øyvind Eriksen and Kristian Røkke will be paid to Aker ASA and the fee allocated to Kjell Inge Røkke will be paid to The Resource Group TRG AS.
4) Anne Drinkwater and Kjell Inge Røkke were replaced as directors at the annual general meeting held in 2018. Fees are calculated for a proportionate part of the year.
5) Birgit Aagaard-Svendsen, Henrik O. Madsen and Kristian Røkke were elected as directors at the annual general meeting held in 2018. Fees are calculated for a proportionate part of the year.
6) Board members served as directors until the annual general meeting held in 2017.

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Note 29 Management Remuneration cont.

Remuneration to the Executive Management Team

The main purpose of the executive remuneration program is to encourage a strong and sustainable performance-based culture, which supports growth in shareholder value. The total remuneration to executives consists of a fixed base salary, standard employee benefits and variable pay programs. The chief executive officer (CEO) and the executive management team participate in the standard pension and insurance schemes applicable to all employees. Pension benefits for the executives may also include other elements as outlined in footnote 3 of the table below.

Variable Pay Program

The variable pay program for the CEO is an annual program based on the annual performance of the Aker Solutions ASA share price development above the combined average share price development of the Philadelphia Oil Service Sector Index (PHLX) and the Oslo Stock Exchange Benchmark Index (OSEBX). No payment is due to the CEO unless the Aker Solutions ASA share price development exceeds the development of these indexes. The maximum achievable payment is 66.7 percent of annual base salary

The variable pay program for the other members of the executive management team is based on the achievement of company's financial results, achievement of the executive's individual performance objectives, behavior according to company values and conditions on continued employment. The variable pay is earned over a period of three years and can potentially be up to 80 percent of base salary. The program consists of two parts:

- The first part of the variable pay is earned during the first (current) year and is based on company's financial results and the executive's individual behavior and achievement of performance objectives. The maximum value of this part is 53.34 percent of base salary. The executive is paid 50 percent of this variable pay after the first year, and 50 percent is deferred until after the third year.
- The second part is conditional on the basis that the executive is still employed after three years, where the executive receives an additional 50 percent of the variable pay as earned in the first year (maximum 26.67 percent of base salary).

In addition, the executive management is from time to time granted a discretionary variable pay. There were no discretionary payments made in 2018 or 2017. The remuneration to the executive management team in 2018 was according to the guidelines of the company.

Share Based Program

Aker Solutions also has a share based program only offered to executives (excluding CEO) that started in their position before January 1, 2016. This program is based on the Aker Solutions ASA's share price development over a three-year period compared to the combined average development of the Philadelphia Oil Service Sector Index (PHLX) and the Oslo Stock Exchange Benchmark Index (OSEBX) for the same period. The maximum payment is 20 percent of annual base salary and is dependent on the executive still being employed at the date of payment. The first payments from this program will take place in May 2019. The company does not offer share option programs to executives or other employees.

Note 29 continues on next page

Note 29 Management Remuneration cont.

Executive Management Remuneration 2018

The remuneration of the executive management team is shown in the table below. The salary figures below represent expensed remuneration rather than what is paid out in the period.

Amounts in NOK	Job title	Period	Base salary	Variable pay[1]	Other benefits[2]	Total remuneration	Pension benefit earned/cost to company[3]
Luis Araujo	Chief Executive Officer	Jan. 1 - Dec. 31	7,366,154	5,600,000	1,856,004	**14,822,158**	99,493
Svein Stoknes	Chief Financial Officer	Jan. 1 - Dec. 31	2,984,412	2,957,465	24,401	**5,966,279**	173,439
Dean Watson	Chief Operating Officer	Jan. 1 - Dec. 31	3,621,477	2,618,225	1,151,936	**7,391,638**	94,350
Mark Riding	Executive Vice President Strategy	Jan. 1 - Dec. 31	3,280,894	2,908,812	0	**6,189,706**	505,216
Valborg Lundegaard	Executive Vice President Customer Management	Jan. 1 - Dec. 31	2,507,142	2,552,541	40,606	**5,100,288**	264,046
Knut Nyborg	Executive Vice President Front End	Jan. 1 - Dec. 31	2,314,523	1,522,733	25,200	**3,862,456**	229,448
Egil Bøyum	Executive Vice President Products	Jan. 1 - Dec. 31	2,589,609	2,662,502	20,030	**5,272,142**	252,539
Knut Sandvik	Executive Vice President Greenfield Projects	Jan. 1 - Dec. 31	2,593,769	2,408,489	25,599	**5,027,857**	249,480
David Clark	Executive Vice President Services	Jan. 1 - Oct. 18	2,776,159	1,212,450	1,047,126	**5,035,735**	303,890
Linda Litlekalsøy Aase	Executive Vice President Brownfield Projects	Oct. 18 - Dec. 31	465,441	273,662	5,194	**744,297**	34,733
Total			**30,499,580**	**24,716,880**	**4,196,095**	**59,412,555**	**2,206,634**

1) Estimated variable pay earned during the year which was calculated based on the schemes described above including applicable holiday pay allowances and interest on deferred elements.
2) Other benefits include membership in the standard employee benefit scheme and an additional executive group life and disability insurance, housing, relocation costs, children school fees, phone and broadband allowance, individual tax consultancy fees for some international employments and severance payment.
3) Pension benefits include the standard employee pension scheme, a pension compensation scheme (for transfer from benefit to contribution scheme), a disability pension scheme and a compensation related to early retirement from a management position.
4) Effective October 18, 2018 Dean Watson is also serving as Executive Vice President, Subsea Lifecycle Services.

Note 29 continues on next page

Note 29 Management Remuneration cont.

Executive Management Remuneration 2017

The remuneration of the executive management team is shown in the table below. The salary figures below represent expensed remuneration rather than what is paid out in the period.

Amounts in NOK	Job title	Period	Base salary	Variable pay[1]	Other benefits[2]	Total remuneration	Pension benefit earned/cost to company[3]
Luis Araujo	Chief Executive Officer	Jan. 1 - Dec. 31	7,086,154	1,884,179	863,169	**9,833,502**	99,086
Svein Stoknes	Chief Financial Officer	Jan. 1 - Dec. 31	2,935,692	2,180,352	24,494	**5,140,538**	154,220
Dean Watson	Chief Operating Officer	Jan. 1 - Dec. 31	3,543,077	2,166,833	2,270,129	**7,980,038**	91,940
Mark Riding	Executive Vice President Strategy	Jan. 1 - Dec. 31	3,211,708	2,130,021	0	**5,341,729**	583,295
Valborg Lundegaard	Executive Vice President Customer Management	Jan. 1 - Dec. 31	2,439,662	1,874,672	36,818	**4,351,152**	243,253
Knut Nyborg	Executive Vice President Front End	May 1 - Dec. 31	1,286,349	796,544	26,215	**2,109,108**	129,379
Svenn Ivar Fure	Executive Vice President Front End	Jan. 1 - Apr. 21	759,733	0	3,093	**762,827**	42,994
Egil Bøyum	Executive Vice President Products	Jan. 1 - Dec. 31	2,638,735	1,852,151	21,781	**4,512,668**	220,300
Knut Sandvik	Executive Vice President Greenfield Projects	Jan. 1 - Dec. 31	2,499,036	1,631,280	25,678	**4,155,994**	221,289
David Clark	Executive Vice President Services	Jan. 1 - Dec. 31	2,625,419	1,550,198	458,371	**4,633,988**	404,730
Total			**29,025,565**	**16,066,231**	**3,729,748**	**48,821,543**	**2,190,485**

1) Estimated variable pay earned during the year which was calculated based on the schemes described above including applicable holiday pay allowances and interest on deferred elements.
2) Other benefits include membership in the standard employee benefit scheme and an additional executive group life and disability insurance, housing, relocation costs, children schooling fees, phone and broadband allowance, sign-on amounts and individual tax consultancy fees for some international employments.
3) Pension benefits include the standard employee pension scheme, a pension compensation scheme (for transfer from benefit to contribution scheme), a disability pension scheme and a compensation related to early retirement from a management position.

Note 29 continues on next page

Note 29 Management Remuneration cont.

Shareholding and Termination Agreements

The company practice standard employment contracts and standard terms and conditions regarding notice period and severance pay for the CEO and the members of the executive management team. The below table sets out information of notice period and severance pay as well as shareholding applicable to the current executive management team. There was no share purchase program in 2018.

	Job title	Number of shares owned	Notice period	Severance pay
Luis Araujo	Chief Executive Officer	76,898	3 months	6 months
Svein Stoknes	Chief Financial Officer	26,444	3 months	6 months
Dean Watson	Chief Operating Officer	0	3 months	6 months
Mark Riding	Executive Vice President Strategy	32,006	3 months	3 months
Valborg Lundegaard	Executive Vice President Customer Management	5,185	3 months	6 months
Knut Nyborg	Executive Vice President Front End	1,594	3 months	6 months
Egil Bøyum	Executive Vice President Products	4,198	3 months	6 months
Knut Sandvik	Executive Vice President Projects	3,036	3 months	6 months
Linda Litlekalsøy Aase	Executive Vice President Brownfield Projects	2,978	3 months	6 months

No members of the executive management team had loans with the company as of December 31, 2018.

See note 5 for more information about salaries for employees
See note 18 for more information about pension arrangements

Note 30 Audit Fees

KPMG is the auditor of the group. The table below presents the audit fee expense.

	Aker Solutions ASA		Subsidiaries		Total	
Amounts in NOK million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Audit	**4.9**	5.6	**9.6**	13.3	**14.5**	18.9
Other assurance services	**0.2**	0.0	**0.3**	0.3	**0.5**	0.3
Tax services	**0.0**	0.0	**0.6**	0.4	**0.6**	0.4
Other non-audit services	**0.0**	0.5	**1.0**	0.5	**1.0**	1.1
Total	**5.1**	**6.1**	**11.5**	**14.6**	**16.6**	**20.7**

Note 31 Subsequent Events

In January 2019, Aker Solutions acquired the remaining 30 percent of Brazilian C.S.E. Mecânica e Instrumentação Ltda, having bought the first ownership stake of 70 percent in 2016. The acquisition further strengthens the company's position in Brazil's growing market for mature field services. C.S.E. will continue to operate as an independent legal entity. The compensation was in line with the deferred consideration provision as of December 31, 2018.

Note 32 New IFRS 16 Leasing Standard (2019)

The new IFRS 16 Leasing standard is effective from January 1, 2019. The standard will significantly change how the company accounts for its lease contracts for land, buildings and vehicles currently accounted for as operating leases. An on-balance sheet model similar to the current financial leases accounting will be applied to all contracts that contain a lease. This note summarizes the expected impact on the financial reporting of Aker Solutions from implementing the new standard. The new leasing standard will not impact debt covenants according to the company's existing loan agreements.

The Lease Contracts

The company has a number of leases for office buildings and sites for manufacturing and service that account for the significant part of the lease liability. The company also leases machines and vehicles. A lease liability and right-of-use (ROU) asset will be presented for these contracts which previously were reported as operating leases. Sub-leases covering the major part of the period in the head-lease are classified as financial. According to the company's loan agreements existing per December 31, 2018, the new lease accounting will not impact the debt covenants.

Recognition and Measurement Approach on Transition

The company has elected to use the recognition exemptions in the standard for short-term leases and leases of low value items such as computers and office equipment. The company will also apply the recognition exemption for leases that expire in 2019. The company will adjust the right-of-use asset on January 1, 2019 by the provision for onerous leases on December 31, 2018. The company has elected to exclude the initial direct costs from the measurement of right-of-use asset on implementation. The right-of-use asset for selected leases has been measured as if IFRS 16 had always been applied (using the incremental borrowing rate per January 1, 2019).

The discount rate has been determined for each asset according to the incremental borrowing rate at the date of implementation (January 1, 2019). The weighted-average rate applied on January 1, 2019 was 4.4 percent. The non-cancellable lease period is basis for the lease commitment. Periods covered by extension or termination options are included when it is reasonably certain that the lease period will be extended. Non-lease components such as electricity, insurance and other property-related expenses paid to the landlord are excluded from the lease commitment for offices and manufacturing sites, but included when renting apartments and vehicles if included in the agreed lease amount. An assessment is made for all sub-leases to determine if they are financial or operational.

IFRS 16 Leases replaces existing leases guidance, including IAS 17 Leases and IFRIC 4, SIC-15 and SIC 27. The company will use a modified retrospective implementation approach with cumulative effect recognized as an adjustment to the opening balance of retained earnings on January 1, 2019. Comparative figures will not be restated.

Implementation Effect

Impact on Equity

The net effect on equity as of January 1, 2019 is presented below.

Amounts in NOK million	
Equity per December 31, 2018	7,608
Effect from retrospective calculation of ROU for selected lease contracts	-542
Effect from classifying sub-leases as financial leases	108
Other adjustment	-11
Tax effects	90
Equity per January 1, 2019	**7,252**

Note 32 continues on next page

Note 32 New IFRS 16 Leasing Standard (2019) cont.

Reconciliation of Lease Commitment and Lease Liability

A reconciliation between the lease commitment as reported under current IAS 17 and the expected lease liability when implementing IFRS 16 is presented below.

Amounts in NOK million	
Operating lease commitment as of December 31, 2018	6,862
Relief option for short-term leases	-172
Relief option for leases of low-value assets	-8
Undiscounted lease liability	**6,683**
Effect of discounting lease commitment to net present value	-1,151
Lease liability as of January 1, 2019	**5,532**

On transition to IFRS 16, the company will recognize a ROU asset of NOK 4,990 million related to its lease contracts. Recognizing a lease receivable for operating sub-leases becoming finance leases under IFRS 16, reclassifying onerous lease provision and some other adjustments will reduce the ROU asset to NOK 3,953 million upon implementation.

Expected Future Impact on the Income and Cashflow Statement

IFRS 16 Leasing will have a significant impact on the income statement when implemented in 2019. The estimated reduction of annual lease expense (and lease revenue for sub-leases) gives an improvement of EBITDA in the range of NOK 600-800 million. Annual depreciation expense of leased assets will increase in the range of NOK 500-700 million. Annual net interest expense will increase in the range of NOK 150-300 million. In the cashflow statement, operating cash flows will increase and financing cash flows will decrease as the lease payments will be classified as financial rather than operational. It is expected that IFRS 16 will be implemented in the reporting from the operating segments. The actual impact upon implementation may change as a result of changed interest rates, signing of new lease contracts, re-assessment of renewal options and re-assessment of onerous leases. The impact may also change if new information and guidance becomes known before the group presents its first consolidated financial statements using the new standard.

See note 19 for more information about operating lease commitments under current IAS 17

Parent Company Financial Statements

Aker Solutions ASA

December 31, 2018

Income Statement

For the year ended December 31

Amounts in NOK million	Note	2018	2017
Operating revenues	2	**25**	17
Operating expenses	2	**-144**	-90
Operating loss		**-118**	**-74**
Net financial expenses	3	**-196**	-162
Loss before tax		**-315**	**-236**
Income tax	4	**48**	49
Net loss		**-266**	**-187**
Net loss for the period distributed as follows:			
Other equity		**-266**	-187
Net loss		**-266**	**-187**

Balance Sheet

Statement as of December 31

Amounts in NOK million	Note	2018	2017
Assets			
Deferred tax asset	4	**235**	181
Investments in group companies	5	**11,438**	11,438
Non-current interest-bearing receivables from group companies	8	**34**	301
Other non-current interest-bearing receivables		**2**	2
Total non-current assets		**11,708**	**11,923**
Current interest-bearing receivables from group companies	8	**399**	23
Non-interest bearing receivables from group companies	8	**21**	9
Financial instruments	9	**450**	353
Other current receivables		**2**	0
Cash and cash equivalents	8	**1,258**	635
Total current assets		**2,130**	**1,020**
Total assets		**13,838**	**12,943**

Amounts in NOK million	Note	2018	2017
Equity and liabilities			
Issued capital		**294**	294
Other equity		**2,574**	2,833
Total equity	6	**2,867**	**3,127**
Non-current borrowings	7	**1,459**	2,235
Total non-current liabilities		**1,459**	**2,235**
Current borrowings	7	**1,024**	12
Current borrowings from group companies	8	**8,085**	7,145
Non interest-bearing liabilities from group companies	8	**0**	30
Financial instruments	9	**400**	363
Other current liabilities		**4**	30
Total current liabilities		**9,512**	**7,581**
Total liabilities		**10,971**	**9,816**
Total equity and liabilities		**13,838**	**12,943**

Fornebu, March 7, 2019
Board of Directors of Aker Solutions ASA

Øyvind Eriksen
Chairman

Koosum Kalyan
Director

Kristian Røkke
Director

Birgit Aagaard-Svendsen
Director

Henrik O. Madsen
Director

Atle Teigland
Director

Hilde Karlsen
Director

Oddvar Hølland
Director

Luis Araujo
Chief Executive Officer

Cashflow

Statement for the year ended December 31

Amounts in NOK million	**2018**	**2017**
Loss before tax	**-315**	-236
(Profit) loss on foreign currency forward contracts	**-61**	31
Changes in other operating assets and liabilities	**167**	-209
Net cash from operating activities	**-208**	**-414**
Increase in investments in subsidiaries	**0**	-420
Net cash used in investing activities	**0**	**-420**
Changes in borrowings to group companies	**-109**	20
Changes in borrowings from group companies	**940**	-12
Net cash from financing activities	**831**	**8**
Net increase (decrease) in cash and cash equivalents	**623**	**-825**
Cash and cash equivalents at the beginning of the period	**635**	1,461
Cash and cash equivalents at the end of the period[1]	**1,258**	**635**

1) Unused credit facilities amounted to NOK 5,000 million as of December 31, 2018 (NOK 3,750 as of December 31, 2017)

The cashflow statement has been prepared using the indirect method.

Notes to the Parent Company Financial Statements

For the year ended December 31

Note 1 Company Information

Aker Solutions ASA is the parent company and owner of Aker Solutions Holding AS. Aker Solutions ASA is domiciled in Norway and listed on the Oslo Stock Exchange. The financial statements of the parent company are prepared in accordance with Norwegian legislation and Norwegian Generally Accepted Accounting Principles.

Note 2 Operating Revenue and Expenses

Revenue

Operating revenue consists of NOK 25 million in income from Parent Company Guarantees (PCG). The PCGs are invoiced annually over the lifetime of the guarantee.

Expenses

There are no employees in Aker Solutions ASA and hence no personnel expenses. Executive management and corporate staff are employed by other Aker Solutions companies. Costs for their services as well as other parent company costs are recharged proportionally to Aker Solutions ASA and presented as operating expenses. Remuneration to and shareholding of managing director Luis Araujo is described in note 29 Management Remuneration in the consolidated financial statements.

Audit fees to KPMG

Amounts in NOK million	**2018**	**2017**
Audit fee	**4.9**	5.6
Other assurance services	**0.2**	0.0
Other non-audit services	**0.0**	0.5
Total	**5.1**	**6.1**

See note 10 for more information about guarantees

Note 3 Financial Income and Expenses

Financial Reporting Principles

Foreign Currency

Transactions in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate on that date.

Foreign Currency Derivatives

Subsidiaries have entered into internal financial derivative contracts with the parent company to hedge their currency exposure. The parent company uses foreign exchange contracts with external banks to mitigate the currency exposure from the internal derivative contracts with the subsidiaries. Aker Solutions ASA does not apply hedge accounting and financial assets and liabilities related to foreign currency contracts are measured at fair value with changes recognized in the income statement.

Interest Rate Derivatives

Aker Solutions enters into interest rate derivatives (interest rate swaps) to avoid unbalanced exposure to fluctuations in short term interest rates. Parts of the external loans with floating interest rates are swapped to fixed interest rates to maintain the wanted split between fixed and floating interest rates. The swaps are classified as cashflow hedges and market values are accounted for against equity.

Financial Income and Expenses

Amounts in NOK million	2018	2017
Interest income from group companies	49	27
Interest expense to group companies	-77	-15
Net interest income from group companies	**-27**	**12**
External interest income	5	17
External interest expenses	-177	-197
Net external interest expense	**-173**	**-180**
Loss on loans to group companies	-5	0
Other financial expenses	-2	-12
Foreign exchange loss	-1,502	-3,342
Foreign exchange gain	1,513	3,359
Net other financial items	**4**	**5**
Net financial expense	**-196**	**-162**

See note 7 for more information about borrowings
See note 9 for more information about financial risk management and financial instruments

Note 4 Tax

Financial Reporting Principles

Tax expenses in the income statement comprise current tax and changes in deferred tax. Deferred tax is calculated as 22 percent of temporary differences between accounting and tax values as well as any tax losses carried forward at the year-end. Net deferred tax assets are recognized only to the extent that it is probable they will be utilized against future taxable profits.

Deferred Tax Asset and Tax Expenses

Amounts in NOK million	2018	2017
Calculation of taxable income		
Loss before tax	**-315**	-236
Permanent differences	**28**	0
Change in timing differences	**-53**	54
Taxable income	**-339**	**-182**
Positive and (negative) temporary differences		
Unrealized gain on forward exchange contracts	**60**	8
Interest rate swaps	**-7**	-16
Tax loss carried forward	**-1,120**	-781
Basis for deferred tax	**-1,066**	**-788**
Deferred tax in income statement	**233**	178
Deferred tax in equity	**1**	4
Deferred tax asset	**235**	**181**

The Company has temporary difference related to the limitation of the deductibility of interest paid to related parties of NOK 35 million is not recognized in the balance sheet.

Amounts in NOK million	2018	2017
Income tax benefit		
Origination and reversal of temporary differences	**55**	49
Withholding tax	**-7**	0
Total tax income	**48**	**49**

Effective Tax Rate

Amounts in NOK million	2018	2017
Income tax 23% (24 % in 2017)	**72**	57
Tax on permanent differences	**-7**	0
Withholding tax	**-7**	0
Change in tax rate from 23% to 22% (24% to 23% in 2017)	**-11**	8
Total tax income	**48**	**49**

Note 5 Investments in Group Companies

Financial Reporting Principles

Investments in subsidiaries are measured at cost. The investments are written down to fair value when the impairment is not considered to be temporary. Impairment losses are reversed if the basis for the impairment is no longer present.

Dividends and other distributions are recognized as income the same year as they are appropriated in the subsidiary. If the distributed dividend in the subsidiary exceeds accumulated profits in the ownership period, the payment is treated as a reduction of the carrying value of the investment.

Investment in Group Companies

Amounts in NOK million	Registered office	Share capital	Number of shares held	Percentage owner- / voting share	Book value
Aker Solutions Holding AS	Fornebu, Norway	3,600	30	100%	**11,438**
Total investments in group companies					**11,438**

Note 6 Shareholders' Equity

Financial Reporting Principles

Repurchase of share capital is recognized at cost as a reduction in equity and is classified as treasury shares. No gain or loss is recognized in the income statement on the purchase or sale of the company's own shares.

Shareholders' Equity

Amounts in NOK million	Share capital	Treasury shares	Hedging reserve	Retained earnings	Total
Equity as of December 31, 2017	294	0	-12	2,845	**3,127**
Loss for the period	0	0	0	-266	**-266**
Cashflow hedge[1]	0	0	7	0	**7**
Equity as of December 31, 2018	**294**	**0**	**-5**	**2,579**	**2,867**

1) The value of interest swap agreements changing interest from floating to fixed is recognized directly in equity and will be released to income together with the corresponding interest expenses.

The board of directors has proposed that no dividend payment be made for 2018 as it was deemed prudent to exercise caution and conserve cash amid continued uncertainty about the market outlook. This is the same as in the prior year.

Note 6 continues on next page

Share Capital

Aker Solutions ASA was founded May 23, 2014 with a nominal share capital of NOK 293,807,940 through the issuance of 272,044,389 shares. The total number of outstanding shares is 272,044,389 at par value NOK 1.08 per share as of December 31, 2018. All issued shares are fully paid. Aker Solutions ASA has one class of shares, ordinary shares, with equal rights for all shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at general meetings. The number of own shares (treasury shares) was 511,801 per December 31, 2018, which is the same as last year. The consideration for these shares was NOK 16 million.

See note 3 and 9 for more information about the hedging reserve for interest rate swap agreements

Note 7 Borrowings

Financial Reporting Principles

Interest-bearing borrowings are recognized initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Norwegian Bonds

The group has two bonds amounting to NOK 2,500 million listed on the Oslo Stock Exchange denominated in Norwegian Kroner. The interest rate for both bonds is three months floating interbank rates (NIBOR) plus a predefined margin. Trustee services are provided by Nordic Trustee and the loan documentation is based on Nordic Trustee's standard loan agreement for bond issues. The bond loans are unsecured on a negative pledge basis and include no dividend restrictions. Aker Solutions' strategy is to have between 30-50 percent of borrowings at fixed interest rates. Parts of the external loans with floating interest rates are swapped to fixed interest rates by means of interest rate derivatives to maintain the desired split between fixed and floating interest rates.

Note 7 continues on next page

Note 7 Borrowings cont.

Bonds and Borrowings 2018

Amounts in NOK million	Currency	Nominal currency value	Carrying amount (NOK)	Interest rate	Fixed interest margin	Interest coupon	Maturity date (mm/dd/yy)	Interest terms
ISIN NO 0010661051	NOK	1,000	**1,011**	1.05%	4.20%	5.25%	10/09/19	Floating, 3M+fix margin
ISIN NO 0010814213	NOK	1,500	**1,497**	1.10%	3.15%	4.25%	07/25/22	Floating, 3M+fix margin
Total bonds[1]			**2,508**					
Revolving credit facility (NOK 5,000 million)[2]	NOK	0	**-25**	0.00%	1.10%	1.10%	03/19/23	NIBOR + Margin[3]
Total credit facility			**-25**					
Total borrowings			**2,483**					
Current borrowings			**1,024**					
Non-current borrowings			**1,459**					
Total			**2,483**					

1) The carrying amount is calculated by reducing the nominal value of NOK 2,500 million (NOK 1,000 million in 2017) by total issue costs related to the new financing of NOK 16 million (NOK 4 million in 2017). Amount includes NOK 24 million of accrued interest related to the bonds (NOK 12 million in 2017).
2) The carrying amount includes fees for establishing the credit facility which is deferred according to the amortized cost method.
3) The margin applicable to the facility is decided by a price grid based on the gearing ratio. Commitment fee is 35 percent of the margin.

Note 7 continues on next page

Note 7 Borrowings cont.

Bonds and Borrowings 2017

Amounts in NOK million	Currency	Nominal currency value	Carrying amount (NOK)	Interest rate	Fixed interest margin	Interest coupon	Maturity date (mm/dd/yy)	Interest terms
ISIN NO 0010661051	NOK	1,000	**1,008**	0.79%	4.20%	4.99%	10/09/19	Floating, 3M+fix margin
Total bonds[1]			**1,008**					
Revolving credit facility (NOK 5,000 million)[2]	NOK	1,250	**1,239**	0.89%	1.10%	1.99%	07/03/19	NIBOR + Margin[3]
Total credit facility			**1,239**					
Total borrowings			**2,247**					
Current borrowings			**12**					
Non-current borrowings			**2,235**					
Total			**2,247**					

1) The carrying amount is calculated by reducing the nominal value of NOK 2,500 million (NOK 1,000 million in 2017) by total issue costs related to the new financing of NOK 16 million (NOK 4 million in 2017). Amount includes NOK 24 million of accrued interest related to the bonds (NOK 12 million in 2017).
2) The carrying amount includes fees for establishing the credit facility which is deferred according to the amortized cost method.
3) The margin applicable to the facility is decided by a price grid based on the gearing ratio. Commitment fee is 35 percent of the margin.

Note 7 continues on next page

Note 7 Borrowings cont.

Maturity of Bonds and Borrowings

2018

Amounts in NOK million	Carrying amount	Total cashflow[1]	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
ISIN NO 0010661051	1,011	**1,055**	27	1,028	0	0	0
ISIN NO 0010814213	1,497	**1,751**	33	34	67	1,617	0
Total	**2,508**	**2,806**	**60**	**1,062**	**67**	**1,617**	**0**
Revolving credit facility (NOK 5,000 million)	-25	**0**	**0**	0	0	0	0
Total borrowings	**2,483**	**2,806**	**60**	**1,062**	**67**	**1,617**	**0**

2017

Amounts in NOK million	Carrying amount	Total cashflow[1]	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
ISIN NO 0010661051	1,008	**1,101**	25	25	1,051	0	0
Total	**1,008**	**1,101**	**25**	**25**	**1,051**	**0**	**0**
Revolving credit facility (NOK 5,000 million)[2]	1,239	**1,286**	12	12	1,262	0	0
Total borrowings	**2,247**	**2,387**	**37**	**37**	**2,313**	**0**	**0**

1) The interest costs are calculated using either the last fixing rate known by year-end (plus applicable margin) or the contractual fixed rate (when fixed rate debt).
2) The cashflow is based on the assumption that the nominal currency value will remain on NOK 1,250 million until the maturity of the revolving credit facility.

See note 3 for more information about financial income and expenses
See note 9 for more information about the company's exposure to interest rates and liquidity risk

Note 8 Receivables and Borrowings from Group Companies

Financial Reporting Principles

Assets and liabilities are presented as current when they are due within one year or they are part of the operating cycle. Other assets and liabilities are classified as non-current. Current assets are valued at the lowest of cost and fair value. Current liabilities are valued at nominal value at the time of recognition.

Non-current receivables are measured at cost less impairment losses that are not considered to be temporary. Non-current liabilities are initially valued at transaction value less attributable transaction cost. Subsequent to initial recognition, interest-bearing non-current borrowings are measured at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowing on an effective interest basis.

Trade and other receivables are recognized at the original invoiced amount less allowances for expected losses. Provision for expected losses is considered on an individual basis.

Receivables and Borrowings with Group Companies

Amounts in NOK million	**2018**	**2017**
Group companies interest-bearing deposits in the cash pool system	**5,779**	4,792
Aker Solutions ASAs net borrowings in the cash pool system	**-4,521**	-4,157
Cash in cash pool system	**1,258**	**635**
Current interest-bearing receivables from group companies	**399**	23
Non-current interest-bearing receivables from group companies	**34**	301
Current interest-bearing borrowings from group companies	**-8,085**	-7,145
Net interest-bearing borrowings from group companies	**-7,652**	**-6,821**
Current non interest-bearing receivables from group companies	**21**	9
Current non interest-bearing borrowings from group companies	**0**	0
Net non interest-bearing receivables from group companies	**21**	9
Total net borrowings from group companies	**-6,373**	**-6,176**

All current receivables and borrowings are due within one year.

Aker Solutions ASA has two centralized cash pool arrangements with DNB and Nordea. In addition centralized cash management arrangements are set up locally in Malaysia, Brazil and India. The cash pools and cash management arrangements cover a majority of the group's geographical footprint and ensure control of and access to the group's cash. Participation in the cash pool is vested in the group policy and decided by each company's board of directors and confirmed by a statement of participation. Certain entities do not participate in the cash pool arrangements due to local restrictions such as Brazil, Angola and India. The participants in the cash pool system are joint and severally liable and it is therefore important that Aker Solutions as a group is financially viable. Any debit balance on a sub-account can be offset against any credit balance in the cash pool. Hence a debit balance on a sub-account represents a liability for Aker Solutions ASA and a credit balance on a sub-account a receivable for Aker Solutions ASA.

The cash pool systems were showing a net balance of NOK 1,258 million per December 31, 2018. This amount is reported in Aker Solutions ASAs accounts as short-term borrowings from group companies and as cash in the cash pool system.

Aker Solutions ASA is the group's central treasury function and enters into borrowings and deposit agreements with group companies. Deposits and borrowings are agreed at market terms and are dependent on the group companies' credit quality, country risk and the duration of the borrowings.

Note 9 Financial Risk Management and Financial Instruments

Currency Risk

As of December 31, 2018 Aker Solutions ASA has outstanding foreign exchange contracts with other entities in the group with a gross total value of approximately NOK 11.1 billion. Large contracts are hedged back-to-back with external banks, while minor contracts are hedged based on internal matching principles. Contracts hedged back to back with external banks represent about 80 percent of the total group exposure, but are limited to a small number of transactions. Aker Solutions ASA does not apply hedge accounting to any of the currency derivatives. All financial assets and liabilities related to foreign exchange contracts are revalued at fair value in respect to exchange rate movements each period.

The treasury function within Aker Solutions ASA also has a mandate to hold limited positions in the currency and interest markets. The mandate has limits that are strictly defined and is operated under a strict stop-loss regime. Open positions are continuously monitored on a mark to market basis.

The fair value of foreign exchange forward contracts and options is presented in the table below.

	2018		2017	
Amounts in NOK million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward exchange contracts with group companies	**272**	**-138**	150	-220
Forward exchange contracts with external counterparts	**178**	**-252**	203	-126
Forward exchange options with external counterparts	**0**	**0**	0	0
Total	**450**	**-390**	**353**	**-346**

All instruments are booked at fair value as per December 31.

Note 9 continues on next page

Note 9 Financial Risk Management and Financial Instruments cont.

Interest Rate Risk

Interest rate swaps are applied to achieve the internal policy that 30-50 percent of the company's gross external borrowing shall be at fixed interest rates, with duration matching the remaining duration of the borrowing. At year-end, approximately 50 percent of NOK 2,500 million in bonds was fixed for the duration of the bonds through interest rate swaps. The revolving credit facility was undrawn at the year-end.

50 percent of the total external loan of NOK 2,500 million was at fixed interest rates per December 31, 2018. 22 percent of the total external loan of NOK 2,250 million was at fixed interest rates per December 31, 2017.

Hedge accounting is applied using the cashflow hedge accounting model. That means gains and losses on interest rate swaps from floating to fixed interest rates are recognized in the hedging reserve in equity. As of December 31, 2018 a net loss of NOK 5 million (NOK 7 million before tax) is recognized in equity and will be continuously released to the income statement until the repayment of the borrowings via the mark to market revaluation process.

The fair value of interest rate swaps is presented in the table below.

	2018		2017	
Amounts in NOK million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps - cashflow hedge (against equity)	**0**	**-7**	0	-16
Total	**0**	**-7**	**0**	**-16**

Credit Risk

Credit risk relates to loans to subsidiaries, overdraft in the group cash pool, hedging contracts, guarantees to subsidiaries and deposits with external banks. Loans to subsidiaries are subject to loan applications approved by the relevant SVP. Loss provisions are made in situations where the company is not expected to be able to fulfil its loan obligations from future earnings. External deposits and forward contracts are placed with reputable relationship banks, primarily where the company also has a borrowing relation. The existence of netting agreements between Aker Solutions ASA and the relationship banks reduces the credit risk.

Liquidity Risk

Liquidity risk relates to the risk that the company will not be able to meet its debt and guarantee obligations and is managed through maintaining sufficient cash and available credit facilities. The development in the group's and thereby Aker Solutions ASA's available liquidity is continuously monitored through weekly and monthly cash forecasts, financial strategy plans and long-term business forecast.

See note 3 for more information about financial income and expenses
See note 7 for more information about borrowings

Note 10 Guarantees

Amounts in NOK million	2018	2017
Parent company guarantees to group companies	**61,020**	57,034
Counter guarantees for bank/surety bonds	**6,212**	5,281
Total guarantee liabilities	**67,232**	**62,315**

Parent company guarantees are issued on behalf of subsidiaries in contractual obligations towards customers. The amounts disclosed above represent the total contractual value of the customer contracts.

Bank guarantees and surety bonds are issued on behalf of Aker Solutions subsidiaries, and counter indemnified by Aker Solutions ASA.

See note 2 for more information about revenue from guarantees

Note 11 Related Parties

Transactions with subsidiaries and related parties are described on a line by line basis in the following notes:

Other services	Note 2
Financial items	Note 3
Investments	Note 5
Cash pool	Note 8
Receivables and borrowings	Note 8
Foreign exchange contracts	Note 9
Guarantees	Note 10

All transactions with related parties have been based on arm's length terms.

Note 12 Shareholders

Shareholders with more than 1 percent shareholding per December 31 are listed below.

2018

Company	Nominee	Number of shares held	Ownership
Aker Kværner Holding AS		110,333,615	40.56%
Folketrygdfondet		19,341,121	7.11%
Aker ASA		17,331,762	6.37%
Verdipapirfondet DNB		5,994,762	2.20%
JPMorgan Chase Bank, N.A., London		5,371,116	1.97%
Ferd AS		4,300,000	1.58%
J.P. Morgan Bank Luxembourg S.A.	NOM	3,298,494	1.21%
Goldman Sachs & Co. LLC	NOM	2,870,834	1.06%
Verdipapirfondet Alfred Berg Gambank		2,832,488	1.04%
JP Morgan Securities PLC		2,813,626	1.03%
Storebrand Norge I Verdipapirfond		2,780,346	1.02%
Morgan Stanley & Co. LLC	NOM	2,778,206	1.02%
J.P. Morgan Bank Luxembourg S.A.	NOM	2,771,303	1.02%

2017

Company	Nominee	Number of shares held	Ownership
Aker Kværner Holding AS		110,333,615	40.56%
Folketrygdfondet		17,455,559	6.42%
Aker ASA		17,331,762	6.37%
Verdipapirfondet DNB		5,831,553	2.14%
Ferd AS		5,500,000	2.02%
JPMorgan Chase Bank, JPMCB RE HB SWED FUN	NOM	3,235,281	1.19%
JPMorgan Chase Bank, S/A escrow account	NOM	3,060,628	1.13%
Verdipapirfondet PAR		3,005,000	1.10%
JPMorgan Chase Bank, S/A non-treaty lend	NOM	2,989,991	1.10%

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Independent auditor's report

To the Annual Shareholders' Meeting of Aker Solutions ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aker Solutions ASA. The financial statements comprise:

- The financial statements of the parent company Aker Solutions ASA (the "Company"), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Aker Solutions ASA and its subsidiaries (the "Group"), which comprise the balance sheet at 31 December 2018, the income statement and the statement of other comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and of the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Assessment of the carrying value of property, plant and equipment and intangible assets

Refer to note 10 Property, Plant and Equipment, note 11 Intangible Assets and note 12 Impairment of Assets

The key audit matter

The Group's operations are sensitive to certain factors including oil prices which in turn impact the timing and nature of future capital expenditure on existing and new oil fields and installations.

The economic environment, current long-term assumptions and the Group's business plans indicate that impairment is a risk related to specific assets, cash generating units and can also impact the assessment of impairment of goodwill.

As of 31 December 2018, the Group has property, plant and equipment of NOK 3 044 million, goodwill of NOK 4 258 million and other intangible assets of NOK 1 428 million. The Group has recognized an impairment charge in 2018 associated with their property, plant and equipment and other intangible assets of NOK 7 million and NOK 15 million respectively.

How the matter was addressed in our audit

Our audit procedures in this area included:

- Assessing management's process and results for identification, consistent treatment and classification of cash generating units to ensure they were appropriate and in accordance with IAS 36;
- Evaluating management's assessment of impairment indicators;
- Where impairment indicators were identified or where impairment testing was required, assessing if the models used to calculate value in use are appropriate and mathematically accurate;
- Assessing the discount rates utilized in cash flow forecasts with reference to available market data for selected assets tested;
- Challenging management on the timing of the cash flows;
- Evaluating the historical accuracy of management’s budgets and forecasts in order to challenge management on the current year cash flow forecasts;
- Evaluating and challenging management on the growth assumptions in the cash flow forecasts, forecast margins and order intake by assessing a range of outcomes based on varying assumptions independently determined;
- Assessing the calculations and rationale supporting the impairment of tangible and intangible assets by performing our own independent sensitivity analysis of managements models; and
- Evaluating the adequacy and appropriateness of the disclosures in the financial statements related to the carrying value of intangible assets and property, plant and equipment and the assumptions applied to the impairment testing.

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Revenue and cost estimates related to construction contracts & service revenue

Refer to note 3 Revenue and note 4 Operating Segments

The key audit matter

The majority of the Group's revenues and profits are derived from long-term construction and service contracts.

IFRS 15 Revenue from contracts with customers ('IFRS 15') was implemented by the Group on 1 January 2018. This new accounting standard introduces a 'five step model' for revenue recognition and new requirements and guidance relevant to project accounting estimates and judgements.

IFRS 15 has introduced a higher degree of judgement in determining the number of performance obligations which can impact the timing and amount of revenue recognition for certain contracts.

Accounting for long term projects and service contracts is considered to be a risk area due to the significant judgement and estimation applied by management as well as the degree of complexity of the contracts currently in the portfolio.

The key judgements and estimates applied by management include their assessment of the stage of project completion as well as assessing the estimated future contract revenue and cost outcomes. Revenue and cost outcomes factored in management's forecasts include:

- incentive payments;
- key performance indicators;
- liquidated damages; and
- expected fulfilment cost.

Additionally management exercises judgement in their assessment of the recoverability of revenue accruals related to service contracts.

For the year ended 31 December 2018, the Group has recognized project revenue of NOK 19 920 million and service revenue of NOK 5 096 million.

How the matter was addressed in our audit

For financially significant contracts and any contracts with a reasonable possibility of being in a significant loss-making position, we applied professional skepticism and critically assessed the accounting estimates and judgments against the requirements of IFRS 15. Our audit procedures in this area included:

- Assessing the implementation of IFRS 15, including the Group's updated accounting policies, transition impact assessment, application to construction and service contract accounting and disclosures;
- Challenging management's assumptions in determining if certain contracts contain single or multiple performance obligations by obtaining, reading, and critically assessing the terms and conditions of relevant contractual documents;
- Assessing contractual revenue forecasts including corroborating those forecasts with reference to signed contracts and variation orders to assess the contractual basis of estimated future revenues;
- Assessing variable considerations estimates included in forecasted revenue in accordance with IFRS 15;
- Obtained and read the terms and conditions of significant contracts and comparing these to management's assessment of the contract forecasts;
- Evaluating management's process for assessing the stage of completion and the method applied in accordance with IFRS 15;
- Challenging management on estimated recovery of incentive payments, incentives linked to key performance indicators and recognition of liquidated damages by reference to contractual terms and conditions and assessing probability of managements forecasts in accordance with IFRS 15;
- Reading and discussing project reports and other assessments with management and comparing current forecasts to historical outcomes where relevant;
- Assessing the ability to recover amounts accrued under service contracts compared to historical recovery rates and the assessments made by management over the current balance;
- Challenging management on the estimate of cost to complete and the risk assessment related to fulfilment cost; and
- Evaluating the adequacy and appropriateness of the disclosures in the financial statements related to IFRS transition effects, revenue from construction contracts and service contracts.

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Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, with the exception of the financial statements and the Independent auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of our report on Other Legal and Regulatory Requirements below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer ("management") are responsible for the preparation in accordance with laws and regulations including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report, including the statements on corporate governance and corporate social responsibility, concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 7 March 2019
KPMG AS

Roland Fredriksen
State Authorised Public Accountant

Alternative Performance Measures

Aker Solutions discloses alternative performance measures in addition to those normally required by IFRS as such performance measures are frequently used by securities analysts, investors and other interested parties. Alternative performance measures 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 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 in the annual report.

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

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.

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

	Projects		Services		Other/ eliminations		Aker Solutions	
Amounts in NOK million	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	19,920	17,660	5,096	4,560	216	240	**25,232**	22,461
Gain/loss sale of PPE	0	0	0	0	-50	0	**-50**	0
Non-qualifying hedges	0	0	0	0	-6	-24	**-6**	-24
Sum of special items excluded from revenue	0	0	0	0	-56	-24	**-56**	-24
Revenue ex. special items	**19,920**	**17,660**	**5,096**	**4,560**	**160**	**216**	**25,176**	**22,436**
EBITDA	1,354	1,217	678	605	-222	-303	**1,810**	1,519
Gain/loss sale of PPE	0	0	0	0	-50	0	**-50**	0
Restructuring cost	10	78	10	3	19	6	**39**	86
Onerous lease cost	3	-3	4	0	8	42	**15**	40
Non-qualifying hedges	0	0	0	0	-11	10	**-11**	10
Transaction costs and other	4	0	0	0	4	10	**8**	10
Sum of special items excluded from EBITDA	17	75	14	3	-29	68	**2**	146
EBITDA ex. special items	**1,371**	**1,292**	**692**	**607**	**-251**	**-234**	**1,812**	**1,665**
EBITDA margin	6.8%	6.9%	13.3%	13.3%			**7.2%**	6.8%
EBITDA margin ex. special items	6.9%	7.3%	13.6%	13.3%			**7.2%**	7.4%
EBIT	843	608	511	429	-305	-466	**1,049**	571
Sum of special items excluded from EBITDA	17	75	14	3	-29	68	**2**	146
Impairments	15	90	2	0	5	66	**22**	156
Sum of special items excluded from EBIT	32	165	17	3	-24	135	**24**	302
EBIT ex. special items	**874**	**773**	**528**	**432**	**-329**	**-331**	**1,074**	**874**
EBIT margin	4.2%	3.4%	10.0%	9.4%			**4.2%**	2.5%
EBIT margin ex. special items	4.4%	4.4%	10.4%	9.5%			**4.3%**	3.9%

Order Intake Measures

Order intake and order backlog 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.

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.

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	2018	2017
Cash and cash equivalents	**2,473**	1,978
Credit facility (unused)	**5,000**	3,750
Liquidity buffer	**7,473**	**5,728**

Gross and Net Interest-Bearing Debt is a measure of the current capital necessary to maintain operations. Working capital includes trade receivables, trade payables, accruals, provisions and current tax assets and liabilities.

Amounts in NOK million	2018	2017
Current borrowings	**1,125**	539
Non-current borrowings	**1,788**	2,576
Gross interest-bearing debt	**2,913**	3,114
Current interest-bearing receivables	**-47**	-128
Non-current interest-bearing receivables1	**-46**	-39
Cash and cash equivalents	**-2,473**	-1,978
Net interest-bearing debt	**347**	**970**

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

Net Current Operating Assets (NCOA) or Working Capital is a measure of the current capital necessary to maintain operations. Working capital includes trade receivables, trade payables, accruals, provisions and current tax assets and liabilities.

Amounts in NOK million	2018	2017
Inventory	**326**	428
Trade and other receivables	**8,236**	6,843
Current tax assets	**109**	174
Trade and other payables	**-8,450**	-7,304
Provisions	**-906**	-942
Current tax liabilities	**-68**	-43
Net current operating assets (NCOA)	**-753**	**-844**

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