AkerSolutions

Annual Report 2019

Creating a Sustainable Energy Future

Content

Our Vision

A leader in forging a sustainable future for the global energy industry and the world it serves.

Key figures

		2019	2018	2017
ORDERS AND RESULTS				
Order backlog December 31	NOK million	25,403	35,148	34,581
Order intake	NOK million	19,620	25,421	23,553
Revenue	NOK million	29,263	25,232	22,461
EBITDA	NOK million	2,244	1,810	1,519
EBITDA margin	Percent	7.7	7.2	6.8
EBITDA margin excl. special items	Percent	7.9	7.2	7.4
EBIT	NOK million	705	1,049	571
EBIT margin	Percent	2.4	4.2	2.5
EBIT margin excl. special items	Percent	3.7	4.3	3.9
Net profit	NOK million	83	554	239
CASHFLOW				
Cashflow from operational activities	NOK million	319	921	587
BALANCE SHEET				
Net interest-bearing debt	NOK million	1,599	440	970
Equity ratio	Percent	27.2	36.3	35.7
Liquidity reserve	NOK million	6,298	7,473	5,728
SHARE				
Share price December 31	NOK	24.72	39.66	46.19
Basic earnings per share	NOK	0.15	1.88	0.81
EMPLOYEES				
Total employees December 31	Own employees	15,956	14,705	13,796
HSSE				
Lost time injury frequency	Per million worked hours	0.3	0.6	0.5
Total recordable injury frequency	Per million worked hours	1.3	2.0	1.4
Sick-leave rate	Percent of total working hours	2.5	2.6	2.8

Financial figures for 2019 include effects of IFRS 16, whereas previous years have not been restated.

19,620
Order intake
NOK million

29,263
Revenue
NOK million

2,244
EBITDA
NOK million

7.7
EBITDA margin
Percent

7.9
EBITDA margin excl. special items
Percent

705
EBIT
NOK million

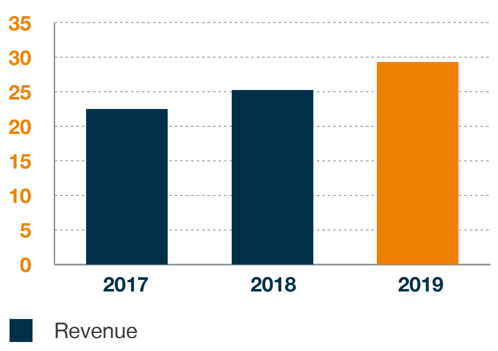
2.4
EBIT margin
Percent

3.7
EBIT margin excl. special items
Percent

Key figures

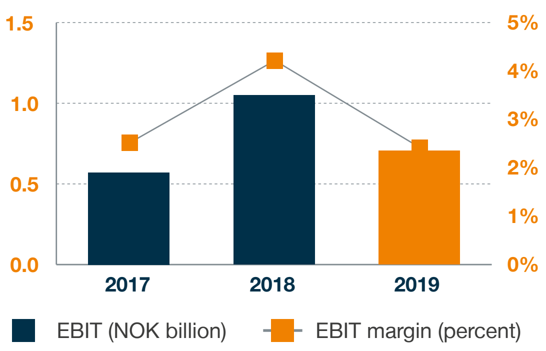
Revenue

Amounts in NOK billion



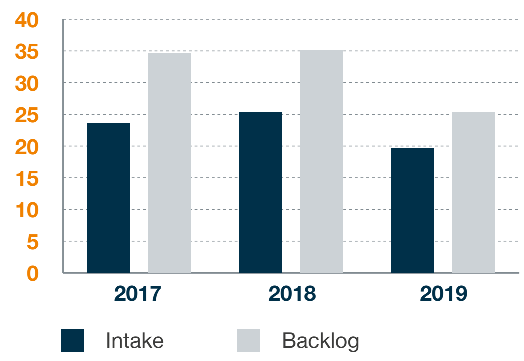
EBIT and margin

Amounts in NOK billion and percent



Order intake and backlog

Amounts in NOK billion

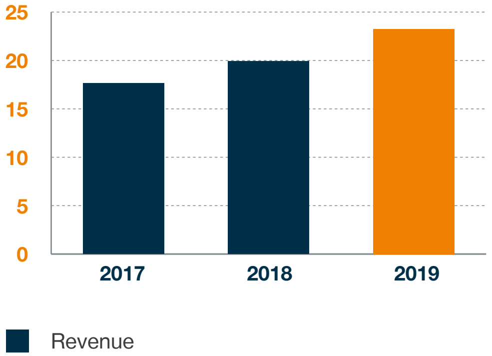


Financial figures for 2019 include effects of IFRS 16, whereas previous years have not been restated.

Projects

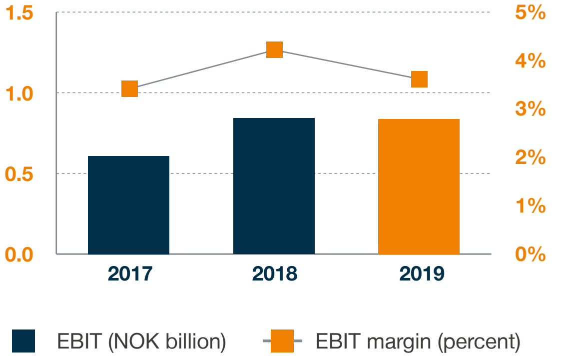
Revenue

Amounts in NOK billion



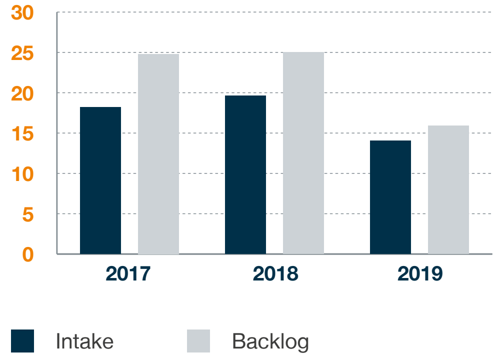
EBIT and margin

Amounts in NOK billion and percent



Order intake and backlog

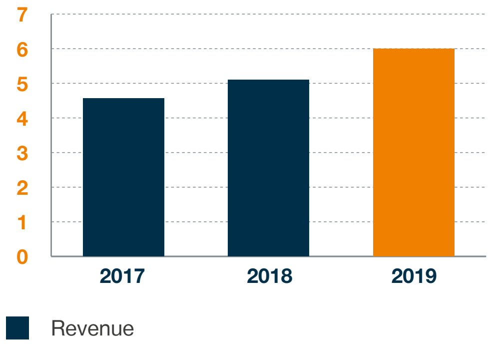
Amounts in NOK billion



Services

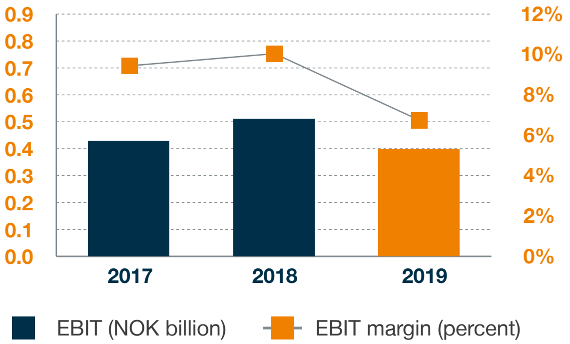
Revenue

Amounts in NOK billion



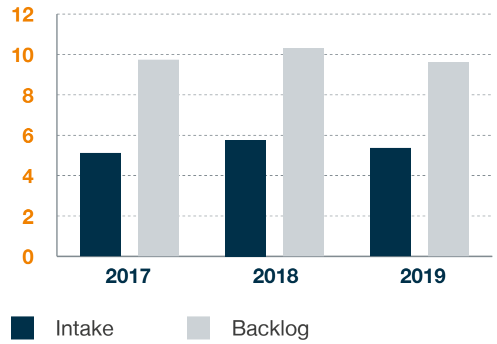
EBIT and margin

Amounts in NOK billion



Order intake and backlog

Amounts in NOK billion



Financial figures for 2019 include effects of IFRS 16, whereas previous years have not been restated.

Where we are

Operations in about 20 countries.

Highlights

HSSE

Aker Solutions has a zero HSSE mindset and is committed to no harm to people, assets or the environment. In 2019, the company implemented the International Association of Oil and Gas Producers (IOGP) Life-Saving Rules globally. This is one of the biggest HSSE initiatives rolled out in the organization during recent years. The aim is to take the organization back to the basic principles and prevent incidents from happening.

Strategy

A key priority at Aker Solutions is to pursue energy solutions that minimize the environmental footprint and promote a shift to a sustainable energy future. In 2019, the company updated its enterprise strategy, summarized as 20/25/30. The strategy states Aker Solutions' new direction of generating 20 percent of its revenues from renewables and 25 percent of its revenues from a portfolio of distinct low-carbon solutions by 2030.

Offshore Floating Wind

The market for offshore floating wind is forecast to grow exponentially in the coming decade. Aker Solutions is actively taking a position in this segment to meet the 20 percent goal described in the updated strategy. In 2019, the company increased its stake in Principle Power Inc. to 25 percent and launched a consortium to develop a 500MW wind park in South Korea.

Carbon Capture, Utilization and Storage (CCUS)

CCUS is a low-carbon solution offered at Aker Solutions. The company secured a contract to supply its modularized Just Catch plant to Twence, a waste-to-energy plant in the Netherlands, which will capture CO_2 to be utilized as fertilizer for nearby greenhouses. Together with HeidelbergCement, Aker Solutions also plans to build the first full-scale carbon capture plant in the cement industry.

Subsea Gas Compression

Subsea gas compression is another low-carbon offering. In 2019, Aker Solutions was awarded a master contract from Chevron and partners Shell and Exxon to develop the Jansz-Io field offshore Australia. The Jansz-Io project also includes an unmanned platform, which is also part of the low-carbon portfolio offered by Aker Solutions.

Digitalization

To strengthen its digital life-of-field offerings, Aker Solutions rebranded its software house as ix3. The ix3 software portfolio accelerates field development projects and uses automated engineering and machine learning to optimize asset integrity, safety and performance throughout the life of an energy asset.

Technology

The focus on digital activities continues with the opening of data analytics labs at our Technology Centers in Reading, UK and in Tranby, Norway. These labs combine live data from various subsea systems with analytics and visualization tools to provide new insight into the operations phase of a field lifecycle.

Johan Sverdrup

Aker Solutions celebrated together with Equinor on October 5, when the giant Johan Sverdrup field started production in the North Sea. This project was two months ahead of the original schedule and some NOK 40 billion below the original budget. The Johan Sverdrup field is powered from shore and has some of the lowest emissions in the industry, at 0.67 kg per barrel, compared with the industry's global average of about 18 kg.

Front-End

2019 was another year of record activity for the company's Front-End teams, as they secured 151 studies and projects. Several projects are for low-carbon developments, including CCUS, electrification and unmanned platforms.

Subsea

Aker Solutions launched its Intelligent Subsea offering designed to accelerate field development and maximize system and product performance. With Aker Solutions' intelligent subsea approach, the time it takes to generate optimal subsea field layouts can be cut by 75 percent and the cost of field development capex can be halved.

Petrobras

Aker Solutions and Petrobras celebrated the delivery of the hundredth subsea tree for the pre-salt fields, an important milestone for Aker Solutions that highlights the company's presence in Brazil and the company's commitment to developing the Brazilian energy market.

Social Responsibility

Last year was the first full year of operation of the VI Foundation (Stiftelsen VI), a foundation to address the societal problems related to living with disabilities. The foundation will be a resource center and information hub for people with disabilities. We will work with our ambassadors to ensure that people with disabilities get better living conditions, better health treatment and closer integration in society.

CEO Introduction

Looking back at 2019 I would say the year was characterized by high activity in our existing portfolio and good progress on our strategic goals. The oil and gas market remained active and our revenues rose 15 percent compared to the previous year or 30 percent over the last two years. But the market was also volatile, and the sanctioning of some key projects was delayed, which affected our overall order intake and results for the year.

Market volatility increased sharply in the beginning of 2020 and has been further exacerbated by the COVID-19 (Corona) virus outbreak. Increased production volumes from several major oil producing countries has caused a significant decline in global oil and gas prices, and in mid-March 2020 the Brent oil price fell below USD 30/bbl for the first time since 2016. The sharp decline in oil prices has increased uncertainty in an already tough market. The spread of the COVID-19 virus is causing global disruption with negative consequences both for human health and economic activity.

The scale of the economic impact on the major world economies is unprecedented. A significant amount of the expected offshore project sanctioning in 2020-21 may therefore be at risk. Aker Solutions has implemented measures in all locations to minimize the spread of the virus and minimize the risk of disruptions to its operations. It is too early to say how these events will impact client deliveries, operations and financial performance in the long-term. The challenging commodity price environment and the effects of COVID-19 virus are likely to impact the global oil and gas industry in 2020, and Aker Solutions will continue to be vigilant and evaluate the need for further measures going forward.

The health and safety of our people remains a top priority for me. In March 2019, we implemented the International Association of Oil and Gas Producers' Life-Saving Rules. The implementation of the Life-Saving Rules was the biggest HSSE initiative to be rolled out in our organization in recent years; nine important rules that aligned our organization around basic safety principles. I am happy to see that our safety record improved over the year. Our global TRIF decreased from 2.0 in 2018 to 1.3 at the end of 2019, and the number of days without an incident increased by 9 days to 297 days compared to the previous year. The launch of the Life-Saving Rules definitely played a part and helped engage people to focus on the simple rules that save lives. We look forward to continuing our journey towards an incident-free working environment, although our current focus is on securing people and operations during the COVID-19 pandemic.

Overall, our execution was strong and we reached some major achievements during the year. Together with Petrobras we celebrated the delivery of the hundredth subsea tree for the Brazilian pre-salt fields indicating our clear leadership position in that important market. A number of umbilicals were delivered including 280 km to phase 2 of the Zohr project to Petrobel, and 150 km of umbilicals for Noble Energy's Leviathan project. Through our alliances with Aker BP we secured first oil for Valhall Flanke West, ahead of schedule and under budget, and we successfully installed subsea equipment for phase 1 of the Ærfugl project. The execution on phase 1 of Ærfugl secured the acceleration of phase 2 of this project by three years.

For Equinor, we delivered products and services to their Troll, Utgard and Njord fields. October 5 was a special day for us – it marked the day that the Johan Sverdrup field started production – two months ahead of schedule and NOK 40 billion under the original budget. The Johan Sverdrup field is powered from shore and has some of the lowest emissions in the industry, at 0.67 kg per barrel, compared with the industry's global average of about 18 kg. We had 1,500 people working on Sverdrup phase 1, following the project from concept development, through FEED, fabrication, construction, engineering, installation and finally hook-up.

Energy demand continues to rise and the challenge for our industry is to provide solutions with a significantly lower carbon footprint. The industry must change, and Aker Solutions needs to be at the forefront of innovation also in terms of carbon efficiency. To take another step in this direction we updated our enterprise strategy. We set some clear long-term targets for our company, which we call 20/25/30: we aim to generate 20 percent of our revenue from renewables and 25 percent of our revenue from low carbon solutions by the year 2030.

Oil and gas will remain the basis of our business for the next decade, but the transition to renewable energy will be where we can use our existing expertise in areas such as floating structures, dynamic cables and subsea infrastructure to our competitive advantage. This is why we continue to invest in and strengthen our position in the offshore floating wind market. We have worked on Carbon Capture, Utilization and Storage solutions for many years, and in 2019, we secured our first commercial contract with Twence, a Dutch waste-to-energy company. This is one of our distinct low-carbon solutions, which has great potential.

2019 was also a year where we continued to help our customers decrease the carbon footprint from new and existing fields through projects and studies. This includes tie-ins to established infrastructure; electrification on site – replacing gas turbines with power from shore. We have also experienced an increase in utilization and interest of unmanned platforms and subsea gas compression, with the prestigious FEED award for the Janz-lo project in Australia for Chevron with Shell and Exxon as partners as a great example.

Last year, our order backlog declined as we faced delays in the sanctioning of some key projects. The start of 2020 has been disruptive and although winning more work remains a top priority, it may prove challenging in the current business environment and it will have an effect on activity level in 2020.

We continue to be vigilant about our cost base, taking necessary measures to address overcapacity, both in terms of staff reduction, increasing process efficiency and removing other cost to improve our competitive position.

I am thankful for the dedication shown by Aker Solutions employees as we continue to work hard to deliver on our strategic goals, improve competitiveness and transition into a new energy future.

Luis Araujo
Chief Executive Officer

Board of Directors' Report

The company's revenues rose last year by about 15 percent, on the back of high activity levels in its projects and services segments in 2019. At the same time, operating margins and order intake fell, in part due to delays to project sanctioning and the execution of a backlog won in a very competitive market. The market volatility increased sharply in the beginning of 2020 with the spread of the COVID-19 (corona) virus pandemic causing global disruption, increased risks and reduced activity levels and with a significant drop in both oil and share prices.

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 15,956 own employees and was present in 25 countries at the end of 2019. The main office is at Fornebu, Norway. Aker Solutions ASA is listed on the Oslo Stock Exchange.

Strategy and Organizational Development

Aker Solutions remains focused on driving a sustainable energy future for our industry and the world it serves. The company aims to play an active role in shaping the energy transition. Last year, the company introduced its long-term ambition to become the recognized leader in low-carbon offerings and sustainable solutions for the energy industry. The strategy, named 20/25/30, summarizes the ambition to generate 20 percent of revenue from renewables, and 25 percent of revenue from distinct low-carbon solutions by 2030.

The company is investing in renewable energy through offshore floating wind. Aker Solutions utilizes its knowledge of offshore floating platforms and associated technologies, combined with experience from offshore project execution to generate value in this fast-growing market. In 2019, the company increased its stake to 25 percent in Principle Power Inc., a US-based offshore wind technology company with a proven technology concept – the WindFloat – for a floating wind turbine foundation.

Aker Solutions' low-carbon portfolio includes field electrification solutions, all-electric subsea systems, unmanned facilities, subsea compression, and carbon capture, utilization and storage (CCUS) technologies. Last year, the company made progress in all these segments, securing contracts that could generate a substantial part of the company's future revenue stream. In April, the company announced the first commercial project for its modular Just Catch carbon capture unit. Aker Solutions will deliver it to the Twence waste-to-energy plant in the Netherlands, where the captured CO_2 will be transported to nearby greenhouses and utilized as a fertilizer.

In 2019, Aker Solutions announced a FEED project for the Chevron-operated Jansz-Io field offshore Australia. The contract includes a master agreement for the development of the whole project, which positions Aker Solutions to secure further work. During 2019, Aker Solutions also won awards for projects to electrify platforms, such as Equinor's Troll B and C platforms in the North Sea, and develop unmanned facilities, including a project for BP in Trinidad and Tobago.

The 20/25/30 strategy states an ambition to enter and develop new markets. The remaining 55 percent of revenue will be delivered from the company's core oil and gas offerings. Aker Solutions' strategy is aimed at strengthening its competitiveness. Aker Solutions is building on its system integrator capabilities and project management skills to excel as an independent, digital, life-of-field integrator. A continued focus on technology, field solutions, digitalization, reducing size, weight, and energy consumption, combined with decarbonization through CO_2 for enhanced oil recovery, will support oil and gas to remain a viable energy source during the energy transition.

Aker Solutions' strategy is operationalized through five strategic themes: Winning Customer Experience, Strategic Partnerships, Impactful Innovation, World Class Services and Operational Excellence.

20%

Revenue from renewables by 2030

25%

Revenue from low carbon solutions by 2030

Customers - Aker Solutions is pursuing international growth in targeted markets, while safeguarding its existing market positions. The company aims to increase the share of revenue from a group of targeted customers, and last year recorded strategically important wins from new clients such as BP, Chevron and Saudi Aramco. The company also entered new regions, with contracts for projects in countries such as China, United Arab Emirates, and Trinidad and Tobago. The company also won repeat orders from existing clients such as Equinor, Petrobras, Shell and Aker BP. For the company as a whole, order intake fell last year and the order backlog decreased. Winning more work, at profitable levels, remains a top priority.

Partnerships – Collaboration with partners such as ABB, Saipem and MAN Energy Systems on subsea compression, integrated subsea services and electrification progressed in 2019. New partnerships included FastSubsea, a joint venture to commercialize next generation subsea pumping and processing as well as a strategic shareholder position in Airborne, to develop lighter and more efficient composite materials. The subsea alliance with Aker BP and Subsea 7 and the wellhead alliance with ABB, Aker BP and Kvaerner both proved to be value enhancing on projects such as Ærfugl and Valhall. Aker Solutions also invested in developing offshore floating wind parks as a consortium development partner in the US and South Korea, as well as increasing its ownership in Principle Power Inc. to 25 percent.

Innovation – Aker Solutions launched ix3 (Integrated, Innovative Insight), which combines Aker Solutions' own developed software solutions with the company's domain expertise. When these capabilities come together, ix3 can offer digital solutions that increase efficiency, quality and safety while reducing the total cost of ownership. In 2019, Aker Solutions also launched Intelligent Subsea to market its digitally enabled, integrated field design, standardized products and services that can improve uptime, lower maintenance costs and boost production for operators. Digitalization offers efficiencies in internal processes as well as opportunities for creating more value through advanced services for customers.

Services - In 2019, Aker Solutions continued its international growth in both Production Asset Services and Subsea Lifecycle Services, securing new and extending existing contracts. The company retained a strong position in its home market, securing service and maintenance contracts for Equinor and Vår Energi in Norway, while gaining ground in countries such as Angola and Saudi Arabia. In Brazil, wholly-owned subsidiary C.S.E. now services about 45 percent of Brazil's offshore assets.

Operations - Key deliveries in 2019 included pre-salt subsea tree number 100 to Petrobras, subsea and topside deliveries to Aker BP, Equinor and Vår Energi. Aker Solutions secured final deliveries to Johan Sverdrup helping the customer start production, ahead of schedule, below budget and with the lowest CO_2 footprint in the industry. The company has been involved from the very beginning of this landmark development and played a pivotal role in its success. The projects that performed below expectations were given extra attention and improvement measures were introduced.

> **"Aker Solutions' strategy is operationalized through five strategic themes: Winning Customer Experience, Strategic Partnerships, Impactful Innovation, World Class Services and Operational Excellence.**

The company continued to pursue further cost reductions through the efficiency improvement program known as #thejourney. Smaller capacity reductions were made in the UK and Norway.

Further cost reduction under the efficiency improvement program will be central to improving the company's competitive position and results from operations. Three key focus areas will be to further reduce cost through increased use of engineering from the Mumbai office, reduce equipment and product cost through standardization and digitalization in addition to removing cost via our supply chain activities.

The company will continue to evaluate the need for further and more wide-ranging measures to reduce cost and improve efficiency.

Organization

In April, Egil Bøyum was appointed Executive Vice President of Greenfield Projects at Aker Solutions. Egil Bøyum replaced Knut Sandvik, who left the company for another role in the Aker group. Maria Peralta was appointed Executive Vice President of Products, replacing Egil Bøyum. In June, Aker Solutions appointed Ole Martin Grimsrud as Chief Financial Officer (CFO) of Aker Solutions. Grimsrud replaced Svein Oskar Stoknes, who joined Aker ASA as CFO.

Where We Operate

Aker Solutions is pursuing international growth in targeted markets, while safeguarding its existing market positions. The company is represented in 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 with its ambition to grow internationally, with new awards in Australia, United Arab Emirates, Saudi Arabia, and Trinidad and Tobago in 2019.

Market Outlook

Aker Solutions' financial performance still depends primarily on activity in global oil and gas markets, while the business looks to diversify into a wider range of energy segments. Market volatility increased sharply during the first quarter of 2020, with the sharp decline in commodity prices being exacerbated by the COVID-19 pandemic. This has caused an unprecedented global disruption, with significant negative impacts both on the global economic activity level and on business enterprises, including Aker Solutions. As a result of this, project sanctioning in 2020 and 2021 will to a large extent be postponed or cancelled unless significant fiscal stimulations are imposed by governments. The challenging commodity price environment and the effects of the COVID-19 pandemic create unprecedented uncertainty and will have an adverse impact on both activity and financial performance of Aker Solutions. Due to the high level of uncertainties, it is still difficult to quantify more exactly the adverse effects and it is also too early to conclude on timing and path of recovery.

In 2019, the market remained active, but volatile, driven by tensions in the Middle East, the US-China trade dispute and OPEC attempted to balance the markets by increasing supply cuts. Oil price fluctuated between 55-75 USD per barrel during the year.

The company won 151 front-end orders in 2019, making it another record year, with solid international traction. This is historically a leading indicator for upcoming project activity. 29 studies turned into more detailed FEED projects last year, compared with 19 in 2018. Some of these FEEDs include options for EPC contracts, which puts the company in a good position for further work in the next phases of development.

The demand for offshore oil and gas services benefitted from increased investment in brownfield projects in 2019, as clients invested to increase production and extend the life of existing assets, in addition to adding subsea tie-backs. All of which plays to Aker Solutions' strengths, given its installed base of subsea equipment and offshore infrastructure which it has designed and delivered. The brownfield activity has, however, been impacted adversely in 2020 by demobilization due to various initiatives launched to protect people and businesses against the COVID-19 pandemic. In addition, the subsea segment is under particular pressure due to fierce competition triggered by overcapacity among suppliers, and operators are increasingly placing emphasis on pricing and risk sharing.

Several large greenfield projects faced sanctioning delays in 2019. Deepwater development costs have halved since 2014. Operators have a pipeline of resilient projects, but further delays due to increased market volatility, and the recent collapse of the oil price is likely to happen. CAPEX-cut announcements from large oil companies have already emerged and further reduction in activity is likely to happen.

Long-term, the industry needs to lower its carbon footprint. Decarbonizing oil and gas, and growth in carbon capture and renewable energy such as offshore floating wind, represents significant growth opportunities for Aker Solutions. Low-carbon solutions include all-electric systems, unmanned operations, subsea compression, and carbon capture and storage where Aker Solutions is very well positioned.

Sustainability

The company's commitment to human and labor 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 sustainability based on recommendations from the Oslo Stock Exchange. This includes reporting according to the Global Reporting Initiative (GRI), Carbon

Disclosure Project (CDP) and Task Force on Climate related Financial Disclosures (TCFD) reporting. Aker Solutions' strategy supports the UN Sustainable Development Goals. More information is available in the company's sustainability report for 2019 on www.akersolutions.com/sustainability-reports.

Corporate Governance

Good corporate governance at Aker Solutions will ensure sustainable operations and value creation over time to the benefit of shareholders and other stakeholders. Corporate governance is a framework of processes, mechanisms and responsibilities for managing the business and making sure the right objectives and strategies are set and implemented with results that can be measured and followed up. The management and the Board of Directors are responsible for ensuring the company conducts business using sound corporate governance, and sets the standards for corporate governance, ensuring these reflect the Norwegian Code of Practice for Corporate Governance. The audit committee supports the Board of Directors in the quality assurance of guidelines, policies, and other governing instruments pertaining to the company. The committee supports the Board of Directors in safeguarding that the company has sound risk management and internal controls over financial reporting. The audit committee also monitors compliance with the company's Code of Conduct as well as anti-corruption and third party representative policies.

More information is available in the corporate governance report for 2019 on www.akersolutions.com/corporate-governance.

Financial Performance

Aker Solutions presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The company implemented IFRS 16 leasing in 2019, which had a significant impact on the financial statements. Refer to further information in note 18 for the consolidated financial statements. All financial information, 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 29.3 billion in 2019 from NOK 25.2 billion the prior year. The increased activity level was mainly driven by Brownfield modification and hook-up projects in the North Sea and solid international growth within Services. Earnings before interest and taxes (EBIT) decreased to NOK 705 million from NOK 1,049 million a year earlier. Earnings were impacted by restructuring costs of NOK 70 million and impairments of NOK 304 million, mainly related to real estate lease assets in addition to some fixed assets. Excluding special items EBIT increased to NOK 1,081 million from NOK 1,074 million a year earlier, which corresponds to a margin reduction to 3.7 percent compared to 4.3 percent a year earlier.

Interest income was NOK 57 million in 2019 compared with NOK 39 million the previous year. Interest expenses were NOK 508 million compared to NOK 268 million the year before. The increase in both interest income and interest expenses relates to implementation of IFRS 16 leasing in 2019. 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 decreased to NOK 170 million in 2019 from NOK 792 million the year before. Net interest cost was negatively impacted by NOK 106 million of currency losses related to the significant devaluation of the Angolan Kwanza in October 2019. Income tax expenses were NOK 87 million, down from NOK 238 million in 2018. This corresponds to an effective tax rate of 51 percent, compared to 30 percent the year before.

Net income after tax in 2019 was NOK 83 million compared with NOK 554 million the previous year. The lower net income in 2019 was driven mainly by special items such as impairments related to real estate lease assets, restructuring charges and currency losses related to the devaluation of the Angolan Kwanza.

Earnings per share were NOK 0.15 versus NOK 1.88 in 2018. Excluding special items, the earnings per share for 2019 were NOK 1.54 versus NOK 2.01 the previous year.

The Board of Directors has proposed that no dividend payment be made for 2019. While Aker Solutions' finances were solid, with a liquidity buffer of NOK 6.3 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.

Projects Financial Results

The Projects segment provides greenfield engineering and procurement, brownfield modifications and subsea equipment and systems.

Projects revenue increased to NOK 23.3 billion in 2019 from NOK 19.9 billion the year before, mainly related to the field design sub-segment, and in particular, brownfield modification and hook-up projects in the North Sea. The EBIT margin decreased to 3.6 percent from 4.2 percent a year earlier. Excluding special items, the EBIT margin was 4.1 percent versus 4.4 percent the year earlier, reflecting a solid progress on the new project backlog that was won in a competitive market, as well as a continued higher share of lower-margin brownfield activity.

The full-year order intake was NOK 14.0 billion in 2019, down from NOK 19.6 billion the prior year. Tender activity remains high at an estimated sales value of NOK 50 billion. The order backlog was NOK 15.9 billion at the end of 2019 versus NOK 25.0 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 6.0 billion in 2019 from NOK 5.1 billion the year before, mainly related to PAS growth in Brazil and Canada. The EBIT margin decreased to 6.7 percent from 10.0 percent a year earlier. Excluding special items, the EBIT margin was 8.1 percent compared with 10.4 percent a year earlier, reflecting the higher share of lower-margin PAS activity.

The full-year order intake was NOK 5.4 billion in 2019, compared to NOK 5.8 billion the prior year. Tender activity remains very high at an estimated sales value of NOK 10 billion. The order backlog was NOK 9.6 billion at the end of 2019 versus NOK 10.3 billion a year earlier.

23.3

Projects revenue
NOK billion

6.0

Services revenue
NOK billion

	Projects		Services	
Amounts in NOK million unless otherwise noted	**2019**	**2018**	**2019**	**2018**
Revenue	**23,253**	19,920	**5,995**	5,096
EBITDA	**1,736**	1,354	**721**	678
EBITDA margin (%)	**7.5**	6.8	**12.0**	13.3
EBITDA excl. special items	**1,780**	1,371	**740**	692
EBITDA margin excl. special items (%)	**7.7**	6.9	**12.3**	13.6
EBIT	**837**	843	**399**	511
EBIT margin (%)	**3.6**	4.2	**6.7**	10.0
EBIT excl. special items	**960**	874	**486**	528
EBIT margin excl. special items (%)	**4.1**	4.4	**8.1**	10.4
NCOA (or working capital)	**-239**	-1,141	**844**	693
Order intake	**14,029**	19,642	**5,365**	5,756
Order backlog	**15,887**	25,014	**9,613**	10,294
Employees	**7,737**	7,188	**5,669**	5,473

Financial figures for 2019 include effects of IFRS 16, whereas previous years have not been restated.

Assets, Equity and Liability

Non-current assets totaled NOK 14.3 billion at the end of 2019, compared with NOK 9.6 billion the year before. Goodwill and other intangible assets amounted to NOK 5.7 billion, the same as in 2018. The company had net interest-bearing debt of NOK 1.6 billion in 2019, compared with NOK 440 million the prior year. The net interest bearing debt consists of current and non-current borrowings excluding cash and cash equivalent. The debt includes bond loans in the Norwegian market, bank loans with Nordic and international banks and local financing in Brazil. The company ended the year with a total liquidity buffer of NOK 6.3 billion. This included cash and bank deposits of NOK 1.9 billion as well as committed long-term revolving bank credit facilities of NOK 4.4 billion. Capital adequacy and liquidity were deemed solid at the end of 2019, 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 7.2 billion at the end of 2019, compared with NOK 7.6 billion a year earlier. The company's equity ratio was 27.2 percent, down from 36.3 percent a year earlier. The decrease is mainly related to implementation of IFRS 16 leasing with lease liabilities of NOK 5.5 billion included in total equity and liabilities in 2019.

Cashflow

Consolidated cashflow from operating activities depends on several factors, including progress on and delivery of projects, changes in working capital and prepayments from customers. Net cash from operating activities was NOK 319 million in 2019 compared with NOK 921 million a year earlier. Net current operating assets were NOK 781 million at the end of 2019 (including IFRS 16) compared with negative NOK 753 million a year earlier. The change in net current operating assets reflected somewhat weaker payment terms on the new project backlog and the implementation of IFRS 16. Net current operating assets may fluctuate due to the timing of large milestone payments on projects.

Aker Solutions' net cash outflow for investing activities was NOK 916 million in 2019, compared with NOK 297 million a year earlier. Investments in technology development and IT were NOK 228 million, compared with NOK 174 million a year earlier. Net cash outflow related to financing activities was NOK 14 million, down from NOK 99 million in 2018.

14.3

Non-current assets

NOK billion

5.7

Goodwill and other intangible assets

NOK billion

Investing in Research, Innovation and Technology

The company's principal focus is the development of cost-efficient concepts, technologies and products to enhance production in declining and complex fields, invest in technologies and innovative solutions to reduce customers' environmental footprint from new and producing assets, while transitioning the technology portfolio to a new energy and low-carbon future.

The total 2019 R&D expenditure was NOK 309 million, of which NOK 228 million was capitalized and NOK 81 million was expensed. More than half of all R&D investments were allocated to digital initiatives. The research and development portfolio includes six key development programs, including several technology qualification projects. At the end of the year, Aker Solutions recognized NOK 2 million in impairment losses on capitalized R&D related to technologies where the market outlook changed.

Aker Solutions launched ix3 - a software and digital services company that enables operators to accelerate field development projects and optimize asset performance. Through the proprietary digital twin platform, Integral, ix3 brings together engineering, manufacturing and test data with live streamed data. Integral monitors, assesses, maintains and optimizes energy assets from concepts to decommissioning.

The focus on digital activities continued with the opening of data analytics labs in Aker Solutions' Technology Centers in Reading, UK and in Tranby, Norway. These labs are being used to combine live data from various subsea systems with analytics and visualization to provide new insight during operations. Analytics are being developed to detect problems, reduce diagnostics time and target the correct remedial action.

As in 2018, much of Aker Solutions' innovation took place in collaboration with other companies, such as ABB, MAN Energy Solutions, and Principle Power Inc. Aker Solutions acquired shares in Airborne Oil & Gas to invest in future materials technology, in particular the Thermoplastic Composite Pipe (TCP) technology based on multiple polymer and fiber systems. Furthermore, Aker Solutions, formed a joint venture with FSubsea, called FASTSubsea, to develop the world's first 'topside-less' multiphase boosting system.

Aker Solutions has continued investing in early phases of technology development. This work has been strengthened in 2019 with the launch of the 20/25/30 strategy. Aker Solutions is developing technology to support floating offshore wind production, including floating and subsea substations and offshore power cables, energy storage and fish farming. Last year, Aker Solutions also took part in the Zero Emission Energy Distribution at Sea (ZEEDS) consortium initiated by Wartsila, aimed at developing low-emission fuel for the shipping industry.

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 profit of NOK 1,123 million in 2019 mainly consisting of a dividend from subsidiary of NOK 1,400 million, in addition to corporate costs and net interest expenses of NOK 277 million. The parent company had a net loss of NOK 266 million in 2018 mainly consisting of corporate costs and interest expenses.

The Board of Directors proposed that no dividend payment be made for 2019 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.

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 increasingly stringent standards. At Aker Solutions, the HSSE culture is founded on the principle that HSSE is personally responsibility for every employee. To strengthen the culture further and improve the company's HSSE performance, Aker Solutions implemented the standardized International Association of Oil & Gas Producers (IOGP) Lifesaving Rules in 2019.

2.5%

Global sick leave 2019

Health and Working Environment

Aker Solutions is committed to a goal of zero harm to its employees, not just through accident prevention, but also through safeguarding employee's physical and mental health. In 2019, a new health hazard assessment E-score tool was piloted in five countries to gain a systematic overview of health risks. This tool will be implemented globally in 2020 and the results will be monitored as a HSSE KPI.

On a global level the HSSE mindset module on "Fatigue in the Workplace" was rolled out and received good feedback from the organization. Aker Solutions' global sick leave for 2019 was 2.5 percent, which is below the target of 2.7 percent.

Safety

Aker Solutions operates with a zero harm mindset and the belief that all incidents can be prevented. The Zero Days indicator counts days without a recordable injury or serious incident across the company. In 2019, Aker Solutions delivered 297 Zero Days, compared to 288 in 2018. This represents an increase of nine days.

However, the company is committed to return to the 2017 level, setting a goal of 314 Zero Days for 2020.

Aker Solutions uses the lagging indicator Serious Incident Frequency (SIF) to focus on the trend and occurrence of high-risk incidents. These are incidents where the actual or potential consequence is deemed to be high or extreme, as defined by the company's classification matrix. The year-end result indicates a positive performance development on this KPI, with a SIF figure of 0.3 which is well below the target of 0.5. Of the nine out of 14 serious incident cases in 2019, dropped objects were still the most significant single event.

In total, 61 employees were injured with a severity higher than first aid treatment, in the company's operations globally during 2019. Out of these, there were no fatalities, but two injuries were classified as serious. A total of 14 injuries caused lost work days, and 12 caused restricted work. The remaining 35 injuries required medical treatment. The lost work day cases were mainly injured fingers and hands due to squeezing and cuts, and arm injuries caused by falling. At the end of 2019, Aker Solutions had a Lost Time Injury Frequency (LTIF) of 0.3, compared to 0.6 in 2018. The Total Recordable Injuries Frequency (TRIF) also had a positive development and decreased from 2.0 in 2018 to 1.3 in 2019.

Security

Aker Solutions' commitment towards safeguarding employees, assets and reputation is demonstrated by the core team of security professionals and the operation of a 24/7 Global Security Operations Center. The Center is now supporting all aspects of Aker Solutions' global operations as well as some of the affiliated Aker companies. The introduction of a confidentiality module in the Synergi-Life reporting tool has enabled the function to register sensitive cases while also ensuring privacy. Other improvements of the tool have enabled cases within physical, personnel and IT security to be differentiated and managed by the correct functions. This has also ensured improvements within trending and root-cause analysis. Most of the cases reported in 2019 were related to failure of technical components, personnel not adhering to security procedures and generic cyber-attacks. No serious security incidents were reported in 2019.

New locations have been onboarded to the corporate systems for access management and remote surveillance, e.g. Port Klang, Luanda and Perth. Work has commenced to also incorporate Mumbai, Al Khobar and Hainan.

Cybercrime

Cybercrime continues to be a major threat to operations. Aker Solutions continually monitors the threat landscape and takes the necessary steps to safeguard employees, systems, data and products. Phishing emails remain the most important vector for cyber attacks and further measures have been taken to secure email, improve capabilities to identify ongoing malicious activities and increase employee awareness of cyber threats. With smarter products connected to the internet, there is an increased risk to these devices and the systems they are connected to. Precautions have been taken to protect Aker Solutions and the company's clients' assets.

0.3

Lost Time Injury Frequency (LTIF)

1.3

Total Recordable Injuries Frequency (TRIF)

Emergency Preparedness and Response

The company's CERT (Corporate Emergency Response Team) was involved in two incidents in 2019 - a fire affecting our office in Nigeria and the haze situation in Malaysia. Both incidents were handled by the local organizations in cooperation with the relevant corporate functions.

The company's capabilities within crisis management were further enhanced in 2019. A dedicated resource was assigned to advise and assist country management on development of systems and structure of emergency response and business continuity.

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 its own operations. The company's biggest effect on the environment will be through its customer offerings.

Aker Solutions' total energy consumption, based on the recorded use of oil, gas, fuels and electricity, increased from 97,434 megawatt hours (MWh) in 2018 to 110,930 MWh in 2019. This increase reflects a greater activity level. Total carbon dioxide emissions were 35,255 tonnes in 2019, compared to 34,025 tonnes in 2018. These numbers include carbon dioxide emissions from travel booked in Norway, UK and US during 2019. Additional information on travel emissions from Aker Solutions' other operational regions will be reported in 2020, which should again lead to an increase in overall figures. In 2019, Aker Solutions reported its carbon footprint to CDP and will continue this practice in 2020.

Aker Solutions is focused on waste segregation and recycling. In 2019, the company recorded total waste of 8,350 tonnes, compared with 9,034 tonnes a year earlier. In total, 69 percent of the waste was sent for recycling. This number is lower than in 2018, when the recycling factor was 71 percent. To align with industry standards, the company only includes material recycling in its recycled waste fraction, excluding hazardous waste and waste-to-energy recovery.

Safeguarding Diversity and Equal Opportunity

Aker Solutions had 15,956 employees and 5,100 contract staff at the end of 2019. 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 136 in 2018 to 144 in 2019.

Aker Solutions' diverse workforce represents about 83 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 2019 sustainability report www.akersolutions.com/sustainability-reports.

22%

Female Leaders

83

Nationalities

Risk Factors

Aker Solutions' global footprint, operations and exposure to energy markets and a volatile commodity price provides both opportunities and risks that may affect the company's operations, performance, finances, reputation and share price. It is evident that external risk factors such as pandemics, market risk, oil price volatility, ethical and political risks and climate related risks may have a significant adverse impact on the company, in addition to internal risk factors such as operational risks and financial risks. These risk factors are further described below.

Pandemics

During the first quarter of 2020, the spread of the COVID-19 (corona) virus caused global disruption, with negative consequences both for human health, business enterprises (including Aker Solutions) and the global economy in general. It is difficult to predict the full scale consequences of the virus outbreak at the time of this report. However, the consequences of the pandemic will be serious for Aker Solutions and for the oil and gas industry at large. Consolidations, bankruptcies and other changes are likely to happen in the supplier industry due to the current COVID-19 pandemic and parallel market turmoil. Pandemic outbreaks and other natural disasters could also occur in the future and may impact Aker Solutions in the following manner:

- Personnel may not be able to work due to illness, quarantines, travel restrictions and social distancing
- Manufacturing sites, service bases or office buildings may as a result be shut down
- Supplies from vendors and deliveries to clients may be delayed
- Clients are likely to face delays and losses and may claim reimbursement from Aker Solutions and other suppliers
- Long-term impact on the global economy may result in loss and impairment of the assets
- Available future market could decrease as clients reduce capex spendture

Market Risk

The oil and gas market remained unpredictable over the past year. Volatility has significantly escalated in 2020 as a result of the collapse of the oil price, exacerbated by the COVID-19 pandemic. Some of the principal factors that contribute to market risk are outlined below:

- Instability in the world economy as a result of virus pandemics
- Volatile oil and gas market, changes in supply, demand and storage having an adverse impact on energy prices which is likely to impact activity levels significantly
- Uncertainty regarding future contract awards and their impact on future earnings and profitability
- Climate change and speed of the energy transition to renewables and lower carbon economy, including 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
- These factors will influence oil price and oil companies' exploration, development, energy transition, 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, invest in sustainable energy such as floating offshore wind and technology to capture emissions such as carbon capture and storage, and enhance standardization and simplification. The company aims to be agile in its approach to the market, effectively adapting to industry demand, Environment Social Governance (ESG) requirements, 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.

Ethical and Political Risks

Aker Solutions has established ethical policies and procedures in order to comply with applicable standards domestically and internationally. Aker Solutions could, nevertheless, potentially become involved in unethical behavior, either directly or through third parties and partners. The company has operations in countries associated with high political, corruption and human rights risks. Key tools to reduce these risks are the company's code of conduct, anti-corruption compliance program and human rights system, 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. At the end of 3Q, specific reporting on human rights was included in the quarterly reporting to the Audit Committee. Furthermore, a human rights committee was established in 3Q to ensure that the company has a sound human rights system in place and to continuously improve this system.

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

In 2019, the company 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 2019, the company conducted screenings of potential projects in high risk countries and integrity due diligences of potential business partners as it pursued opportunities in high risk markets.

Climate Related Risks

Climate related risks are defined within physical, regulatory/liability, technology, market and reputational risks. These risks have been covered under the other chapters and in the sustainability report. The company may face increasing reputational challenges and declining political goodwill if talent, investors and customers only associate Aker Solutions with the oil and gas industry.

Operational Risk

Aker Solutions uses 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.
- Cybercriminals and cyber security issues 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. Aker Solutions operates in some jurisdictions where regulations and requirements limit the convertibility of local currency and restrict free flow of cash. Although mitigating actions had been taken, Aker Solutions experienced significant currency losses in Angola in 2019 as currency hedging instruments were generally not available. The significant market fluctuations in the beginning of 2020 as a result of the COVID-19 pandemic has also increased the currency exposure, as there may be disruptive financial market conditions and changes in the underlying hedged exposures due to cancellations or bankruptcies among clients and vendors. There is a risk that the contingency buffer included in tenders is insufficient to cover currency losses when market fluctuations are significant.

- **Liquidity risk:** Liquidity risk is the risk that the company is unable to meet the obligations associated with its financial liabilities. The corporate treasury department ensures financial flexibility by forecasting cashflow needs and maintaining sufficient liquidity reserves and available committed credit lines. The current market uncertainty as a result of the COVID-19 pandemic has increased the liquidity risk, as the future operating cashflows may develop negatively. The development of the debt covenants is closely monitored, and management is in close dialog with the lending banks and financial institutions to ensure continued access to liquidity. The company is also proactively in contact with governments to ensure participation in financial relief measures. The revolving credit facility and the group's cash reserve is currently assessed as sufficient, provided that there will be no draw-stop imposed on the revolving credit facility.

- **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 percent 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:** Credit risk is the risk of financial losses if a customer or counterparty to financial receivables and financial instruments fails to meet contractual obligations. 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. The credit risk is monitored closely under the current volatile market conditions, especially for lower rated companies.

- **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.

Aker Solutions' approach to enterprise risk management, risk management and internal controls are based on the principles in ISO 31000, Project Management Institute and the Committee of Sponsoring Organizations of Treadway Commission (COSO) frameworks, however, without applying all elements of these standards. Climate related risk is also evaluated in accordance with Task Force on Climate-related Financial Disclosure (TCFD). Aker Solutions has company-wide governing documents and tools for each defined risk category on how to assess, respond to and report on 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 audits.

Going Concern

During the first quarter of 2020, the sharp decline in commodity prices, exacerbated by the COVID-19 pandemic caused global disruption, with significant negative consequences both for human health, economic activity and Aker Solutions. The challenging commodity price environment together with the effects of the COVID-19 pandemic create unprecedented uncertainty and makes it challenging to firmly predict the long term effects for Aker Solutions. Aker Solutions is taking a number of measures to mitigate substantial negative impact for the company including layoffs, reduced investment plans and close collaboration with customers, banks and financial institutions, suppliers and employees. The actions are an acknowledgement of current events as well as uncertainty around the timing and path of recovery. Aker Solutions also has proactive dialogues with governments to ensure participation in financial relief measures aimed at containing economic effects of the COVID-19 (corona) virus outbreak.

The high market volatility caused by the COVID-19 pandemic in conjunction with the collapse of the oil price, increases the risk regarding the going concern assumption for most companies, and this is also the case for Aker Solutions. Although the risk has increased, the assessment is that Aker Solutions has the resources, organization, competence, assets and customer base to continue being a going concern.

Therefore, in accordance with the Norwegian Accounting Act, the Board of Directors confirms that the consolidated financial statements and parent company financial statements have been prepared based on the going-concern assumption.

Fornebu, March 24, 2020
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

Audun Bråthen
Director

Luis Araujo
Chief Executive Officer

Consolidated Financial Statements

Aker Solutions Group

December 31, 2019

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 calendar year ended on December 31, 2019.

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 2019 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, 2019.
- The board of directors' report of 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 24, 2020
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

Audun Bråthen
Director

Luis Araujo
Chief Executive Officer

Income Statement

Consolidated statement for the year ended December 31

Amounts in NOK million	Note	2019	2018
Revenue	3, 4	**29,263**	**25,232**
Materials, goods and services		**-13,447**	-10,560
Personnel expenses	5	**-10,553**	-9,534
Other operating expenses	6	**-3,020**	-3,328
Operating expenses before depreciation, amortization and impairment		**-27,019**	**-23,422**
Operating income before depreciation, amortization and impairment		**2,244**	**1,810**
Depreciation and amortization	10, 11, 18	**-1,234**	-739
Impairment	10, 11, 12, 18	**-304**	-22
Operating income		**705**	**1,049**
Interest income	7	**57**	39
Interest expenses	7	**-508**	-268
Net other financial items	7	**-84**	-28
Income before tax		**170**	**792**
Income tax	9	**-87**	-238
Net income		**83**	**554**
Net income attributable to:			
Equity holders of the parent company		**41**	511
Non-controlling interests		**41**	43
Net income		**83**	**554**
Earnings per share in NOK (basic and diluted)	8	**0.15**	**1.88**

Other Comprehensive Income (OCI)

Consolidated statement for the year ended December 31

Amounts in NOK million	Note	2019	2018
Net income		**83**	**554**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cashflow hedges, effective portion of changes in fair value		**124**	8
Cashflow hedges, reclassified to income statement		**-98**	3
Cashflow hedges, deferred tax	9	**-7**	-2
Translation differences - foreign operations		**80**	-69
Total		**98**	**-60**
Items that will not be reclassified to profit or loss:			
Remeasurements of defined pension obligations	19	**-109**	-71
Remeasurements of defined pension obligations, deferred tax asset	9	**24**	12
Change in fair value of equity investments over OCI	25, 28	**0**	12
Total		**-85**	**-48**
Other comprehensive income (loss), net of tax		**13**	**-108**
Total comprehensive income		**96**	**446**
Total comprehensive income (loss) attributable to:			
Equity holders of the parent company		**55**	400
Non-controlling interests		**41**	47
Total comprehensive income		**96**	**446**

Balance Sheet

Consolidated statement as of December 31

Amounts in NOK million	Note	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	10, 12	**3,065**	3,044
Intangible assets	11, 12	**5,710**	5,686
Right-of-use assets	12, 18	**3,628**	0
Deferred tax assets	9	**871**	663
Lease receivables	18	**663**	0
Other investments	22, 25, 28	**93**	79
Other non-current assets	25, 27	**268**	84
Total non-current assets		**14,298**	**9,556**
Current assets			
Current tax assets		**120**	109
Inventories	13	**369**	326
Trade receivables	3, 14, 25	**3,182**	3,236
Customer contract assets and other receivables	3, 14, 25	**4,846**	3,652
Prepayments		**1,564**	1,348
Derivative financial instruments	24, 25	**156**	218
Interest-bearing receivables	18, 25	**130**	47
Cash and cash equivalents	15, 22	**1,898**	2,473
Total current assets		**12,265**	**11,408**
Total assets		**26,563**	**20,964**

Fornebu, March 24, 2020
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

Audun Bråthen
Director

Luis Araujo
Chief Executive Officer

Amounts in NOK million	Note	2019	2018
Equity and liabilities			
Equity			
Share capital	16	**294**	294
Treasury shares	16	**0**	-1
Reserves	16	**1,174**	1,161
Retained earnings		**5,666**	6,047
Total equity attributable to the parent		**7,134**	**7,502**
Non-controlling interests	26	**97**	**106**
Total equity		**7,231**	**7,608**
Non-current liabilities			
Non-current borrowings	17, 25	**3,280**	1,788
Non-current lease liabilities	18	**4,889**	0
Pension obligations	19	**663**	572
Deferred tax liabilities	9	**269**	266
Other non-current liabilities		**22**	10
Total non-current liabilities		**9,123**	**2,636**
Current liabilities			
Current tax liabilities		**81**	68
Current borrowings	17, 25	**217**	1,125
Current lease liabilities	18	**571**	0
Provisions	20	**521**	906
Trade payables	21, 25	**2,000**	1,680
Other payables	21, 25	**6,021**	6,062
Customer contract liabilities	3	**677**	709
Derivative financial instruments	24, 25	**121**	172
Total current liabilities		**10,209**	**10,721**
Total liabilities		**19,332**	**13,357**
Total equity and liabilities		**26,563**	**20,964**

Cashflow

Consolidated statement for the year ended December 31

Amounts in NOK million	Note	2019	2018
Cashflow from operating activities			
Net income		**83**	**554**
Adjustments for:			
Income tax	9	**87**	238
Net financial cost		**535**	218
(Profit) loss on foreign currency forward contracts	7	**0**	17
Depreciation, amortization and impairment	10, 11, 12, 18	**1,539**	761
Other (profit) loss on disposals and non-cash effects		**-99**	-73
Net income after adjustments		**2,145**	**1,715**
Changes in operating assets and liabilities		**-1,202**	-447
Cash generated from operating activities		**943**	**1,268**
Interest paid		**-572**	-313
Interest received		**132**	96
Income taxes paid		**-184**	-130
Net cash from operating activities		**319**	**921**
Cashflow from investing activities			
Acquisition of property, plant and equipment	10	**-599**	-331
Payments for capitalized development	11	**-228**	-174
Acquisition of subsidiaries, net of cash acquired		**-35**	0
Proceeds from sale of property, plant and equipment		**33**	104
Change in interest-bearing receivables		**-64**	38
Acquisition of shares and funds		**-151**	-34
Sale of shares and funds		**16**	100
Cash collection from lease receivables	18	**113**	0
Net cash used in investing activities		**-916**	**-297**

Amounts in NOK million	Note	2019	2018
Cashflow from financing activities			
Proceeds from borrowings	17	**1,784**	1,617
Repayment of borrowings	17	**-1,190**	-1,716
Payment of lease liabilities	18	**-559**	0
Net purchase of treasury shares	5	**-48**	0
Other financing activities		**-1**	0
Net cash from financing activities		**-14**	**-99**
Effect of exchange rate changes on cash and bank deposits		**36**	-30
Net increase (decrease) in cash and bank deposits		**-575**	**495**
Cash and cash equivalents at the beginning of the period		**2,473**	1,978
Cash and cash equivalents at the end of the period	15	**1,898**	**2,473**

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, 2018		294	-1	5,529	-16	1,312	13	-12	**7,119**	42	**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**
Effect from implementing IFRS 16 Leasing	18	0	0	-355	0	0	0	0	**-355**	0	**-355**
Equity as of January 1, 2019		**294**	**-1**	**5,692**	**-8**	**1,240**	**0**	**-71**	**7,147**	**106**	**7,252**
Net income		0	0	41	0	0	0	0	**41**	41	**83**
Other comprehensive income		0	0	0	18	80	0	-85	**13**	0	**13**
Total comprehensive income		**0**	**0**	**41**	**18**	**80**	**0**	**-85**	**55**	**42**	**96**
Change in treasury shares	5	0	0	8	0	0	0	0	**8**	0	**8**
Employee share purchase program	5	0	0	-14	0	0	0	0	**-14**	0	**-14**
Change in non-controlling interests from dividend		0	0	0	0	0	0	0	**0**	-32	**-32**
Revaluation of tax positions in Angolan Kwanza related to prior years		0	0	-48	0	0	0	0	**-48**	-24	**-72**
Other adjustments to equity		0	0	-12	0	0	0	0	**-12**	5	**-7**
Equity as of December 31, 2019		**294**	**0**	**5,666**	**11**	**1,320**	**0**	**-156**	**7,135**	**97**	**7,231**

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 about 16,000 own employees and was present in 25 countries at the end of 2019. 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, 2019.

The consolidated financial statements were approved by the Board of Directors and the chief executive officer (CEO) on March 24, 2020. The consolidated financial statements will be authorized at the Annual General Meeting on April 21, 2020. 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 the balance sheet, cashflow, note 4 and note 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.

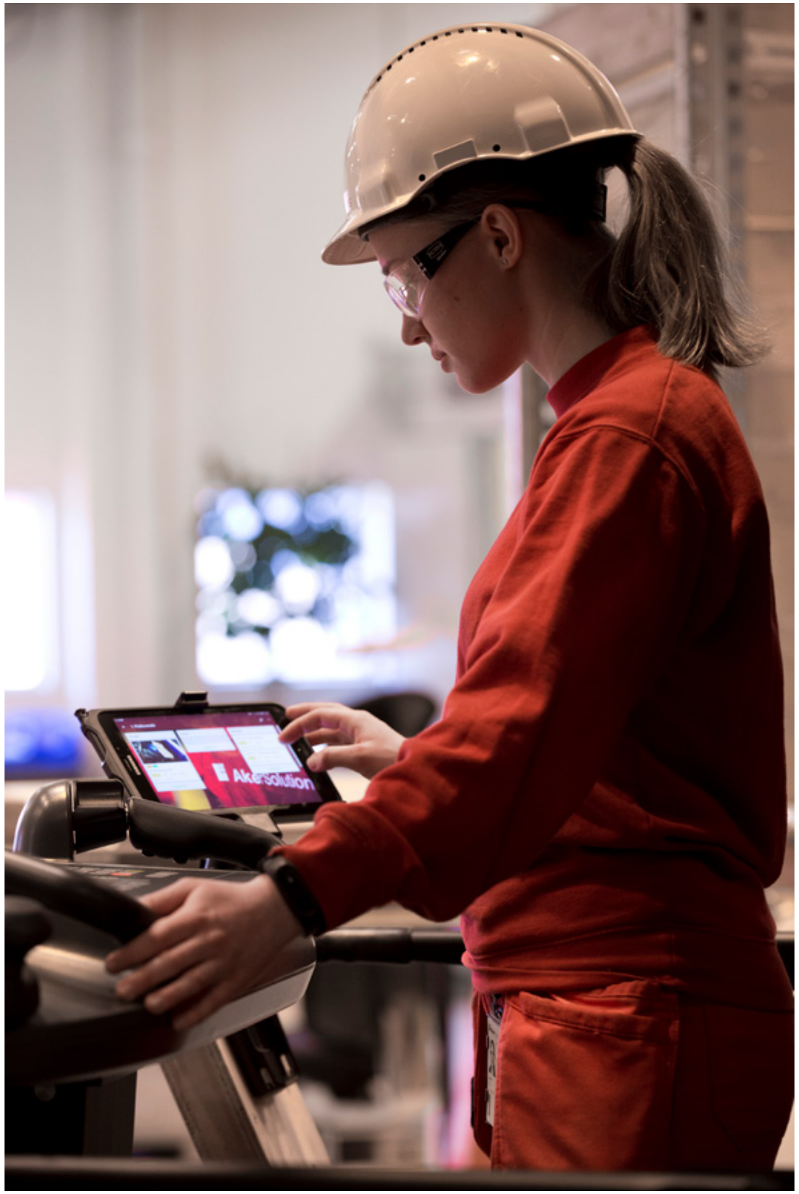
Judgments and Estimates

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 Other Receivables
- Note 18 Leasing
- Note 19 Pension Obligations
- Note 20 Provisions and Contingent Liabilities

New Financial Reporting Principles

IFRS 16 Leasing was implemented on January 1, 2019. The financial reporting principles and the implementation effects are presented in note 18.



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

All customer contracts in scope of IFRS 15 are assessed using the five-step model. Only approved customer contracts with a firm commitment are 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 vast 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 as time and materials are delivered to the customer. The cost progress method is commonly used on lump sum contracts and reimbursable contracts when scope of work is firm. The time and materials method is more commonly used for reimbursable contract with less firm scope. These methods are used 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 revenue 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.

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 system of products and services.

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. The assessment of the LD provision is based on experience from similar LD situations in addition to client relationship, contractual position and status on negotiations.

Note 3 continues on next page

Note 3 Revenue cont.

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, 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.

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 as they represent one combined output. 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 as they represent one combined output. 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 recognized over time using a cost progress method or according to delivered time and materials. Payment terms are normally 30 days after time and materials are delivered. These contracts are reported in the Services operating segments

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	2019	2018
Projects - Subsea	**9,262**	8,162
Projects - Field Design	**14,004**	11,814
Projects - Intra-group revenue	**-13**	-57
Sum Projects	**23,253**	**19,920**
Services	**5,995**	5,096
Total revenue from customer contracts	**29,248**	**25,016**

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, 2019 was NOK 25.4 billion, compared to NOK 35.1 billion the year before. 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	2020	2021	2022	2023 and later	Total backlog
Backlog phasing of ongoing performance obligations	13.4	3.1	1.4	0.3	**18.1**
Backlog phasing of performance obligations not yet started	1.7	2.3	1.9	1.3	**7.3**
Total backlog	**15.1**	**5.4**	**3.3**	**1.6**	**25.4**

Revenue recognized in 2019 for performance obligations delivered in prior years due to constraining the revenue was NOK 68 million, compared to NOK 199 million the year before.

Contract Balances

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

Amounts in NOK million	December 31, 2019	December 31, 2018
Trade receivables	**3,182**	3,236
Customer contract assets	**4,753**	3,559
Customer contract liabilities	**-677**	-709

Customer contract assets relate to consideration for work completed, but not yet invoiced at the reporting date. The contract assets are transferred to trade receivables when the right to payment become unconditional, which usually occurs when invoices are issued to the customers. Customer 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 709 million recognized in contract liabilities at the end of prior period has been recognized as revenue in 2019.

The bad debt provision included in receivables at December 31, 2019 was NOK 64 million, compared to NOK 84 million the year before. No impairment has been recognized on contract assets.

See note 4 for more information about revenue per segment and per country
See note 14 for more information about trade and other receivables
See note 21 for more information about trade and 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 assets through regional service bases. The objective of the segment is to grow a focused service business and position Aker Solutions to be a key partner of choice for customers.

Other

The Other segment includes unallocated corporate costs and the effect of hedges not qualifying for hedge accounting. The Other segment also include impairments of right-of-use lease assets for certain leases (onerous lease costs in 2018), as certain lease decisions are taken by the corporate center. The number of employees in global 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 2019

Amounts in NOK million	Note	Projects	Services	Total operating segments	Other	Intra-group elimination	Total
Income statement							
External revenue		23,106	5,991	**29,097**	166	0	**29,263**
Inter-segment revenue		147	4	**151**	9	-160	**0**
Total revenue		**23,253**	**5,995**	**29,248**	**176**	**-160**	**29,263**
Operating income before depreciation, amortization and impairment		1,736	721	**2,457**	-213	0	**2,244**
Depreciation and amortization	10, 11	-819	-254	**-1,074**	-161	0	**-1,234**
Impairment	10, 11, 12, 18	-80	-68	**-148**	-157	0	**-304**
Operating income		**837**	**399**	**1,236**	**-531**	**0**	**705**
Assets and Liabilities							
Property, plant and equipment	10	1,984	596	**2,580**	485	0	**3,065**
Intangible assets	11	3,393	2,189	**5,582**	128	0	**5,710**
Right-of-use assets	18	783	563	**1,346**	2,282	0	**3,628**
Current operating assets		5,038	3,088	**8,126**	2,145	-190	**10,081**
Operating assets		**11,199**	**6,436**	**17,635**	**5,040**	**-190**	**22,484**
Current operating assets		5,038	3,088	**8,126**	2,145	-190	**10,081**
Current operating liabilities		5,277	2,243	**7,520**	1,970	-190	**9,300**
Net current operating assets		**-239**	**844**	**606**	**176**	**0**	**781**
Cashflow							
Cashflow from operating activities		471	460	**930**	-611	0	**319**
Acquisition of property, plant and equipment	10	-308	-237	**-545**	-54	0	**-599**
Capitalized development	11	-134	-1	**-135**	-93	0	**-228**
Other key figures							
Order intake (unaudited)		14,029	5,365	**19,394**	297	-71	**19,620**
Order backlog (unaudited)		15,887	9,613	**25,500**	0	-102	**25,397**
Own employees (unaudited)		7,737	5,669	**13,406**	2,550	0	**15,956**

Note 4 continues on next page

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 and Liabilities							
Property, plant and equipment	10	1,947	546	**2,493**	550	0	**3,044**
Intangible assets	11	3,475	2,168	**5,643**	43	0	**5,686**
Current operating assets		4,703	2,438	**7,141**	1,612	-83	**8,671**
Operating assets		**10,126**	**5,152**	**15,277**	**2,206**	**-83**	**17,400**
Current operating assets		4,703	2,438	**7,141**	1,612	-83	**8,671**
Current operating liabilities		5,844	1,744	**7,589**	1,918	-83	**9,424**
Net current operating assets		**-1,141**	**693**	**-448**	**-306**	**0**	**-753**
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	0	**14,705**

Note 4 continues on next page

Note 4 Operation Segments cont.

Reconciliation of Information on Operating Segments to IFRS Measures

Amounts in NOK million	2019	2018
Assets		
Total operating segment assets	**22,484**	17,400
Deferred tax assets	**871**	663
Lease receivables	**663**	0
Other investments	**93**	79
Other non-current assets	**268**	84
Derivative financial instruments	**156**	218
Interest-bearing receivables	**130**	47
Cash and cash equivalents	**1,898**	2,473
Total assets	**26,563**	**20,964**
Liabilities		
Total operating segment liabilities	**9,300**	9,424
Non-current borrowings	**3,280**	1,788
Non-current lease liabilities	**4,889**	0
Pension obligations	**663**	572
Deferred tax liabilities	**269**	266
Other non-current liabilities	**22**	10
Current borrowings	**217**	1,125
Current lease liabilities	**571**	0
Derivative financial instruments	**121**	172
Total liabilities	**19,332**	13,357

Major Customer

One major customer represented 26.9 percent of total revenue in 2019 (2018: 24.8 percent), of which NOK 7.2 billion (2018: NOK 5.5 billion) in Projects and NOK 0.7 billion (2018: NOK 0.7 billion) in Services. Aker Solutions has long-term contracts with this customer which is a large international oil company.

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	2019	2018	2019	2018	2019	2018
Norway	**17,354**	15,367	**6,497**	4,121	**101**	148
UK	**3,606**	3,695	**3,623**	2,150	**32**	26
Malaysia	**2,370**	907	**623**	396	**64**	8
Brazil	**2,070**	1,755	**1,202**	1,138	**158**	39
Angola	**1,030**	890	**154**	51	**57**	6
USA	**972**	829	**512**	454	**55**	19
Brunei	**806**	711	**2**	2	**1**	1
Canada	**579**	386	**65**	41	**6**	9
India	**240**	254	**232**	216	**13**	7
Other countries	**237**	438	**256**	199	**113**	70
Total	**29,263**	**25,232**	**13,167**	**8,767**	**599**	**331**

See note 3 for more information about revenue

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	2019	2018
Salaries and wages including holiday allowance	**8,197**	7,419
Social security contribution	**1,198**	1,103
Pension cost	**535**	493
Restructuring cost related to personnel	**70**	32
Other employee benefits	**553**	487
Personnel expenses	**10,553**	**9,534**
Total number of employees as of December 31	**15,956**	14,705

Employee Share Purchase Program

Aker Solutions employees were invited to participate in a share purchaes program in 2019 where the employees could buy up to NOK 60,000 of Aker Solutions shares at a 25 percent reduction of cost price in addition to a discount up to NOK 3,000. To encourage a long-term commitment to the company, a three-year lock-up period was part of the program. The number of employees that participated in the program in 2019 was 1,387.

Loans to employees related to the share purchase program amounted to NOK 38 million as of December 31, 2019. There was no share purchase program in 2018.

See note 19 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	2019	2018
Rental and other cost for land and buildings	**776**	1,310
IT and office supplies	**1,135**	985
Travel expenses	**420**	368
External consultants	**442**	296
Insurance	**143**	117
Other expenses	**104**	252
Other operating expenses	**3,020**	**3,328**

As a result of implementing IFRS 16, leasing costs are not included in operating expenses in 2019 in the table above. Leasing costs are presented in the income statement as depreciation on the right-of-use assets and interest cost of the lease liability. The remaining cost of NOK 776 million includes short-term and low-value leases not affected by IFRS 16, as well as service contracts and other costs related to land and buildings.

See note 18 for more information about leasing costs
See note 31 for more information about audit fees

Note 7 Financial 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. Interest income from lease receivables and interest expense from lease liabilities are also included after implementing IFRS 16 Leasing from January 1, 2019.

Foreign exchange gains and losses arise upon settlement of monetary assets and liabilities that are not hedged. Translation of monetary assets and liabilities denominated in foreign currencies related to operating activities such as trade receivables and payables are presented as operating gains and losses. However, translation of operational monetary assets and liabilities in countries with hyperinflationary or non-convertible currencies are presented as financial items. Translation of assets and liabilities related to general financing of the entity are included as financial result. 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	2019	2018
Interest income on lease receivables	**33**	0
Other interest income	**24**	39
Interest income	**57**	**39**
Interest expense on lease liabilities	**-237**	0
Interest expense on financial liabilities measured at amortized cost	**-255**	-236
Interest expense on financial liabilities measured at fair value	**-16**	-32
Interest expense	**-508**	**-268**
Net foreign exchange gain (loss)	**-107**	-30
Profit (loss) on foreign currency forward contracts	**0**	-16
Other finance income	**42**	27
Other financial expense	**-19**	-9
Net other finance items	**-84**	**-28**
Net finance cost	**- 535**	**- 258**

See note 18 for more information about lease receivables and liabilities
See note 22 for more information about foreign exchanges losses on Angolan Kwanza in 2019
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)

	2019	2018
Income attributable to ordinary shares (NOK million)	**41**	511
Weighted average number of issued ordinary shares for the year adjusted for treasury shares	**271,427,124**	271,532,588
Basic and diluted earnings per share (NOK)	**0.15**	1.88

Dividends

The Board of Directors has proposed that no dividend payment be made for 2019. While Aker Solutions' finances were solid, with a liquidity buffer of NOK 6.3 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 at 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.

Note 9 continues on next page

Note 9 Tax cont.

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.

Income Tax Expense

Amounts in NOK million	2019	2018
Current income tax		
Current year	**165**	159
Adjustments for prior years	**20**	3
Total current income tax	**185**	**162**
Deferred income tax		
Origination and reversal of temporary differences	**-141**	114
Write down of tax loss carry-forwards and deferred tax assets	**34**	20
Change in tax rates[1]	**4**	-22
Adjustment for prior periods	**6**	-35
Total deferred income tax	**-98**	**76**
Total income tax	**87**	**238**

1) Includes the effect of change in tax rate from 19 to 17 percent in 2020 in UK and the tax rate from 35 to 29 percent in India from April 1, 2019.

Taxes in OCI and Equity

Amounts in NOK million	2019	2018
Cashflow hedges, deferred tax	**7**	2
Remeasurement of defined benefit pension plans	**-24**	-12
Deferred tax income in OCI	**-17**	**-9**
Restatement of taxes related to prior years	**51**	0
Current tax cost in equity	**51**	**0**

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 22 percent was applied.

Amounts in NOK million	**2019**		**2018**	
Income before tax	**170**		792	
Income tax when applying Norwegian tax rate of 22 percent (23 percent in 2018)	**37**	**22.0%**	182	23.0%
Tax effects of:				
Effect of different tax rates	**-8**	**-4.9%**	15	1.8%
Non-deductible expenses	**72**	**42.4%**	11	1.4%
Effect of withholding tax	**-55**	**-32.2%**	101	12.7%
Effect of tax incentives	**-16**	**-9.6%**	-18	-2.2%
Current tax adjustments related to prior years	**20**	**11.8%**	3	0.3%
Deferred tax adjustments related to prior years	**6**	**3.3%**	-35	-4.4%
Previously unrecognized tax losses used to reduce payable tax	**-1**	**-0.3%**	-22	-2.8%
Write down of deferred tax assets	**34**	**19.8%**	20	2.5%
Impact of change in tax rate	**4**	**2.1%**	-22	-2.8%
Other	**-5**	**-3.1%**	3	0.4%
Income tax and effective tax rate	**87**	**51.3%**	**238**	**30.0%**

Recognized Deferred Tax Assets and Liabilities

	Assets		**Liabilities**		**Net**	
Amounts in NOK million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Property, plant and equipment	**29**	14	**-111**	-108	**-82**	-94
Pensions	**131**	116	**0**	0	**131**	116
Projects under construction	**5**	88	**-423**	-1,594	**-419**	-1,505
Tax loss carry-forwards	**901**	991	**0**	0	**901**	991
Intangible assets	**3**	0	**-197**	-239	**-195**	-239
Provisions	**194**	188	**-40**	-11	**154**	177
Derivatives	**0**	4	**-1**	0	**-1**	4
Tax credits and other	**235**	924	**-123**	25	**112**	949
Total before offsetting	**1,498**	**2,324**	**-897**	**-1,926**	**602**	**398**
Offsetting	**-628**	-1,661	**628**	1,661	**0**	0
Total	**871**	**663**	**-269**	**-266**	**602**	**398**

Note 9 continues on next page

MENU

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	Tax credits and other	Total
Balance as of December 31, 2017	-83	113	-1,643	1,073	-257	253	54	887	395
Effect of implementing IFRS 15	0	0	86	0	0	0	-54	-	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**
Effect of implementing IFRS 16	0	0	0	0	0	0	0	90	90
Adjusted balance as of January 1, 2019	**-94**	**116**	**-1,505**	**991**	**-239**	**177**	**4**	**1,040**	**488**
Recognized in profit and loss	14	-9	1,103	-152	44	-23	0	-883	**96**
Recognized in other comprehensive income (OCI)	0	24	0	0	0	0	-7	0	**17**
Recognized in equity (revaluation related to prior year)	0	0	-15	0	0	0	0	-23	**-39**
Prepaid withholding tax	0	0	0	0	0	0	0	61	**61**
Reclassification between categories	0	0	0	63	0	0	0	-63	**0**
Currency translation differences	-2	0	-2	0	0	-1	1	-20	**-23**
Balance as of December 31, 2019	**-82**	**131**	**-419**	**901**	**-195**	**154**	**-1**	**112**	**601**

Tax Loss Carry-Forwards (gross amounts)

Amounts in NOK million	Expiry within 5 years	Expires within 5-20 years	Indefinite	Total
Norway	0	0	1,541	**1,541**
Europe excluding Norway	142	0	461	**603**
North America	49	784	0	**834**
South America	0	0	580	**580**
Asia Pacific	0	746	166	**913**
Total	**191**	**1,531**	**2,749**	**4,470**

Unrecognized Deferred Tax Assets (gross amounts)

Amounts in NOK million	Unrecognized tax loss carry-forwards	Unrecognized other tax assets
Norway	0	109
Europe excluding Norway	22	0
North America	0	0
South America	0	0
Asia Pacific	651	0
Total	**673**	**109**

See note 18 for more information about IFRS 16 Leasing
See note 20 for more information about contingent tax claims

MENU

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 324 million as of December 31, 2019, of which 314 expire in 2020. Contractual commitments were NOK 233 million per December 31, 2018.

See note 12 for more information about impairment testing
See note 17 for more information about PPE being held as security for borrowings
See note 18 for more information about right-of-use lease assets

Property, Plant and Equipment

Amounts in NOK million	Buildings and sites[1]	Machinery and equipment	Under construction	Total
Historical cost				
Balance as of December 31, 2017	1,851	5,548	181	7,580
Additions	6	34	291	331
Reclassifications 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**
Additions	5	71	524	**599**
Reclassifications from assets under construction	26	280	-312	**-6**
Disposals and scrapping	-18	-53	0	**-71**
Currency translation differences	-3	15	-1	**10**
Balance as of December 31, 2019	**1,731**	**6,037**	**511**	**8,279**
Accumulated depreciation and impairment				
Balance as of December 31, 2017	-436	-3,812	-15	-4,263
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**
Effect of implementing IFRS 16 Leasing[2]	-34	0	0	-34
Balance as of January 1, 2019	**-549**	**-4,171**	**-16**	**-4,736**
Depreciation for the year	-53	-416	0	**-469**
Impairment	-9	-37	0	**-46**
Disposals and scrapping	13	47	0	**59**
Reclassification between categories	0	0	0	**0**
Currency translation differences	-10	-12	0	**-22**
Balance as of December 31, 2019	**-608**	**-4,590**	**-16**	**-5,213**
Book value as of December 31, 2018	**1,206**	**1,553**	**285**	**3,044**
Book value as of December 31, 2019	**1,123**	**1,447**	**495**	**3,065**

1) There were no assets held for sale included in buildings and sites as of December 31, 2019 (same as in 2018).
2) The IFRS 16 adjustment relate to dilapidations that are reclassified from property, plant and equipment to ROU assets upon implementing IFRS 16.

MENU

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. The majority of the capitalized development in 2019 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. Assets are 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 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**
Additions from internal development[1]	228	0	0	**228**
Reclassifications between categories	31	0	-25	**6**
Assets fully written down, no longer in use	-2	0	0	**-2**
Currency translation differences	40	66	6	**112**
Balance as of December 31, 2019	**3,142**	**4,324**	**300**	**7,767**

Amounts in NOK million	Capitalized development	Goodwill	Other	Total
Accumulated amortization and impairment				
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**
Amortization for the year	-263	0	-35	**-298**
Impairment	-2	0	0	**-2**
Reclassifications between categories	-14	0	14	**0**
Assets fully written down, no longer in use	0	0	0	**0**
Currency translation differences	-16	0	-4	**-21**
Balance as of December 31, 2019	**-1,818**	**0**	**-239**	**-2,057**
Book value as of December 31, 2018	**1,323**	**4,258**	**105**	**5,685**
Book value as of December 31, 2019	**1,324**	**4,324**	**61**	**5,710**

1) Development cost funded by third-party totaled NOK 130 million in 2019 (NOK 85 million in 2018).

Research and Development Expenses

The research and development expenses amounted to NOK 81 million in 2019 compared to NOK 52 million in 2018.

See note 12 for more information about impairment testing

Note 12 Impairment of Assets

Improvement measures across the industry have lowered the break-even costs for oil and gas installations, with cashflow returning to operators. The overall market fundamentals remained supportive, however, there is higher volatility and geopolitical uncertainties compared to recent years. 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 2 million for intangible assets, NOK 46 million for property, plant and equipment and NOK 257 million for right-of-use lease assets in 2019.

Financial Reporting Principles

Individual Assets

Each property, plant, equipment and right-of-use asset 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. The impairment test has been completed without including the effects from IFRS 16, hence using the measurement principles for leasing as under IAS 17. 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.

Note 12 continues on next page

Note 12 Impairment of Assets cont.

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

Four year cashflows in the period 2020 to 2023 projected from the forecast and strategy process, approved by management and the Board of Directors in 2019, 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. Management has defined the growth rate, post-tax discount rate and estimated future cashflows as the most sensitive assessment in the value-in-use calculation. The forecasted cashflows used in the impairment tests reflect organic growth only. Other parameters in the assessment are the predicted long-term oil price per barrel, mix of projects and services, level of operating expenses and capital expenditure for maintenance of the asset portfolio.

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 developments certain development programs were identified where the technology or commercial outlook no longer justified the value. In total, NOK 2 million related to capitalized development was impaired, compared to NOK 15 million in the prior year. The impairment on individual machines, furniture and fittings was NOK 46 million compared to NOK 7 million in the prior year. In addition, the impairment of right-of-use assets was NOK 257 million. The value-in-use method was used for fixed, intangible and right-of-use assets. The table below shows how the impairment was split between the different operating segments.

	Projects		Services		Other		Total	
Amounts in NOK million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Impairment of intangible assets	**2**	15	**0**	0	**0**	0	**2**	15
Impairment of property, plant and equipment	**25**	0	**14**	2	**7**	5	**46**	7
Impairment of right-of-use assets	**53**	0	**54**	0	**150**	0	**257**	0
Total impairment	**80**	**15**	**68**	**2**	**157**	**5**	**304**	**22**

Impairment Testing of Assets in CGUs

CGUs identified for testing fixed and intangible assets are 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 480 million is sensitive for impairment. The WACC used in the impairment testing was 11 percent and the growth rate was 5 percent. The WACC can be increased to 13.4 percent, the growth rate can be reduced to 1.5 percent and the free cashflows can be reduced by over 50 percent without 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	**2019**	**2018**
Projects	**2,152**	2,117
Services	**2,173**	2,141
Total goodwill as of December 31	**4,324**	**4,258**

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

	2019		**2018**	
Amounts in NOK million	**Post-tax WACC**	**Pre-tax WACC**	**Post-tax WACC**	**Pre-tax WACC**
Projects	**8.6%**	**11.0%**	9.3%	12.2%
Services	**8.8%**	**11.5%**	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 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 afftected by changes in the discount rate, growth rates, and the ability of Aker Solutions to secure projects as forecasted in the cashflow, product mix and cost levels. Multiple sensitivity tests have been run on the key assumptions in the value-in-use calculation to address the current uncertainty in the oil service market. In the sensitivity testing we have assessed the impact on the value-in-use calculation when applying the following changes to the key assumptions:

- Decrease in long-term growth rate to zero
- Increase in post-tax discount rate by 2 percentage points
- A 25 percent decrease in forecasted free cashflows during the four year period from 2020 to 2023, including the teminal value

See note 10 for more information about property, plant and equipment
See note 11 for more information about intangible assets
See note 18 for more information about right-of-use lease 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	2019	2018
Raw materials and semi-finished goods	**366**	326
Finished goods	**3**	0
Total	**369**	**326**
Inventories at cost	**548**	556
Inventory write-downs to net realizable value	**-179**	-230
Total	**369**	**326**
Balance of January 1	**326**	428
Purchase of inventory	**1,460**	1,360
Recognized as expense	**-1,401**	-1,437
Write down for obsolete inventory	**-73**	-54
Reversal of write down for obsolete inventory	**57**	39
Currency translation differences	**0**	-10
Total	**369**	**326**

There are no securities pledged over inventories.

Note 14 Customer Contract Assets and Other 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. Impairment losses are estimated based on the expected credit loss method (ECL) for trade receivables, contract assets (with or without a significant financing component) and other receivables.

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 Other Receivables

Amounts in NOK million	2019	2018
Trade receivables	**2,959**	2,725
Trade receivables, related parties	**286**	594
Less provision for impairment of receivables	**-64**	-84
Trade receivables, net	**3,182**	**3,236**
Customer contract assets	**4,754**	3,559
Other receivables	**93**	93
Customer contract assets and other receivables	**4,847**	**3,652**
Total	**8,028**	**6,887**

Bad Debt Provision

Amounts in NOK million	2019	2018
Balance as of January 1	**-85**	-94
Provisions made during the year	**-12**	-4
Provisions reversed during the year	**32**	15
Currency translation differences	**0**	-2
Balance as of December 31	**-64**	**-85**

Aging of Trade Receivables

Amounts in NOK million	2019	2018
Not due	**2,664**	2,868
Past due 0-30 days	**201**	265
Past due 31-90 days	**118**	72
Past due 91 days to one year	**131**	41
Past due more than one year	**131**	73
Total	**3,246**	**3,319**

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 and IFRS 9 implementation effects
See note 29 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	2019	2018
Cash pool	263	1,258
Other cash at banks	1,635	1,215
Total	**1,898**	**2,473**

Available Liquidity

Additional undrawn committed non-current bank revolving credit facilities amounted to NOK 4.4 billion, compared to NOK 5 billion in the prior period. Together with cash and cash equivalents, this gives a total liquidity buffer of NOK 6.3 billion, compared to NOK 7.5 billion in prior year.

See note 17 for more information about borrowings
See note 22 for more information about cash restrictions 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, 2019. 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.

Treasury Shares

Aker Solutions purchase its own shares (treasury shares) to meet the obligations under the employee share purchase program. 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 upon sale of treasury shares.

Amounts in NOK million	Number of shares	Consideration
Treasury shares as of December 31, 2018	511,801	16
Purchase	2,300,000	51
Sale	-2,710,165	-64
Treasury shares as of December 31, 2019	**101,636**	**2**

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.

Note 16 continues on next page

Note 16 Cash and Cash Equivalents cont.

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 19 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 1,500 million matures on July 25, 2022 and the bond of NOK 1,000 million matures on June 3, 2024. The interest rate for both bonds 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

2019

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 0010814213	NOK	1,500	**1,503**	1.80%	3.15%	4.95%	07/25/22	Floating, 3M+fix margin
ISIN NO 0010853286	NOK	1,000	**993**	1.84%	3.00%	4.84%	06/03/24	Floating, 3M+fix margin
Total bond[1]			**2,496**					
Revolving credit facility (NOK 5,000 million)[2]	NOK	600	**582**	1.87%	1.10%	2.97%	03/19/23	NIBOR + Margin[3]
Brazilian Bank loans[4]	BRL	190	**415**	8.62%	0.00%	8.62%	2020-2024	Fixed, periodically
Other borrowings			**4**					
Total borrowings			**3,497**					
Current borrowings			**217**					
Non-current borrowings			**3,280**					
Total borrowings			**3,497**					

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]
Brazilian Development Bank loans[4]	BRL	188	**425**	9.41%	0.00%	9.41%	2019-2024	Fixed, periodically
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 22 million (2018: NOK 16 million). Amount includes NOK 18 million (2018: 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 2.6 to 8.6 percent in 2019 and 5.8 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.

Maturity of Bonds and Borrowings

2019

Amounts in NOK million	Carrying amount	Total cashflow[1]	6 months and less	6-12 months	1-2 years	2-5 years
ISIN NO 0010814213	1,503	**1,707**	38	38	75	1,556
ISIN NO 0010853286	993	**1,221**	25	25	49	1,123
Total bonds	**2,496**	**2,928**	**63**	**62**	**124**	**2,679**
Revolving credit facility (NOK 5,000 million)[2]	582	**659**	10	9	18	622
Brazilian development bank loans	415	**445**	96	115	203	31
Other borrowings	4	**4**	4	0	0	0
Total other borrowings	**1,001**	**1,108**	**110**	**124**	**221**	**653**
Total borrowings	**3,497**	**4,037**	**173**	**186**	**345**	**3,332**

2018

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

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 drawn amount will remain constant until the maturity of the revolving credit facility.

Note 17 continues on next page

Note 17 Borrowings cont.

Movement of Liabilities

	2019				2018			
Amounts in NOK million	**Bond**	**Credit Facilities**	**Other Borrowings**	**Total**	**Bond**	**Credit Facilities**	**Other Borrowings**	**Total**
Balance as of January 1	2,508	-25	430	**2,913**	1,008	1,239	868	**3,115**
Proceeds from loans and borrowings	1,000	600	184	**1,784**	1,500	0	117	**1,617**
Repayment of borrowings	-1,000	0	-190	**-1,190**	0	-1,250	-466	**-1,716**
Total changes from financial cashflows	**0**	**600**	**-6**	**594**	**1,500**	**-1,250**	**-349**	**-99**
Accrued interest	-6	1	1	**-4**	13	0	-6	**7**
Amortization of borrowing cost	-5	6	0	**1**	-13	-13	0	**-27**
Currency translation differences	0	0	-6	**-6**	0	0	-83	**-83**
Balance as of December 31	**2,496**	**582**	**419**	**3,497**	**2,508**	**-25**	**430**	**2,913**

Mortgages

The company has no mortgage liabilities in 2019 (nor 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 Leasing

IFRS 16 Leasing implemented in 2019 has significantly changed how the company accounts for its lease contracts. The company leases a number of office buildings in addition to manufacturing and service sites. The company also leases machines and vehicles. IFRS 16 requires all contracts that contain a lease to be recognized on the balance sheet as a right-of-use asset and lease liability. Only certain short-term and low-value leases are exempt. All lease contracts were classified as operating leases under the previous (IAS 17) standard. Comparative figures for 2018 have not been restated to reflect IFRS 16.

Financial Reporting Principles

The lease liability represents the net present value of the lease payments to be made over the remaining lease period. The right-of-use asset is depreciated over the lease term and is subject to impairment testing. The lease payments previously included as operating expense in the income statement are reported as depreciation and financial expense under IFRS 16 resulting in an improvement of operating income before depreciation, amortization and impairment. The cash outflows for leases under IFRS 16 is presented as repayment of interest-bearing liabilities within financing activities in the cashflow statement. Interest paid is still classified as cash outflows within operating activities.

Several property leases contain extension options or cancellation clauses. 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. When management has decided to extend the lease period is typically an event that would trigger an updated assessment of the reasonably certain criteria.

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. Future index or rate adjustments of lease payments are only included in the lease liability when a minimum adjustment has been contractually agreed and is in-substance fixed.

When a leased property has been vacated or will be vacated by Aker Solutions in the near future, the right-of-use asset is assessed for impairment. If the vacated property is a separable part of the leased building, it is tested for impairment as a separate cash-generating unit. Expected future sub-lease income is discounted to present value and compared to the value of the separable right-of-use asset. If the vacated area is not separable, the right-of-use asset it tested together with the other assets in the cash generating unit.

The company has a number of sub-leases. All sub-leases were previously classified as operating leases with lease income recognized as revenue. Under IFRS 16, some sub-leases covering the major part of the lease term in the head-lease are classified as finance sub-leases. The portion of the right-of-use asset subject to sub-lease is de-recognized and a sub-lease receivable is recognized in the balance sheet when the sub-lease commences. The sub-lease will result in interest income and lower right-of-use asset depreciation under IFRS 16, rather than lease revenue as under IAS 17.

The company has implemented the leasing standard using a modified retrospective method with the cumulative impact recognized in retained earnings on January 1, 2019. Comparative figures are not restated. IFRS 16 Leasing replaced former leasing guidance, including IAS 17 Leases and IFRIC 4, SIC 15 and SIC 27. According to the company's loan agreements, the new leasing standard will not impact the current debt covenants.

Note 18 continues on next page

Note 18 Leasing cont.

Judgments and Estimates

The company has applied significant judgment when determining impairment of the right-of-use asset. Impairment is assessed for separable parts of leased buildings that have been or will be vacated in the near future. The impairment is sensitive to changes in estimated future expected sub-lease income and sub-lease period. Further, judgment is involved when determining whether sub-lease contracts are financial or operational, as well as when determining lease term for contracts that has extension or termination options. Determination of the discount rate also include judgment.

Right-of-Use Assets (ROU) and Lease Liabilities

The movement in the right-of-use assets and lease liabilities since implementation is summarized below.

Amounts in NOK million	Land and building	Machinery and vehicles	Others	Total
Historical cost				
Balance at transition to IFRS 16 on January 1, 2019	4,660	26	6	**4,693**
Additions	196	2	3	**201**
Remeasurement	-12	0	0	**-12**
De-recognition of ROU asset due to sub-lease	-28	0	0	**-28**
Currency translation differences	50	0	0	**50**
Balance as of December 31, 2019	4,866	28	9	**4,903**
Accumulated depreciation and impairment				
Balance at transition to IFRS on January 1, 2019	-542	0	0	**-542**
Depreciation expense	-451	-12	-5	**-468**
Impairments	-257	0	0	**-257**
Currency translation difference	-8	0	0	**-8**
Balance as of December 31, 2019	-1,259	-12	-5	**-1,275**
Book value as of January 1, 2019	4,118	26	6	**4,150**
Book value as of December 31, 2019	3,608	16	4	**3,628**

Note 18 continues on next page

Note 18 Leasing cont.

The impairment of right-of-use assets for land and buildings in 2019 mainly relates to update of market value of potential sub-leases and new separable areas that are, or will be, vacated by Aker Solutions.

Amounts in NOK million	Lease liabilities	Lease receivable (sub-lease)
Movement of lease liabilities and receivables		
Balance as of January 1, 2019	5,729	846
Additions	201	28
Remeasurement	-12	0
Interest expense/sub-lease interest income	237	33
Lease payments/sub-lease payments	-796	-146
Currency translation differences	102	23
Balance as of December 31, 2019	**5,460**	**784**

Lease payments of NOK 796 million consist of lease installments of NOK 559 million and interest expense of NOK 237 million. Total cash collection from lease receivables of NOK 146 million consist of sublease installments of NOK 113 million and interest income of NOK 33 million.

Amounts Recognized in the Income Statement

The following amounts are recognized in the income statement related to leasing:

Amounts in NOK million	2019
Income from operational sub-leases presented as other income	125
Expenses relating to short-term leases presented as operating costs	457
Expenses relating to low-value leases presented as operating costs	39
Depreciation of ROU assets	-468
Impairments of ROU assets	-257
Interest on lease receivables presented as financial income	33
Interest on lease liabilities presented as financial expense	-237

Maturity of Lease Liabilities and Lease Receivables

December 31, 2019

Amounts in NOK million	Lease Payments	Sub-lease income
Maturity within 1 year	788	156
Maturity 1-5 years	2 836	525
Maturity 5-10 years	1 984	290
Maturity later than 10 years	1 115	15
Total	**6 723**	**986**

Recognition and Measurement Approach on Transition

The company has elected the following principles when transitioning to IFRS 16 on January 1, 2019:

- excluded short-term leases and leases of low-value items such as computers and office equipment
- excluded leases that expire in 2019
- adjusted the right-of-use asset on January 1, 2019 with the provision for onerous leases on December 31, 2018
- excluded the initial direct costs like broker fees 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 leased asset according to the incremental borrowing rate at the date of implementation (January 1, 2019). On January 1, 2019, the discount rate applied varied between 2.0 and 11.5 percent giving a weighted-average rate of 4.4 percent.

Note 18 continues on next page

Note 18 Leasing cont.

Implementation Effects

The effect of implementing IFRS 16 as of January 1, 2019 was as follows:

Amounts in NOK million	**January 1, 2019**
Assets	
Property, plant and equipment	-34
Right-of-use assets	4,150
Lease receivables (non-current)	734
Interest bearing receivables (current lease receivables)	112
Deferred tax asset	90
Current operating assets (prepaid lease)	-32
Adjustments to assets	**5,021**
Liabilities	
Current lease liabilities	546
Non-current lease liabilities	5,183
Lease liabilities	**5,729**
Current operating liabilities (provisions)	-119
Trade and other payables (rent-free period accruals)	-234
Adjustments to liabilities	**5,376**
Equity	
Retained earnings	-355
Adjustments to equity	**-355**

The implementation effect on net current operating assets as of January 1, 2019 from implementing IFRS 16 was a reduction of NOK 321 million.

Reconciliation of Lease Commitment and Lease Liability

Amounts in NOK million	**January 1, 2019**
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
In-substance fixed lease payments not included in lease commitments	200
Undiscounted lease liability	**6,883**
Effect of discounting lease commitment to net present value	-1,154
Lease liability as of January 1, 2019	**5,729**

Note 18 continues on next page

Note 18 Leasing cont.

Effects on Operating Segments and Income Statement from IFRS 16

	2019			2018	2019	2018
Amounts in NOK million	As reported IFRS 16	Effect of IFRS 16	Adjusted IAS 17	As reported IAS 17	Adjusted IAS 17 excl special items[1]	Adjusted IAS 17 excl special items[1]
Projects	23,253	0	**23,253**	19,920	**23,253**	19,920
Services	5,995	0	**5,995**	5,096	**5,995**	5,096
Other and eliminations	15	135	**151**	216	**151**	160
Revenue	**29,263**	**135**	**29,399**	**25,232**	**29,399**	**25,176**
Projects	1,736	-459	**1,277**	1,354	**1,383**	1,371
Services	721	-200	**521**	678	**625**	692
Other	-213	-296	**-509**	-222	**-261**	-251
EBITDA	**2,244**	**-956**	**1,288**	**1,810**	**1,747**	**1,812**
Projects	7.5%		**5.5%**	6.8%	**5.9%**	6.9%
Services	12.0%		**8.7%**	13.3%	**10.4%**	13.6%
EBITDA margin	**7.7%**		**4.4%**	**7.2%**	**5.9%**	**7.2%**
Projects	837	-106	**731**	843	**864**	874
Services	399	-48	**351**	511	**469**	528
Other and eliminations	-531	-80	**-611**	-305	**-356**	-329
EBIT	**705**	**-234**	**471**	**1,049**	**977**	**1,074**
Projects	3.6%		**3.1%**	4.2%	**3.7%**	4.4%
Services	6.7%		**5.9%**	10.0%	**7.8%**	10.4%
EBIT margin	**2.4%**		**1.6%**	**4.2%**	**3.3%**	**4.3%**
Income before tax	**170**	**-39**	**131**	**792**	**744**	**816**
Net income	**83**	**-26**	**57**	**554**	**536**	**589**

1) See alternative performance measures for overview of special items.

See note 6 for more information about operating expenses for land and buildings
See note 12 for more information about impairment testing right-of-use assets as part of a CGU
See note 20 for more information about onerous lease provisions
See note 29 for more information about leasing contracts with related parties

Note 19 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 also 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 2019 were NOK 226 million, compared to NOK 207 million in 2018. The estimated contribution expected to be paid in 2020 is NOK 228 million.

Note 19 continues on next page

Note 19 Pension Obligations cont.

Defined Benefit Plans

The defined benefit plans at the Norwegian companies in 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. Aker Solutions also has various unfunded early retirement plans and executive pension plans that are partially closed for new members. The estimated contribution expected to be paid during 2020 is NOK 69 million. The liability is calculated using a projected unit credit method.

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. The liability is calculated using a earned balance method.

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 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 2019 were NOK 184 million, compared to NOK 161 million in 2018. The estimated contributions expected to be paid in 2020 is NOK 141 million to the plans outside Norway.

Total Pension Cost

Amounts in NOK million	2019	2018
Defined benefit plans	**94**	59
Defined contribution plans	**455**	434
Total	**549**	**493**

Note 19 continues on next page

Note 19 Pension Obligations cont.

Movement in Net Defined Benefit Liability

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

	Present value of obligation		Fair value of plan assets		Impact of asset ceiling		Net defined benefit liability	
Amounts in NOK million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Balance as of January 1	**1,644**	1,727	**-1,122**	-1,174	**50**	3	**572**	556
Current service and administration cost	**77**	44	**3**	3	**0**	0	**80**	47
Interest cost (income)	**44**	39	**-31**	-28	**1**	0	**14**	12
Included in income statement	**121**	**84**	**-28**	**-25**	**1**	**0**	**94**	**59**
Actuarial loss (gain) arising from financial assumptions	**58**	-35	**0**	0	**0**	0	**58**	-35
Return on plan assets	**0**	0	**29**	43	**0**	0	**29**	43
Changes in asset ceiling	**0**	0	**0**	0	**-47**	47	**-47**	47
Actuarial loss (gain) arising from experience adjustments	**68**	16	**0**	0	**0**	0	**68**	16
Remeasurements loss (gain) included in OCI	**126**	**-19**	**29**	**43**	**-47**	**47**	**109**	**71**
Contributions paid into the plan	**0**	0	**-79**	-76	**0**	0	**-79**	-76
Benefits paid by the plan	**-141**	-147	**109**	109	**0**	0	**-33**	-38
Other	**-141**	**-147**	**30**	**33**	**0**	**0**	**-112**	**-114**
Balance as of December 31	**1,750**	**1,644**	**-1,092**	**-1,122**	**4**	**50**	**663**	**572**

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

	Present value of obligation		Fair value of plan assets		Impact of asset ceiling		Net defined benefit liability	
Amounts in NOK million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net defined benefit liability funded plan	**1,087**	1,073	**-1,092**	-1,122	**4**	50	**0**	0
Net defined benefit liability unfunded plans	**663**	572	**0**	0	**0**	0	**663**	572
Balance as of December 31	**1,750**	**1,644**	**-1,092**	**-1,122**	**4**	**50**	**663**	**572**

Note 19 continues on next page

Note 19 Pension Obligations cont.

Assets in the Defined Benefit Plan

Amounts in NOK million	2019	2018
Bonds	**636**	812
Funds	**455**	310
Total plan assets at fair value	**1,092**	**1,122**

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:

Amounts in NOK million	2019	2018
Discount rate	2.20%	2.80%
Asset return	2.20%	2.80%
Salary progression	2.25%	2.75%
Pension indexation funded plans[1]	0.00%	0.00%
Mortality table	K2013	K2013
Remaining life expectancy at age 65 for pensioners, males	22.4	22.3
Remaining life expectancy at age 65 for pensioners, females	25.7	25.6

1) Pension indexation for unfunded plans is agreed individually (0-4 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.

Amounts in NOK million	2019	2018
Discount rate increase by 1 percent	-95	-143
Discount rate decrease by 1 percent	123	175
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	117	139
Expected rate of pension decrease by 1 percent	-6	-117

At Aker Solutions, a one percent increase of discount rate decreases the benefit obligation by only 8 percent. This is because the benefit obligation in Aker Solutions consists mainly of pensioners and employees over 60 years of age, hence limiting the discounting effect.

See note 5 for more information about personnel expenses
See note 30 for more information about pension arrangements for the management

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, 2019	551	237	5	113	**906**
Effect of implementing IFRS 16	0	-119	0	0	**-119**
Restated balance as of January 1, 2019	**551**	**118**	**5**	**113**	**787**
Provisions made during the year	49	145	10	27	**231**
Provisions used during the year	-90	-68	-5	-4	**-167**
Provisions reversed during the year	-341	-3	-2	-8	**-353**
Reclassifications	8	3	0	5	**15**
Currency translation differences	5	0	0	2	**8**
Balance as of December 31, 2019	**182**	**196**	**8**	**135**	**521**
Expected timing of payment as of December 31, 2019					
Due within twelve months	94	196	8	28	**326**
Due after twelve months	88	0	0	107	**195**
Total	**182**	**196**	**8**	**135**	**521**

Warranties

The provision for warranties relates to expected re-work 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 expense 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.

In 2019, the company updated and refined its estimate of the warranty provision. The previous calculation relied on a combination of actual cost, estimated cost for open claims and management judgements. The current estimate is based on historical actual cost in addition to specific provisions for warranty cases where there is no historical data. The current method is less complex, involves less management judgment and is meant to provide better accuracy of the provision. The updated estimate of the warranty provision resulted in a reduction of the provision. The effect has impacted the Projects operating segment.

Onerous Contracts

The provision includes onerous customer contracts with expected losses upon completion.

In 2018, the provision also included onerous lease contracts for estimated losses on separable parts of leased office buildings vacated by Aker Solutions. Upon implementing IFRS 16 on January 1, 2019 the onerous lease provision was reclassified as an impairment of the right-of-use asset.

Note 20 continues on next page

Note 20 Provisions and Contingent Liabilities cont.

Restructuring Provision

The restructuring provision relates to expected employee costs for permanent and temporary redundancies. 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.

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 claimed in 2015 Aker Solutions Brazil 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. The claim amount including penalties and interest was approximately BRL 265 million (NOK 580 million) as of December 31, 2019 compared to BRL 312 million (NOK 699 million) in the prior year. The reduction in 2019 relate to a favorable decision in the administrative tax court for parts of the claim due to statute of limitations. Management has the opinion that a successful outcome in the administrative appeal system or in a judicial process is 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.

See note 3 for more information about customer contracts
See note 5 for more information about restructuring costs
See note 18 for more information about leasing

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. Aker Solutions has established factoring arrangements where payments are received from financial institutions prior to issuance of the customer invoice, so-called "sale of unbilled receivables". The payments from financial institutions are based on the progress of the customer contract. Some creditors have entered into factoring agreements for the sale of their receivables to Aker Solutions, so-called "reverse factoring". The amounts related to "reverse factoring" and "sale of unbilled receivables" are included in trade and other payables in the balance sheet as they relate to operational activities. The amounts are also disclosed individually below.

Trade and Other Payables

Amounts in NOK million	2019	2018
Trade creditors	**1,966**	1,605
Trade creditors, related parties	**34**	75
Trade payables	**2,000**	**1,680**
Accrued operating costs	**4,398**	4,539
Public duties and taxes	**761**	729
Other current liabilities	**862**	793
Other payables	**6,021**	**6,062**
Total	**8,021**	**7,741**

Trade creditors include an amount of NOK 217 million as of December 31, 2019 (NOK 238 million in 2018) subject to reverse factoring. Other payables include NOK 44 million of paymentes received from sale of unbilled receivables as of December 31, 2019 (zero in 2018). Trade creditors include NOK 10 million (NOK 7 million in 2018) due after one year.

See note 3 for more information about customer contract liabilities
See note 29 for more information about receivables to related parties

MENU

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 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 company's exposure to currency risk is primarily related to USD, EUR, GBP, BRL and AOA (Angolan Kwanza). The company's primary translation risk is related to USD, EUR, GBP and BRL.

Use of Currency Derivatives

The Aker Solutions' policy requires that all entities mitigate currency exposure in all contracts. Aker Solutions manages the currency risk in the tender period by including currency clauses in the tender, by entering into currency options or by adding a contingency in the tender price to cover for potential currency fluctuations. Each entity identify and hedge their exposure with the corporate treasury department and the corporate treasury department manages the overall currency exposures by entering into currency derivative instruments in the foreign exchange market. 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 separate 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 separate 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.

Hyperinflationary and non-convertible currencies

Aker Solutions operates in some jurisdictions where regulations and requirements may limit the convertibility of local currency and restrict free flow of cash. Although mitigating actions have been taken in order to minimize the currency exposure, Aker Solutions experienced significant exposure to currency devaluation in Angola in 2019. The exposure originated from legal requirements in Angola to convert all payments from clients to local currency and high invoicing activity at the same time as the Angolan Kwanza (AOA) devalued more than 30 percent. Aker Solutions could be exposed to similar exposure in the unlikely event that other countries where the company has operations impose similar restrictions.

Conversions to AOA are done on the official AOA month end central bank exchange rate for the month prior to invoicing. Instruments to hedge currency exposure in Angolan Kwanza are generally not available in the foreign exchange market, hence trade receivables and cash in AOA bank accounts are exposed to currency fluctuations. Mitigating actions in Angola include multilateral agreements with banks, customers and vendors on timing of payments to minimize the exposed cash balance and USD linked bank deposits. Aker Solutions will always strive to minimize cash balances and maximize cash available for treasury.

Total cash in local bank accounts in Angola amounted to NOK 444 million as of December 31, 2019 compared to NOK 270 million in the prior year. NOK 200 million of the bank deposits was placed on USD linked bank deposit and USD and EUR bank accounts, hence not exposed to AOA devaluation. Further, NOK 152 million of the bank deposits was covered through tri-party agreements with banks and customers reducing the exposure for short term currency fluctuations.

Note 22 continues on next page

Note 22 Financial Risk Management and Exposures cont.

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. A bank deposit in a currency different than the functional currency of the entity represent an exposure for the group. A negative amount on bank deposits represent an overdraft for entities. Estimated forecasted cashflows in the table are calculated based on the entity's hedge transactions through corporate treasury, as these are considered to be the best estimate of future revenue and cost in foreign currencies. The net exposure is closely monitored by corporate treasury and reported on a daily basis to management.

	2019				2018		
Amounts in million	**USD**	**EUR**	**GBP**	**AOA**	**USD**	**EUR**	**GBP**
Bank deposits	-22	-8	-81	13,049	-45	-13	-59
Intercompany deposits (+) and loan (-)	29	-123	-1	0	-17	-119	5
Balance sheet exposure	**7**	**-131**	**-82**	**13,049**	**-62**	**-132**	**-54**
Forecasted receipts from customers	251	48	105	10,530	461	98	167
Forecasted payments to vendors	-90	-75	-126	-293	-149	-158	-209
Cashflow exposure	**161**	**-27**	**-21**	**8,902**	**312**	**-60**	**-42**
Forward exchange contracts	-168	155	103	0	-249	187	96
Tri-party agreements	0	0	0	-8,308	0	0	0
Net exposure in currency	**0**	**-4**	**0**	**13,643**	**1**	**-5**	**0**
Net exposure in NOK	**1**	**-37**	**0**	**275**	**11**	**-46**	**1**

The euro currency exposure of negative NOK 37 million represents a future liability and was within the trading mandate as of December 31, 2019 and 2018. The currency exposure of NOK 275 million in Angolan Kwanza represent the amount that has not been possible to hedge. Angolan Kwanza and other non-convertible currencies are not included in the trading mandate.

Sensitivity Analysis - Fair Value of Financial Instruments

The impact on income and equity from a 15 percent strengthening of EUR, USD, GBP and AOA 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.

	2019		2018	
Amounts in NOK million	**Income (loss) before tax**	**Equity increase (decrease)**	**Income (loss) before tax**	**Equity increase (decrease)**
USD - 15 percent strengthening	**-82**	**-115**	-68	-149
EUR - 15 percent strengthening	**46**	**71**	-87	13
GBP - 15 percent strengthening	**52**	**89**	88	217
AOA - 15 percent strengthening	**40**	**40**	n/a	n/a

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.

Note 22 continues on next page

Note 22 Financial Risk Management and Exposures cont.

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:

	2019			
Amounts in NOK million	**Revenue increase (decrease)**	**EBIT increase (decrease)**	**Profit (loss) before tax**	**Equity increase (decrease)**
USD - 15 percent strengthening	607	18	-25	220
EUR - 15 percent strengthening	0	1	0	251
GBP - 15 percent strengthening	541	49	40	449
BRL - 15 percent strengthening	310	7	-3	236

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.

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 percent 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 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 2019 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.

Interest Rates Sensitivity

	2019		2018	
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	**18**	**0**	25	0
Interest on borrowings	**13**	**40**	12	37
Effect of interest rate swap	**-33**	**0**	-30	0
Cashflow sensitivity (net)	**-3**	**40**	**6**	**37**

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 2019 would have had the equal but opposite effect on the amounts, on the basis that all other variables remain constant.

Note 22 continues on next page

Note 22 Financial Risk Management and Exposures cont.

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 Instruments and Derivatives

Investment instruments, loans, credit facilities and derivatives are only conducted with approved counterparties and governed by standard agreements (ISDA, Nordic Trustee and LMA documentation). 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)

Impairment is assessed using 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 invoices 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

2019

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	3,497	**4,037**	173	186	345	3,332	0
Net derivative financial instruments	34	**34**	32	-4	0	5	0
Trade and other payables	8,021	**8,021**	7,995	17	2	6	1
Total liabilities	**11,553**	**12,092**	**8,200**	**199**	**348**	**3,344**	**1**
Financial guarantees		**13,859**	896	1,412	1,342	2,657	7,553

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

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 9.0 billion (NOK 7.9 billion in 2018).
- Financial guarantees including counter guarantees for bank/surety bonds and guarantees for pension obligations to employees were NOK 4.9 billion (NOK 6.2 billion in 2018).

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 3.1 billion per December 31, 2019 compared to NOK 3.6 billion per December 31, 2018.

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 18 for more information about lease liabilities
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, 2019 this liquidity reserve amounted to NOK 6.3 billion and was composed of an undrawn committed credit facility and bank deposits.

Funding of Operations

Aker Solutions' 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

Note 23 continues on next page

MENU

Note 23 Capital Management cont.

Debt Covenants

As per end of 2019, the capital structure of Aker Solutions was 29 percent (14 percent in 2018) from bank and export credit agency (ECA) debt and 71 percent (86 percent in 2018) 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 ISIN NO 0010814213 (expire in 2022) and ISIN NO 0010853286 (expire in 2024):

- The company's gearing ratio shall not exceed 3.5, calculated from the net debt to the adjusted EBITDA.

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.

Gearing and Interest Coverage Ratios at December 31

Amounts in NOK million	**2019**	**2018**
Gearing ratios		
Non-current interest-bearing borrowings	**3,280**	1,788
Current interest-bearing borrowings	**217**	1,125
Gross interest-bearing debt	**3,497**	**2,913**
Cash and cash equivalent	**-1,898**	-2,473
Net debt	**1,599**	**440**
EBITDA excl. IFRS 16[1] (Operating income before depreciation, amortization and impairment)	**1,675**	1,810
Restructuring and other special items as defined in the loan agreement	**70**	39
Adjusted EBITDA	**1,745**	**1,850**
Gross interest-bearing debt/adjusted EBITDA	**2.0**	**1.6**
Net debt/adjusted EBITDA	**0.9**	**0.2**
Interest coverage		
Adjusted EBITDA excl. IFRS 16[1]	**1,745**	1,850
Net interest expense as defined in the loan agreement	**231**	198
Adjusted EBITDA/Net finance cost	**7.6**	**9.4**

1) Excluding IFRS 16 means that leasing cost is reported as part of operating cost and included in EBITDA.

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, 2019, these hedging instruments include currency forwards, 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 percent 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 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. Project revenues are recognized over time according to the progress of the project. This may result in differences between cashflow and revenue recognition.

2019

	2019					2018				
Amounts in NOK million	**Instruments at fair value[1]**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**Instruments at fair value[1]**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Assets										
Cashflow hedging instruments	91	73	10	8	0	132	80	36	13	2
Fair value adjustments to hedged instruments[2]	-46	-37	-4	-5	0	-30	-22	-4	-3	-1
Embedded derivatives in ordinary commercial contracts	31	15	5	11	0	58	39	9	7	3
Financial instruments not hedge accounted	74	72	1	1	0	58	51	4	2	2
Total forward foreign exchange contracts	**150**	**123**	**12**	**15**	**0**	**218**	**148**	**45**	**18**	**6**
Cashflow hedges interest rate assets	5	0	0	0	5	0	0	0	0	0
Total financial instrument assets	**156**	**123**	**13**	**15**	**5**	**218**	**148**	**45**	**18**	**6**
Liabilities										
Cashflow hedging instruments	-85	-59	-22	-4	0	-234	-177	-30	-26	-1
Fair value adjustments to hedged instruments	54	42	11	2	0	123	116	4	3	0
Embedded derivatives in ordinary commercial contracts	-12	-10	-1	-1	0	-8	-3	-1	-2	-2
Financial instruments not hedge accounted	-79	-63	-5	-11	0	-44	-29	-6	-7	-3
Total forward foreign exchange contracts	**-121**	**-91**	**-17**	**-15**	**0**	**-163**	**-93**	**-33**	**-32**	**-6**
Cashflow hedges interest rate instruments	0	0	0	0	0	-9	0	-8	0	-1
Total financial instrument liabilities	**-121**	**-91**	**-17**	**-15**	**0**	**-172**	**-93**	**-41**	**-32**	**-7**
Net financial instruments	**34**	**32**	**-4**	**0**	**5**	**46**	**55**	**4**	**-13**	**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).

	2019			2018		
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)	6	-2	9	-102	-101	-1
Interest rate swaps	5	0	5	-9	0	-9
Total	**12**	**-2**	**14**	**-112**	**-101**	**-10**

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 2 million (NOK 101 million in 2018) 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 NOK 9 million (negative NOK 1 million in 2018) 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, 2019	-8
Forward currency contracts	118
Interest rate swaps	5
Total changes in fair value	**124**
Forward currency contracts	-95
Interest rate swaps	-3
Total amount reclassified to profit or loss	**-98**
Tax on movements on reserves during the year	-7
Balance as of December 31, 2019	**11**

Interest Rate Swaps

Aker Solutions currently has two outstanding bonds. 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. For the bond of NOK 1,000 million at floating interest rates maturing June 3, 2024, NOK 500 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, forward foreign exchange contracts, trade and other payables, borrowings and equity.

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 continues on next page

Note 25 Financial Assets and Liabilities cont.

Financial Instruments as of December 31, 2019

	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	93	0	0	**93**	0	0	93	**93**
Non-current receivables	0	0	122	0	0	0	**122**	0	0	0	**0**
Trade and other receivables	0	0	3,275	0	0	0	**3,275**	0	0	0	**0**
Forward foreign exchange contracts	151	0	0	0	0	0	**151**	0	151	0	**151**
Interest rate instruments	5	0	0	0	0	0	**5**	0	5	0	**5**
Current interest-bearing receivables	0	9	0	0	0	0	**9**	9	0	0	**9**
Cash and cash equivalents	0	0	1,898	0	0	0	**1,898**	0	0	0	**0**
Financial assets	**156**	**9**	**5,295**	**93**	**0**	**0**	**5,553**	**9**	**156**	**93**	**258**
Non-current borrowings[3]	0	0	0	0	0	-3,280	**-3,280**	-2,551	0	-784	**-3,334**
Current borrowings[3]	0	0	0	0	0	-217	**-217**	0	0	-217	**-217**
Trade and other payables[4]	0	0	0	0	0	-4,197	**-4,197**	0	0	0	**0**
Forward foreign exchange contracts	-121	0	0	0	0	0	**-121**	0	-121	0	**-121**
Financial liabilities	**-121**	**0**	**0**	**0**	**0**	**-7,694**	**-7,816**	**-2,551**	**-121**	**-1,001**	**-3,673**

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) Trade and other payables that are not financial liabilities at negative NOK 3,824 million in 2019 are not included.

Note 25 continues on next page

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**	0	0	79	**79**
Non-current receivables	0	0	84	0	0	0	**84**	0	0	0	**0**
Trade and other receivables	0	0	3,328	0	0	0	**3,328**	0	0	0	**0**
Forward foreign exchange contracts	218	0	0	0	0	0	**218**	0	218	0	**218**
Current interest-bearing receivables	0	25	21	0	0	0	**47**	25	0	0	**25**
Cash and cash equivalents	0	0	2,473	0	0	0	**2,473**	0	0	0	**0**
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	0	-291	**-1,806**
Current borrowings[3]	0	0	0	0	0	-1,125	**-1,125**	-1,014	0	-114	**-1,128**
Deferred consideration[4]	0	0	0	0	-34	0	**-34**	0	0	-34	**-34**
Trade and other payables[5]	0	0	0	0	0	-3,913	**-3,913**	0	0	0	**0**
Forward foreign exchange contracts	-163	0	0	0	0	0	**-163**	0	-163	0	**-163**
Interest rate instruments	-9	0	0	0	0	0	**-9**	0	-9	0	**-9**
Financial liabilities	**-172**	**0**	**0**	**0**	**-34**	**-6,826**	**-7,032**	**-2,529**	**-172**	**-439**	**-3,139**

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.

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 28 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 54 subsidiaries in 25 countries at the reporting date. 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, 2019 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	100
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 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
Aker Solutions AS	Fornebu	Norway	100
Aker Solutions Holding AS	Fornebu	Norway	100

Note 26 continues on next page

Note 26 Subsidiaries cont.

Company	Location	Country	Percent
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 Co. Ltd.	Al-Khobar	Saudi Arabia	100
Aker Solutions Korea Co. Ltd	Geoje	South Korea	100
Aker Solutions Sweden AB	Gothenborg	Sweden	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 EAME Limited	Aberdeen	UK	100
Aker Solutions Enterprises International (UK) Limited	London	UK	49
Aker Solutions Holding Limited	Aberdeen	UK	100
Aker Solutions IP 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 29 for more information about customer contracts organized as joint arrangements

Note 27 Equity-Accounted Investments

Financial Reporting Principles

Joint ventures are those entities where the company has joint control and rights to net assets. Associates are those entities where the company has significant influence, but not control or joint control (usually between twenty and fifty percent of the voting power). Interests in associates and joint ventures are accounted for using the equity method. The investments are initially recognized at cost (including transaction costs) and subsequently increased or decreased to recognize the share of the profit or loss. The profit or loss for the equity-accounted investees are presented as other income when the operations are closely linked to the current operations of Aker Solutions, otherwise they are presented as financial income.

Equity-accounted Investments

The company had five equity-accounted investments as of December 31, 2019. The book values included in other non-current assets were as follows:

Amounts in NOK million	**2019**	**2018**
Joint ventures	**15**	0
Associates	**130**	1
Total	**146**	**1**

Note 28 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. Such investments are designated 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.

Equity Securities

The company had invested NOK 93 million in unlisted shares at December 31, 2019 compared to NOK 79 million the year before. The 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 29 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.

Transactions and Balances with Related Parties

Amounts in NOK million	2019	2018
Income statement		
Operating revenues	**3,983**	3,360
Operating costs	**-386**	-315
Depreciation and impairment of ROU assets	**-217**	0
Net financial items	**-53**	0
Balance sheet		
Right-of-use (ROU) assets	**1,187**	0
Lease receivables, long term	**189**	0
Trade receivables	**286**	594
Non-current interest-bearing receivable	**98**	45
Lease receivables, short term	**61**	0
Non-current leasing liabilities	**-1,313**	0
Trade payables	**-34**	-75
Current interest-bearing loan	**-1**	-1
Current leasing liabilities	**-108**	0

Note 29 continues on next page

Note 29 Relate Parties cont.

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 2019.

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. Aker Solutions also leases office buildings from Fornebu Gateway AS, where TRG owns 40 percent of the shares. In 2019, Aker Solutions paid NOK 66 million in rent to the real estate companies owned by TRG and NOK 100 million in rent to Fornebu Gateway AS (NOK 65 million to the real estate companies owned by TRG and NOK 92 million in rent to Fornebu Gateway AS in 2018). Further, Aker Solutions has sub-lease income from other Aker companies of NOK 51 million (2018: NOK 35 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.

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 2019.

Other

Other agreements with related parties include:

- Aker Solutions contributed NOK 79 million in 2019 (NOK 76 million in 2018) 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. In addition, Aker Solutions is committed to fund up to NOK 60 million if required.
- Aker Solutions supported the group's union representative function with NOK 540,000 in 2019 (NOK 525,000 in 2018)

See note 14 for more information about customer contract assets and receivables
See note 18 for more information about leasing contracts
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
See note 27 for more information about joint arrangements and associates

Note 30 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 2019-2021. Fees to the Board of Directors are approved by the annual general meeting. The board held 10 meetings in 2019 with an average attendance rate of 90 percent. In addition, certain matters were processed by way of circulation of documents. The audit committee held 6 meetings in 2019. As of December 31, 2019 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 2020. 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. As of December 31, 2019, two of the employee appointed directors have loans from the company related to purchase of Aker Solutions' shares under the 2019 employee share program: Hilde Karlsen has a loan of NOK 42,000 and Audun Bråthen has a loan of NOK 12,000.

		2019	2018	2019		2018	
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	620,000	0	610,000
Koosum Kalyan		0	0	0	422,500	0	400,000
Birgit Aagaard-Svendsen		25,000	25,000	215,000	360,000	157,500	262,500
Henrik O. Madsen		0	0	0	360,000	0	262,500
Kristian Røkke[3]		0	0	125,000	360,000	90,000	262,500
Hilde Karlsen		10,925	5,363	0	180,000	0	175,000
Atle Teigland		8,751	8,751	125,000	180,000	120,000	175,000
Audun Bråthen[4]		3,973	na	0	135,000	na	na
Oddvar Hølland[5]		na	3,179	0	45,000	0	175,000
Kjell Inge Røkke [6,7]		na	0	na	na	0	87,500
Anne Drinkwater[6]		na	na	na	na	52,500	137,500
Total		**48,649**	**42,293**	**465,000**	**2,662,500**	**420,000**	**2,547,500**

1) The number of shares owned covers direct ownership of Aker Solutions ASA only and does not include Øyvind Eriksen's, Kjell Inge Røkke's and Kristian 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.
4) Audun Bråthen was elected by employees of Aker Solutions during spring of 2019. The fee is calculated for a proportionate part of the year.
5) Oddvar Hølland served as an employee elected director until spring 2019. The fee is calculated for a proportionate part of the year.
6) Board members served as directors until the general meeting held in 2018.
7) At the general meeting held in 2018, Kjell Inge Røkke was appointed deputy director.

Note 30 continues on next page

Note 30 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's 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 earning 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 2019 or 2018. The remuneration to the executive management team in 2019 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 company does not offer share option programs to executives or other employees.

Share Purchase Program for Management

Aker Solutions' share purchase program for the executive managers is based on the general program offered to all employees, but with a higher maximum amount (25 percent of base salary). Shares purchased under the management program were settled in cash by the participants.

Note 30 continues on next page

Note 30 Management Remuneration cont.

Executive Management Remuneration 2019

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	7,727,614	0	388,379	**8,115,993**	102,262
Ole Martin Grimsrud	Chief Financial Officer	Aug. 1 - Dec. 31	1,143,333	213,449	15,171	**1,371,953**	59,339
Dean Watson[4]	Chief Operating Officer	Jan. 1 - Dec. 31	3,886,400	2,058,321	848,392	**6,793,113**	97,677
Mark Riding	Executive Vice President, Strategy	Jan. 1 - Jun. 30	1,688,956	1,264,461	0	**2,953,417**	192,653
Valborg Lundegaard	Executive Vice President, Customer Management	Jan. 1 - Dec. 31	2,628,565	1,275,473	34,648	**3,938,686**	263,461
Knut Nyborg	Executive Vice President, Front End	Jan. 1 - Dec. 31	2,399,600	1,172,788	22,648	**3,595,036**	223,220
Maria Peralta	Executive Vice President, Products	Jun 1 - Dec. 31	1,633,333	370,269	550,054	**2,553,656**	62,427
Egil Bøyum[5]	Executive Vice President, Greenfield Projects	Jan. 1 - Dec. 31	2,854,478	1,360,709	22,648	**4,237,834**	223,675
Linda Litlekalsøy Aase	Executive Vice President, Brownfield Projects	Jan. 1 - Dec. 31	2,283,077	550,510	22,648	**2,856,235**	168,340
Svein Stoknes	Chief Financial Officer	Jan. 1 - Jul. 31	1,951,507	1,814,197	1,048,256	**4,813,959**	102,555
Knut Sandvik	Executive Vice President, Greenfield Projects	Jan. 1 - Jun. 30	1,463,000	721,701	124,340	**2,309,041**	126,645
Total			**29,659,863**	**10,801,877**	**3,077,184**	**43,538,924**	**1,622,254**

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, termination benefits, and phone and broadband allowance. It also includes relocation costs such as housing, children school fees, and individual tax consultancy fees.
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) Dean Watson is also serving as Executive Vice President, Subsea Lifecycle Services.
5) Egil Bøyum was serving as Executive Vice President Products until May 31, 2019.

Note 30 continues on next page

Note 30 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[4]	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 30 continues on next page

Note 30 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.

	Job title	Number of shares owned	Notice period	Severance pay
Luis Araujo	Chief Executive Officer	104,660	3 months	6 months
Ole Martin Grimsrud	Chief Financial Officer	14,088	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, Greenfield Projects	4,198	3 months	6 months
Linda Litlekalsøy Aase	Executive Vice President, Brownfield	23,551	3 months	6 months
Maria Peralta	Executive Vice President, Products	7,824	3 months	6 months

The following members of the executive management team had loans with the company as of December 31, 2019, in all cases related to the 2019 employee share program: Luis Araujo (NOK 42,000), Ole Martin Grimsrud (NOK 42,000) and Linda Litlekalsøy Aase (NOK 42,000).

See note 5 for more information about salaries for employees and the general share purchase program
See note 19 for more information about pension arrangements

Note 31 Audit Fees

KPMG is the auditor of the group. The table below presents expenses for audit and other services to the auditor.

	Aker Solutions ASA		Subsidiaries		Total	
Amounts in NOK million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Audit	**5.9**	4.9	**15.1**	9.6	**21.0**	14.5
Other assurance services	**0.0**	0.2	**0.1**	0.3	**0.1**	0.5
Tax services	**0.0**	0.0	**1.0**	0.6	**1.0**	0.6
Other non-audit services	**0.1**	0.0	**1.3**	1.0	**1.3**	1.0
Total	**6.0**	**5.1**	**17.6**	**11.5**	**23.5**	**16.6**

Note 32 Subsequent Events

COVID-19 pandemic and Market Uncertainty

During the first quarter of 2020, the spread of the COVID-19 virus caused global disruption, with negative consequences both for human health and economic activity. At the date of this report, employees in several Aker Solutions offices worked from home and the subsea manufacturing plant in Port Klang (Malaysia), Macae and Curitiba (Brazil) were temporarily shut down. Many non-Norwegian hired-ins in Egersund (Norway) have returned home to their respective countries, and offshore activities in the North Sea, both Norwegian and UK sector were reduced. The challenging commodity price environment together with the effects of the Covid-19 pandemic create unprecedented uncertainty and will have an adverse impact on both activity and financial performance of Aker Solutions. Due to the high level of uncertainties at the time this report was finalized, it is still difficult to quantify more exactly the adverse effects and it is also too early to conclude on timing and path of recovery.

From a financial reporting perspective, the COVID-19 pandemic and the market uncertainty is expected to impact the execution of deliveries to clients and the performance of the company. Further, it could impact the long-term market outlook and future assessments of recoverable amounts of Aker Solutions' assets.

Restructuring and temporary lay-offs

Aker Solutions announced in January 2020 plans to further streamline the global subsea manufacturing capacity, which includes closing down the XMT production in Tranby, Norway. Tranby will continue to serve as a technology center for research and development with manufacturing capability for subsea pumps and workover systems. Further, as a consequence of the outbreak of the COVID-19 pandemic and the associated market uncertainty, Aker Solutions issued notification of temporary lay-off to all 6,000 employees in Norway in March 2020. The notification was sent in case the company would experience disruption in production and other activities due to the pandemic outbreak. To reduce the negative impact on financial performance, the company is assessing further restructuring globally to align the capacity with the demand for products and services.

Parent Company Financial Statements

Aker Solutions Group
December 31, 2019

Income Statement

For the year ended December 31

Amounts in NOK million	Note	2019	2018
Operating revenues	2	**26**	25
Operating expenses	2	**-74**	-144
Operating loss		**-49**	**-118**
Income from subsidiaries	5	**1,400**	0
Net financial expenses	3	**-236**	-196
Earnings before tax		**1,115**	**-315**
Income tax	4	**8**	48
Net earnings		**1,123**	**-266**
Net earnings (loss) for the period distributed as follows:			
Other equity		**1,123**	-266
Net earnings		**1,123**	**-266**

Balance Sheet

Statement as of December 31

Amounts in NOK million	Note	2019	2018
Assets			
Deferred tax asset	4	**245**	235
Investments in group companies	5	**11,438**	11,438
Non-current interest-bearing receivables from group companies	8	**52**	34
Other non-current interest-bearing receivables		**2**	2
Total non-current assets		**11,737**	**11,708**
Current interest-bearing receivables from group companies	8	**622**	399
Non-interest bearing receivables from group companies	8	**81**	21
Financial instruments	9	**238**	450
Other current receivables		**0**	2
Cash and cash equivalents	8	**264**	1,258
Total current assets		**1,206**	**2,130**
Total assets		**12,943**	**13,838**

Amounts in NOK million	Note	2019	2018
Equity and liabilities			
Issued capital		**294**	294
Other equity		**3,714**	2,574
Total equity	6	**4,008**	**2,867**
Non-current borrowings	7	**3,058**	1,459
Total non-current liabilities		**3,058**	**1,459**
Current borrowings	7	**20**	1,024
Current borrowings from group companies	8	**5,531**	8,085
Non interest-bearing liabilities from group companies	8	**13**	0
Financial instruments	9	**272**	400
Other current liabilities		**41**	4
Total current liabilities		**5,877**	**9,512**
Total liabilities		**8,935**	**10,971**
Total equity and liabilities		**12,943**	**13,838**

Fornebu, March 24, 2020
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

Audun Bråthen
Director

Luis Araujo
Chief Executive Officer

Cashflow

Statement for the year ended December 31

Amounts in NOK million	**2019**	**2018**
Earnings (loss) before tax	**1,115**	-315
Profit (loss) on foreign currency forward contracts	**84**	-61
Changes in other operating assets and liabilities	**594**	167
Net cash from operating activities	**1,792**	**-208**
Increase in investments in subsidiaries	**0**	0
Net cash used in investing activities	**0**	**0**
Changes in borrowings to group companies	**-241**	-109
Changes in borrowings from group companies	**-2,553**	940
Shares issued to employees through share purchase program	**59**	0
Repurchase of treasury shares	**-51**	0
Net cash from financing activities	**-2,786**	**831**
Net increase (decrease) in cash and cash equivalents	**-994**	**623**
Cash and cash equivalents at the beginning of the period	**1,258**	635
Cash and cash equivalents at the end of the period[1]	**264**	**1,258**

1) Unused credit facilities amounted to NOK 4,400 million as of December 31, 2019 (NOK 5,000 million as of December 31, 2018).

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 26 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 and Board of Directors are described in note 30 Management Remuneration in the consolidated financial statements.

Audit fees to KPMG

Amounts in NOK million	2019	2018
Audit	**5.7**	4.9
Other assurance services	**0.3**	0.2
Other non-audit services	**0.1**	0.0
Total	**6.1**	**5.1**

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 NOK 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 preferred 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	2019	2018
Interest income from group companies	**68**	49
Interest expense to group companies	**-95**	-77
Net interest expenses from group companies	**-26**	-27
External interest income	**1**	5
External interest expenses	**-208**	-177
Net external interest expense	**-207**	**-173**
Loss on loans to group companies	**-4**	-5
Other financial expenses	**-2**	-2
Foreign exchange loss	**-1,235**	-1,502
Foreign exchange gain	**1,237**	1,513
Net other financial items	**-4**	**4**
Net financial expenses	**-236**	**-196**

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	2019	2018
Calculation of taxable income		
Earnings (loss) before tax	**1,115**	-315
Permanent differences	**-1,171**	28
Change in timing differences	**148**	-53
Taxable income	**91**	**-339**
Positive (and negative) temporary differences		
Unrealized gain on forward exchange contracts	**-39**	60
Interest rate swaps	**5**	-7
Impairment on internal receivables	**-48**	0
Tax loss carried forward	**-1,028**	-1,120
Basis for deferred tax	**-1,110**	**-1,066**
Deferred tax in income statement	**245**	233
Deferred tax in equity	**-1**	1
Deferred tax asset	**244**	**235**

The Company has a temporary difference related to the limitation of the deductibility of interest of NOK 233 million which is not recognized in the balance sheet.

Amounts in NOK million	2019	2018
Income tax benefit		
Origination and reversal of temporary differences	**12**	55
Witholding tax	**-4**	-7
Total tax income	**8**	48

Effective Tax Rate

Amounts in NOK million	2019	2018
Income tax 22% (23% in 2018)	**-245**	72
Tax on permanent differences	**258**	-7
Witholding tax	**-4**	-7
No change in deferred tax rate in 2019 (Change in deferred tax rate from 23% to 22% in 2018)	**0**	-11
Total tax income	**8**	48

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 from subsidiaries are recognized in the same year as they are recognized in the financial statement of the provider[1]. 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	Ownership	Book value
Aker Solutions Holding AS	Fornebu, Norway	3,600	30	100%	**11,438**
Total investments in group companies					**11,438**

1) Dividends of NOK 1,400 million is recognized in the annual account for 2019 and applies to the financial statement for 2018 in the subsidiary as a result of the subsidiary's financial statements that were submitted later than the signing of the annual accounts for the parent company.

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, 2018	294	0	-5	2 579	**2 867**
Shares issued to employees through share purchase program[1]	0	0	0	59	59
Repurchase of treasury shares[2]	0	0	0	-51	-51
Earnings for the period	0	0	0	1 123	**1 123**
Cashflow hedge[3]	0	0	9	0	**9**
Equity as of December 31, 2019	**294**	**0**	**4**	**3 710**	**4 008**

1) Aker Solutions subsidiaries operate a share purchase program for employees. The subsidiaries purchase shares from Aker Solutions ASA in order to settle obligations to the employees under the program. During 2019, a total of 2,710,165 shares were sold under the program.
2) A total of 2,300,000 treasury shares were acquired in the market in 2019. The number of treasury shares held by end of 2019 was 101,636. The shares are held for the purpose of future awards under the share purchase program for employees, as settlement in future corporate acquisitions or for the purposes as decided by the Board of Directors.
3) 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 2019 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, 2019. 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 101,636 per December 31, 2019 (511,801 per December 31, 2018). The consideration for these shares was NOK 2 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

2019

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 0010814213	NOK	1,500	**1,503**	1.80%	3.15%	4.95%	07/25/22	Floating, 3M+fix margin
ISIN NO 0010853286	NOK	1,000	**993**	1.84%	3.00%	4.84%	06/03/24	Floating, 3M+fix margin
Total bond[1]			**2,496**					
Revolving credit facility (NOK 5,000 million)[2]	NOK	600	**582**	1.87%	1.10%	2.97%	03/19/23	NIBOR + Margin[3]
Total borrowings			**3,078**					
Current borrowings			**20**					
Non-current borrowings			**3,058**					
Total borrowings			**3,078**					

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 borrowings			**2,483**					
Current borrowings			**1,024**					
Non-current borrowings			**1,459**					
Total borrowings			**2,483**					

1) The carrying amount is calculated by reducing the nominal value of NOK 2,500 million (NOK 2,500 million in 2018) by total issue costs related to the new financing of NOK 22 million (NOK 16 million in 2018). Amount includes NOK 18 million of accrued interest related to the bonds (NOK 24 million in 2018).
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

2019

Amounts in NOK million	Carrying amount	Total cashflow[1]	6 months and less	6-12 months	1-2 years	2-5 years
ISIN NO 0010814213	1,503	**1,707**	38	38	75	1,556
ISIN NO 0010853286	993	**1,222**	25	25	49	1,123
Total	**2,496**	**2,929**	**63**	**63**	**124**	**2,679**
Revolving credit facility (NOK 5,000 million)[2]	582	**659**	**10**	9	18	622
Total borrowings	**3,078**	**3,588**	**73**	**72**	**142**	**3,301**

2018

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

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 drawn amount will remain constant 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	**2019**	**2018**
Group companies interest-bearing deposits in the cash pool system	**3,575**	5,779
Aker Solutions ASAs net borrowings in the cash pool system	**-3,311**	-4,521
Cash in cash pool system	**264**	1,258
Current interest-bearing receivables from group companies	**622**	399
Non-current interest-bearing receivables from group companies	**52**	34
Current interest-bearing borrowings from group companies	**-5,531**	-8,085
Net interest-bearing borrowings from group companies	**-4,857**	**-7,652**
Current non interest-bearing receivables from group companies	**81**	21
Current non interest-bearing borrowings from group companies	**13**	0
Net non interest-bearing receivables from group companies	**94**	21
Total net borrowings from group companies	**-4,499**	**-6,373**

All current receivables and borrowings are due within one year.

Aker Solutions ASA has two centralized cash concentration arrangements (cash pools) with DNB and Nordea where balances are consolidated and netted across legal entities and countries. The participants in the cash pools are joint and severally liable and it is therefore important that Aker Solutions as a group is financially viable. In addition cash management arrangements are set up with local banks in Malaysia, Brazil and India where cash concentration is prohibited. The cash pools and cash management arrangements cover a majority of the group's geographical footprint and ensure control of and access to the majority of 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.

The cash pool systems were showing a net balance of NOK 264 million per December 31, 2019. 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, 2019 Aker Solutions ASA has outstanding foreign exchange contracts with other entities in the group with a gross total value of approximately NOK 6.1 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. 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.

	2019		2018	
Amounts in NOK million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward exchange contracts with group companies	**145**	**-89**	272	-138
Forward exchange contracts with external counterparts	**88**	**-182**	178	-252
Total	**233**	**-271**	**450**	**-390**

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 company has drawn NOK 600 million on the revolving credit facility at year end with floating interest.

40 percent of the total external loan of NOK 3,100 million was at fixed interest rates per December 31, 2019. 50 percent of the total external loan of NOK 2,500 million was at fixed interest rates per December 31, 2018.

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, 2019 a net profit of NOK 4 million (NOK 5 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.

	2019		2018	
Amounts in NOK million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps - cashflow hedge (against equity)	**5**	**0**	0	-7
Total	**5**	**0**	**0**	**-7**

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	2019	2018
Parent company guarantees to group companies	**58,421**	61,020
Counter guarantees for bank/surety bonds	**4,973**	6,212
Total guarantee liabilities	**63,394**	**67,232**

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:

Operating Revenue and Expenses	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.

2019

Company	Nominee	Number of shares held	Ownership
Aker Kværner Holding AS		110,333,615	40.56%
Aker ASA		17,331,762	6.37%
Verdipapirfondet DNB Norge		12,669,915	4.66%
Goldman Sachs & Co. LLC	NOM	12,197,394	4.48%
Folketrygdfondet		10,950,677	4.03%
JP Morgan Chase Bank, N.A. London	NOM	4,706,482	1.73%
Ferd AS		4,300,000	1.58%
BNP Paribas Arbitrage SNC. Meglerkonto		3,747,884	1.38%
Euroclear Bank S.A/N.V.	NOM	3,374,092	1.24%
The Bank of New York Mellon SA/NV	NOM	3,088,089	1.14%
Storebrand Norge I Verdipapirfond		3,063,978	1.13%

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%

Note 13 Subsequent events

Market Uncertainty

During the first quarter of 2020, the spread of the COVID-19 (corona) virus caused global disruption, with negative consequences both for human health and economic activity. The COVID-19 situation created significant uncertainty in the global oil market. This uncertainty was further amplified in March by signals of increased production volumes from several major oil producing countries, which caused a significant decline in global oil prices. The long-term impact from these events on the global economy and the oil market was unclear at the time this report was finalized. From a financial reporting perspective, the market uncertainty could impact the future fair value of Aker Solutions ASA's investments in subsidiaries and other assets.

KPMG
KPMG AS
P.O. Box 7000 Majorstuen
Sørkedalsveien 6
N-0306 Oslo

Telephone +47 04063
Fax +47 22 60 96 01
Internet www.kpmg.no
Enterprise 935 174 627 MVA

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, which comprise:

- The financial statements of the parent company Aker Solutions ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cashflow 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 as at 31 December 2019, the income statement and the statement of other comprehensive income, statement of changes in equity and statement of cashflow 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 2019, and its financial performance and its cash flows for the year then ended in accordance with the 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 2019, and 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 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.

KPMG

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 cash generating units.

As of 31 December 2019, the Group has property, plant and equipment of NOK 3 065 million, and intangible assets of NOK 5 710 million. The Group has recognized an impairment charge in 2019 associated with their property, plant and equipment and other intangible assets of NOK 46 million and NOK 2 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 and challenging management's assessment of impairment indicators;
- Where impairment triggers were not identified, assess the reasonableness of the evaluation to ensure no cash generating unit has been excluded from the impairment testing;
- Where impairment indicators were identified 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 cash generating units 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 the cash generating units 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.

KPMG

Revenue and cost estimates related to customer contract type Projects

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 contracts.

In IFRS 15 Revenue from contracts with customers there is a high 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 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.

For the year ended 31 December 2019, the Group has recognized revenue of NOK 23 253 million related to customer contract type Projects.

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:

- 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;
- 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 revenue from construction contracts.

KPMG

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated 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 consolidated 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.

KPMG

- 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 and the Group'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 and the Group to cease to continue as a going concern.
- 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 and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on 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, 26 March 2020
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. Figures for 2019 include the effects of IFRS 16, whereas comparative figures for 2018 do not.

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 are 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 of cash flows of the company. Profit measures excluding special items are presented as alternative measures to improve comparability of the underlying business performance between the periods.

	Projects		Services		Other/ eliminations		Aker Solutions	
Amounts in NOK million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue	23,253	19,920	5,995	5,096	15	216	**29,263**	25,232
Non-qualifying hedges	0	0	0	0	-2	-6	**-2**	-6
(Gain) loss sale of PPE	0	0	0	0	0	-50	**0**	-50
Sum of special items excl. from revenue	0	0	0	0	-2	-56	**-2**	-56
Revenue excl. special items	**23,253**	**19,920**	**5,995**	**5,096**	**14**	**160**	**29,262**	**25,176**
EBITDA	1,736	1,354	721	678	-213	-222	**2,244**	1,810
Restructuring cost	44	10	18	10	8	19	**70**	39
Onerous lease cost	0	3	0	4	0	8	**0**	15
Non-qualifying hedges	0	0	0	0	0	-11	**0**	-11
(Gain) loss sale of PPE	0	0	0	0	0	-50	**0**	-50
Other special items	0	4	0	0	1	4	**1**	8
Sum of special items excl. from EBITDA	44	17	18	14	9	-29	**72**	2
EBITDA excl. special items	**1,780**	**1,371**	**740**	**692**	**-204**	**-251**	**2,316**	**1,812**
EBITDA margin	7.5%	6.8%	12.0%	13.3%			**7.7%**	7.2%
EBITDA margin excl. special items	7.7%	6.9%	12.3%	13.6%			**7.9%**	7.2%
EBIT	837	843	399	511	-531	-305	**705**	1,049
Sum of special items excl. from EBITDA	44	17	18	14	9	-29	**72**	2
Impairments	80	15	68	2	157	5	**304**	22
Sum of special items excl. from EBIT	123	32	86	17	166	-24	**376**	24
EBIT excl. special items	**960**	**874**	**486**	**528**	**-365**	**-329**	**1,081**	**1,074**
EBIT margin	3.6%	4.2%	6.7%	10.0%			**2.4%**	4.2%
EBIT margin excl. special items	4.1%	4.4%	8.1%	10.4%			**3.7%**	4.3%

Order Intake Measures

Order intake and order backlog are presented as alternative performance measures. 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. The order backlog does not include parts of the Services segment, which is short-cycled or book-and-turn in nature, or potential growth or options on existing 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 debt.

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

Amounts in NOK million	December 31, 2019	December 31, 2018
Cash and cash equivalents	1,898	2,473
Credit facility (unused)	4,400	5,000
Liquidity buffer	**6,298**	**7,473**

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	December 31, 2019	December 31, 2018
Current tax assets	120	109
Inventory	369	326
Customer contract assets	4,846	3,652
Trade receivables	3,182	3,236
Prepayments	1,564	1,348
Current tax liabilities	-81	-68
Provisions	-521	-906
Trade payables	-2,000	-1,680
Other payables	-6,021	-6,062
Customer contract liabilities	-677	-709
Net current operating assets (NCOA)	**781**	**-753**
Effects from IFRS 16[1]	-663	0
Net current operating assets (NCOA) ex. IFRS 16	**119**	**-753**

1) Relate to reclassification of onerous lease provisions and lease accruals for rent-free periods previously reported as part of NCOA. Starting from January 1, 2019 these amounts are reported as part of ROU asset under IFRS 16.

Net Interest Bearing Debt is a measure that shows the overall debt situation. Net interest bearing debt is calculated by netting the value of a company's liabilities and debts with its cash and cash equivalents.

Amounts in NOK million	December 31, 2019	December 31, 2018
Non-current borrowings	3,280	1,788
Current borrowings	217	1,125
Cash and cash equivalents	(1,898)	(2,473)
Net interest-bearing debt	**1,599**	**440**

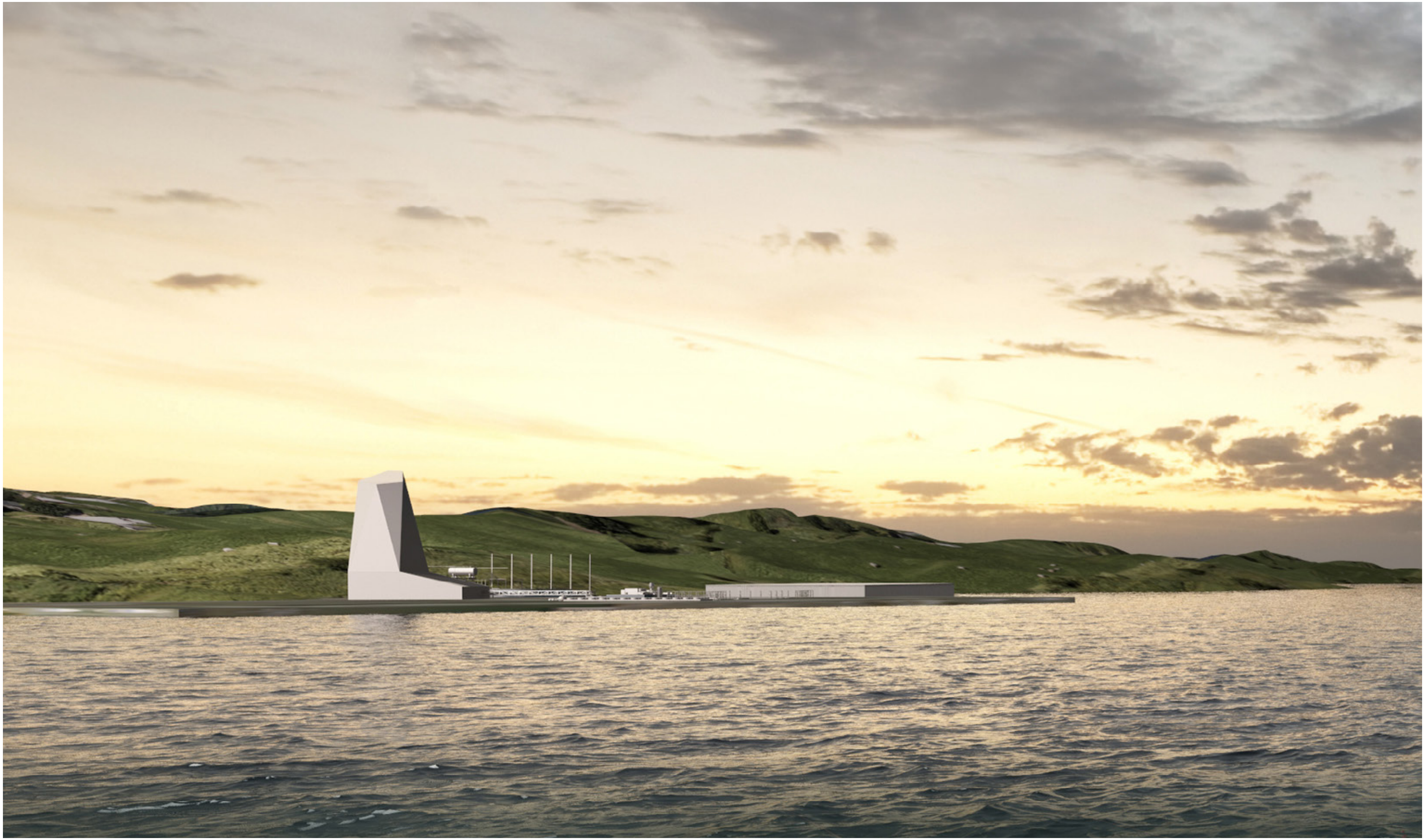
Contact

Aker Solutions ASA
Oksenøyveien 8, 1366 Lysaker

Postal address:
P.O. Box 169
NO-1325 Lysaker

Telephone:
+47 67 51 30 00

Web:
www.akersolutions.com



akersolutions.com