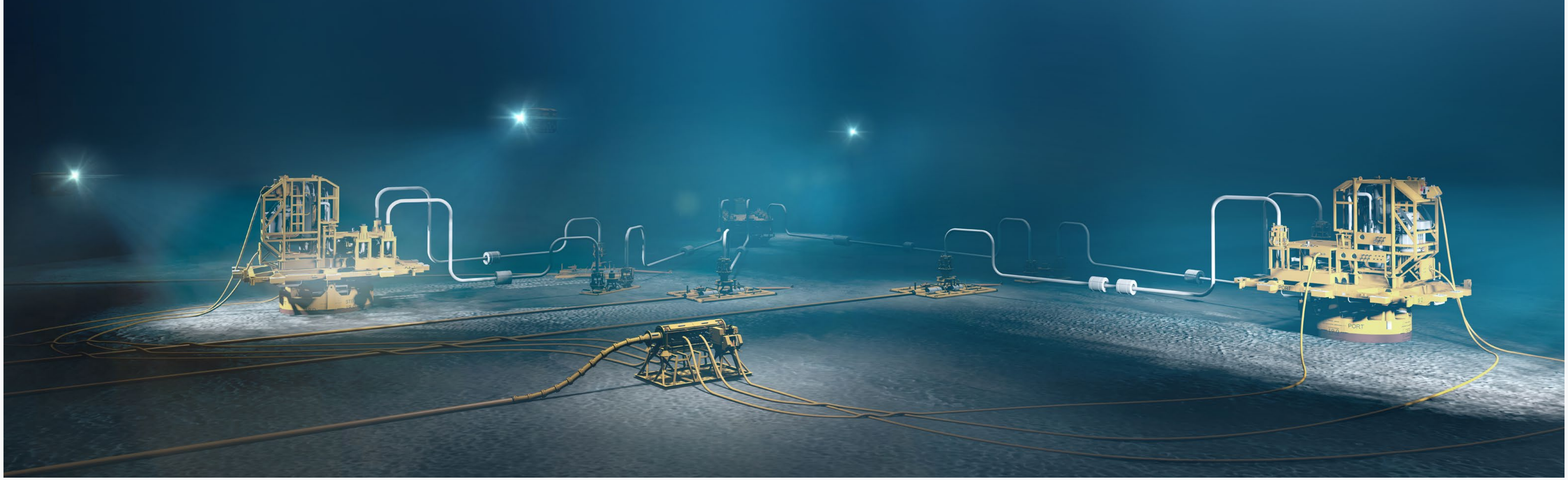
Aker Solutions

Annual Report **2016**

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

Aker Solutions has been a key part of Norway's offshore industry since before oil was even found. We delivered the rig that discovered the giant Ekofisk deposit in the North Sea in 1969. That field is still going strong and so are we. Building on nearly two centuries of technological and engineering excellence, we are now driving development to help solve the world's energy needs safely and sustainably.



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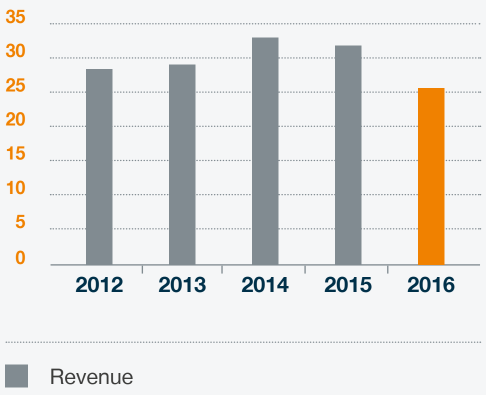
Key Figures

		2016	2015
Orders and results			
Order backlog December 31	NOK mill	31,188	39,684
Order intake	NOK mill	17,004	22,793
Revenue	NOK mill	25,557	31,896
EBITDA	NOK mill	1,929	1,841
EBITDA margin	Percent	7.5%	5.8%
EBITDA margin ex. special items	Percent	8.3%	8.3%
EBIT	NOK mill	687	958
EBIT margin	Percent	2.7%	3.0%
EBIT margin ex. special items	Percent	5.3%	6.0%
Net profit	NOK mill	152	383
Cashflow			
Cashflow from operational activities	NOK mill	312	1,934
Balance sheet			
Net interest-bearing debt	NOK mill	1,002	-301
Equity ratio	Percent	29.8%	23.9%
Liquidity buffer	NOK mill	7,480	8,862
Share			
Share price December 31	NOK	41.37	30.30
Basic earnings per share	NOK	0.21	1.44
Employees			
Total employees December 31	Own employees	14,385	15,395
HSE			
Lost time incident frequency	Per million worked hours	0.30	0.49
Total recordable incident frequency	Per million worked hours	1.30	1.34
Sick-leave rate	Per million worked hours	2.75	2.83

Key Figures

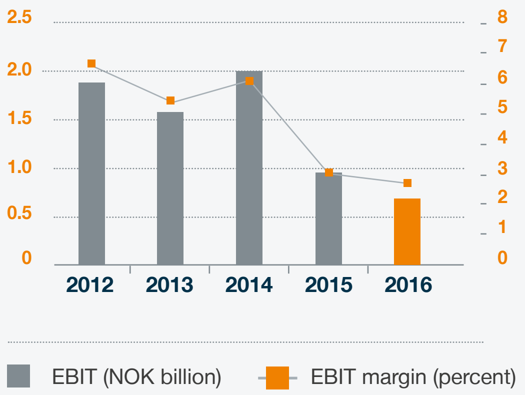
Revenue

Amounts in NOK billion



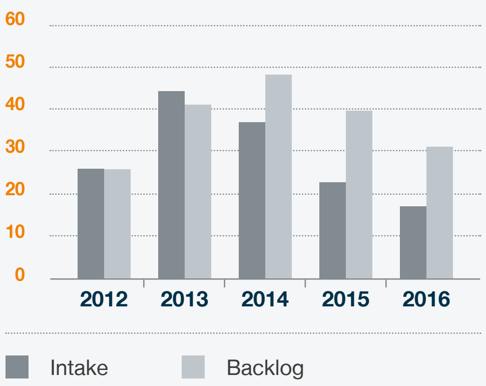
EBIT and margin

Amounts in NOK billion and percent



Order intake and backlog

Amounts in NOK billion

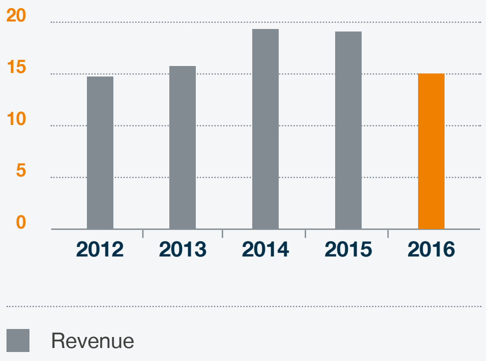


Key Figures

Subsea

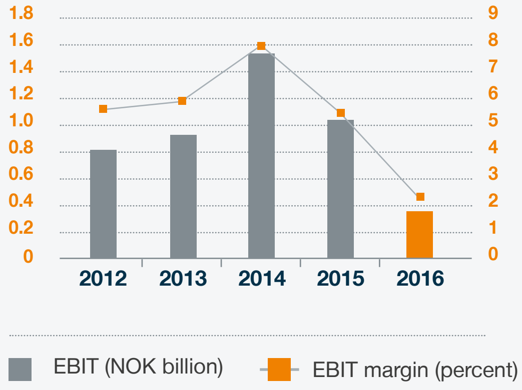
Revenue

Amounts in NOK billion



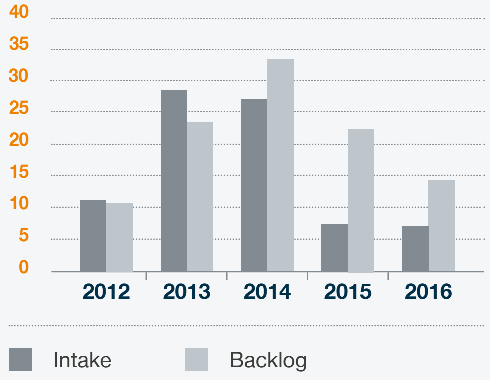
EBIT and margin

Amounts in NOK billion and percent



Order intake and backlog

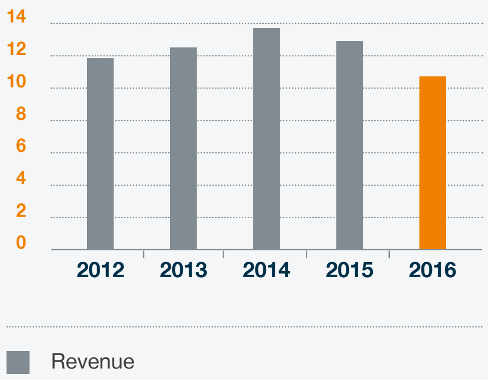
Amounts in NOK billion



Field Design

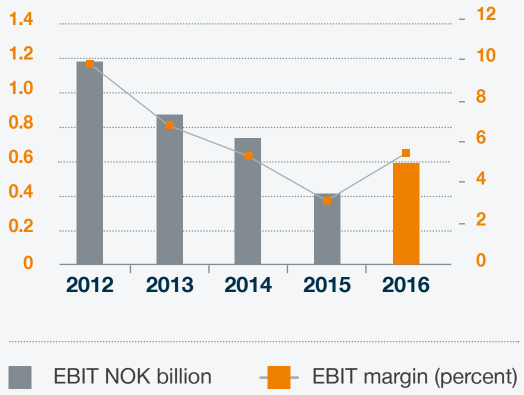
Revenue

Amounts in NOK billion



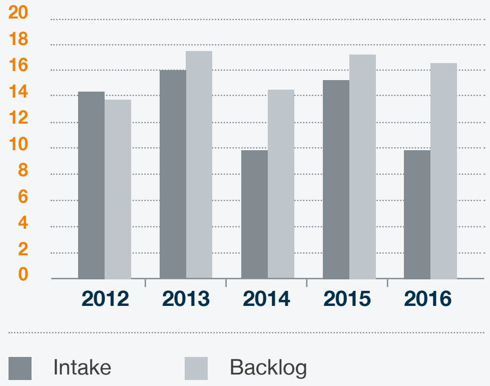
EBIT and margin

Amounts in NOK billion and percent



Order intake and backlog

Amounts in NOK billion



Global Presence

More than 14,000 employees in about 20 countries

M Manufacturing sites
Aberdeen
Mobile
Houston
Tranby
Moss
Port Klang
Curitiba

F Fabrication facilities
Egersund
Ågotnes

E Engineering hubs
Oslo
London
Kuala Lumpur
Mumbai

S Service bases
Luanda
Ågotnes
Houston
Rio das Ostras
Labuan
Kakinada
Perth
Aberdeen
Pointe-Noire

Figures in illustration show number of employees per region.

Highlights 2016

Reorganization

Aker Solutions in November replaces its business area structure with five delivery centers: Customer Management, Front End, Products, Projects and Services. The new setup better reflects the company's workflow from early engagement with customers to project execution and through to life-of-field services.

Innovation and Technology Award

The company wins Subsea UK's innovation and technology award for its Vectus 6.0 subsea electronics module which improves performance and lowers risk at oil and gas installations on the seafloor.

Subsea Compression

Aker Solutions and MAN Diesel & Turbo make progress in developing the next generation in subsea compression systems. The partnership says it expects to reduce the size and weight of such systems by at least 50 percent just a year after the world's first subsea compression system went on stream at Statoil's Åsgard field.

Engineering Achievement

The company wins an engineering achievement award at the OTC conference in Houston for its El-drive subsea electric actuators. These are more compact, effective and environmentally friendly than traditional hydraulic solutions.

Egypt

The company in June secures an order valued at more than NOK 1 billion to deliver its longest-ever umbilicals system at the Zohr gas field offshore Egypt.

Vietnam

Aker Solutions wins a contract from Idemitsu Oil and Gas to provide front-end engineering design work for the development of oil and gas resources in the Nam Con Son basin off Vietnam. This marks an expansion into a key new market for Aker Solutions.

Development Alliance

Aker Solutions, Aker BP and Subsea 7 form a 'one for all, all for one' collaboration that marks a major shift in how an operator and its suppliers work together on Norwegian oil and gas developments.

BP Contracts

Aker Solutions secures several global framework agreements with BP, including in the engineering and subsea areas.

Carbon Capture

Aker Solutions carries out the world's first test project for carbon capture at Norway's largest waste-to-energy plant, successfully removing 90 percent of the CO2 from waste burned to create energy. The company's carbon capture, utilization and storage technology is an important tool in reducing emissions and curtailing global warming.

Brazil

Aker Solutions opens a new state-of-the-art subsea manufacturing plant in Brazil and also secures a subsea services framework agreement with national oil and gas producer Petrobras. In December, the company buys 70 percent of Brazilian C.S.E. Mecânica e Instrumentação Ltda., building on a strategy to expand its services business internationally.

Lean Semi

The company introduces a new lighter weight and faster to deliver semisubmersible platform. The Lean Semi will help producers unlock marginal oil and gas fields in harsh environments across the globe.

ABB Cooperation

Aker Solutions and ABB join forces to build on their combined strengths in subsea, power and automation technologies, bringing customers more effective, reliable and flexible oil and gas production solutions. Initial focus areas include developing subsea compression systems at lower costs and in less time.

Encouraging Signs

Aker Solutions made major progress in 2016 in becoming a leaner and more competitive company and promoting its aim of creating a more sustainable industry.

We streamlined how we are organized, strengthening operations and taking big steps to improve cost-efficiency. We delivered consistently on major projects globally and increased our collaboration with other industry-leading companies to find the best field development solutions.

We also had to make some tough decisions and let go of valued colleagues because of the continued market decline. Together with the trade unions, we ensured that this process was as fair and transparent as possible. We will continue to be vigilant and do what is necessary to safeguard our company and future jobs.

Our business area structure was replaced with the following new delivery centers: Customer Management, Front End, Products, Projects and Services. These better reflect our workflow from early engagement with customers to project execution and through to life-of-field services.

The new setup is driving leaner workflows and greater synergies and will boost our standardization efforts and further speed up #thejourney program, which targets cost-efficiency improvements of at least 30 percent by the end of this year. It will propel growth in our services organization and help in the pursuit of more international business.

Building on this strategy, we last year bought 70 percent of C.S.E. Mecânica e Instrumentação, a Brazilian provider of maintenance, assembly, commissioning and crane operation services. Through this we gain access to the country's expanding market for servicing existing oil and gas fields. I am pleased to say that the process of integrating our two businesses is going well.

Our underlying margins were steady in 2016, aided by the cost-efficiency efforts and strong project execution, even as the industrywide slowdown caused a weakening of both our top and bottom lines. We had a solid financial position with a liquidity buffer of 7.5 billion kroner at the end of the year. This gives us good flexibility.

We won contracts in all parts of our business and built on our relationships with major customers worldwide. This included global framework agreements with BP for key business offerings, a major maintenance and modifications framework agreement with ConocoPhillips in Norway and a subsea services agreement with Petrobras in Brazil. We secured a record of more than 80 study awards last year, including for the Johan Sverdrup and Johan Castberg projects, where we have worked closely with the customer Statoil to significantly lower development costs. About two-thirds of our project backlog is for outside Norway.

We built on our network of partnerships with companies that are leaders in their fields, agreeing in April to collaborate with ABB on subsea, power and automation technologies. We also continued to partner in subsea with Baker Hughes, MAN Diesel & Turbo, SBM Offshore and Saipem. These collaborations close technology gaps in our portfolio, providing access to the entire range of capabilities needed to develop fully-functioning subsea production and processing systems.

Our underlying margins were steady in 2016, aided by cost-efficiency efforts and **strong** project execution

We carried out the world's first test project for carbon capture at Norway's largest waste-to-energy plant, successfully removing 90 percent of the CO2 from waste burned to create energy. Our carbon capture and storage technology is an important tool in reducing emissions and curtailing global warming.

The safety and health of our employees is our first priority. Tragically we lost four colleagues in a helicopter crash on April 29 that took the lives of all 13 people on board the flight off the coast of Norway. We marshalled all of our resources to support the

families and colleagues affected by this terrible accident. We also helped the authorities and operator in investigating its cause. It is crucial that we do everything in our power as an industry to prevent such an accident from happening again.

As a member of the UN Global Compact, we are committed to its principles and to responsible and sustainable business practices. We continue to strengthen our anti-corruption efforts and there is a high priority in ensuring good corporate governance. We seek to ensure equal opportunities and a work environment free from discrimination.

The markets remain challenging, but there are some recovery signs. Oil prices are off their lows and are seen stabilizing at a higher level in 2017. While offshore investments are expected to remain subdued, the industry is moving out of survival mode. Cost cuts, simplified field architecture and a deeper collaboration have lowered the break-even on major projects. This is expected to help the industry move forward with new investments. A strong pipeline of studies and tenders indicates that prospective developments are looking more economically attractive. We anticipate a slow acceleration of project sanctioning this year, particularly for brownfield projects as the industry seeks to extract additional value from existing assets.

I am encouraged by these positive signs. But I am even more energized by the way we are tackling the market challenges as we push ahead in pursuit of our vision to be a leader in driving the sustainable development of our industry.

Luis Araujo
Chief Executive Officer

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Board of Directors' **Report**

Aker Solutions in 2016 took major steps in becoming an even more streamlined and effective business amid a challenging market.

The company introduced a new, leaner organizational model and made strong progress with a global push to boost cost-efficiency by 30 percent by the end of 2017. It increased collaboration with other businesses on developing solutions for a sustainable energy future.

Overview

Building on 175 years of technological and engineering excellence, Aker Solutions is committed to finding solutions to safely and cost-effectively bring oil and gas discoveries into production, maximize recovery and minimize 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 companies.

Aker Solutions employed more than 14,000 people in about 20 countries at the end of 2016. The main office is in Fornebu, Norway. Aker Solutions ASA is listed on the Oslo Stock Exchange.

Strategy and Organizational Development

Aker Solutions' strategy builds on its vision of being a leader in forging a sustainable future for the global energy industry and the world it serves. The company provides customers the solutions they need to safely and sustainably develop, operate and retire their assets. These efforts are reinforced through alliances with other leading companies that seek to develop innovative and cost-effective solutions.

Significant organizational steps were taken in the last year to boost Aker Solutions' competitiveness, creating value for customers and shareholders. The company replaced its business-area structure with five delivery centers that are being fully implemented in 2017: Customer Management, Front End, Products, Projects and Services. These better reflect the workflow from early customer engagement to project execution and through life-of-field services. Each center is supported by global functions in driving improved standards of performance. The new setup is expected to generate greater synergies, enable a significant lift in standardization and further speed up the global improvement program, #thejourney. It will also facilitate a more coordinated customer approach and boost growth of the international services business.

Good progress was made in #thejourney program, which targets an improvement in cost-efficiency of at least 30 percent across the business by the end of 2017 compared with 2015 costs and work volumes. This equals potential annual savings of at least NOK 9 billion. Aker Solutions is simplifying its work methods, organizational set-up, geographic footprint and products and services. This is giving leaner and more efficient processes that will reduce overall costs on projects and products while improving quality. A key focus is to build a culture of continuous improvement. The company had achieved 65 percent of the total improvement target at the end of 2016.

Aker Solutions continued to build its network of partnerships with companies that are leaders in their fields of expertise. The

Aker Solutions' strategy builds on its vision of being a leader in forging a **sustainable** future for the global energy industry and the world it serves

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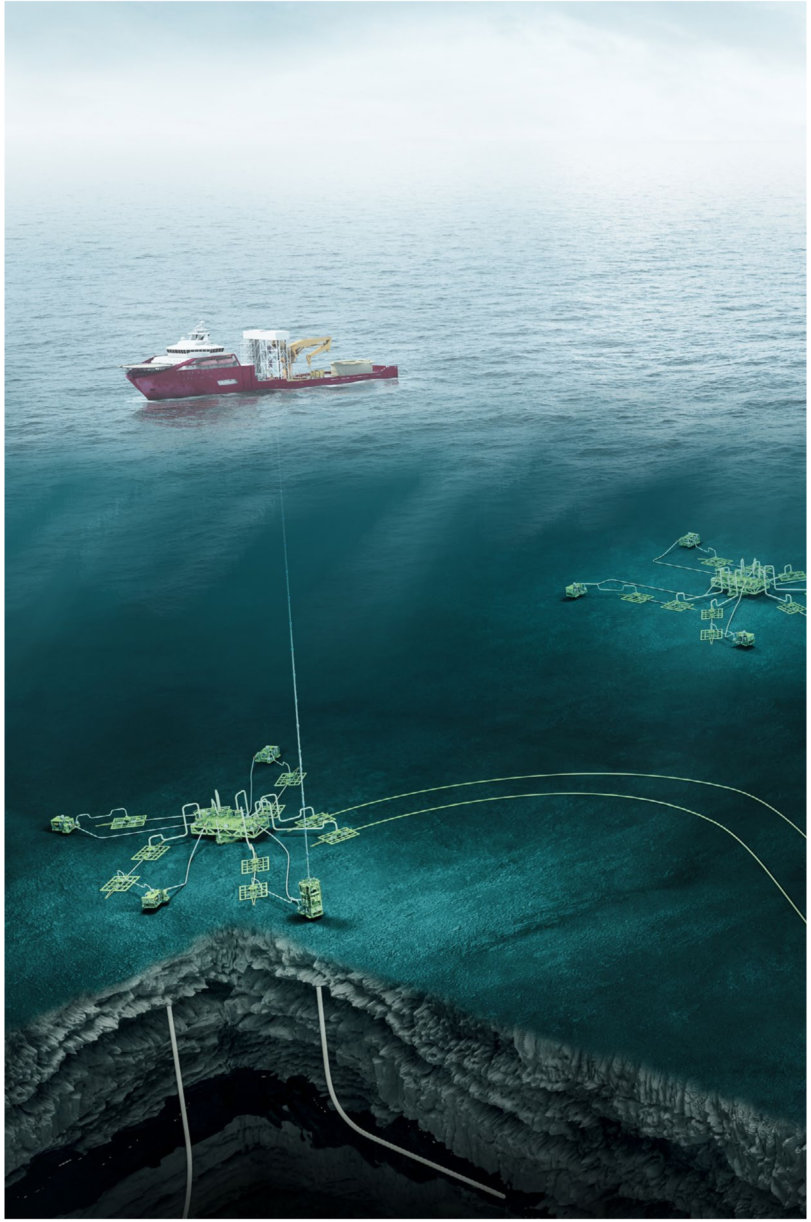

company and ABB agreed in April to collaborate on subsea, power and automation technologies to enable more effective, reliable and flexible oil and gas production solutions. The collaboration is one of several formed since 2014 by Aker Solutions and peers that also include Baker Hughes, MAN Diesel & Turbo, SBM Offshore and Saipem. These partnerships span the entire subsea value chain from the reservoir to the seabed and up to the topside. They close technology gaps in Aker Solutions' portfolio, providing access to the full range of capabilities needed to develop fully-functioning subsea production and processing systems. This is key to the company's subsea strategy.

Customer Focus

Aker Solutions seeks to provide the best service in the industry to its customers, which include major integrated oil and gas companies, national oil companies and independent exploration and production operators. Local marketing teams supported by the new customer management delivery center form a solid foundation for understanding and engaging with customers. The company in 2016 continued to sharpen its customer focus through targeted and proactive strategies where key account managers worked together across the company's full portfolio of offerings to capitalize on business opportunities and strengthen customer relationships.

Aker Solutions' collaboration with customers has been central to improving the economics and overall performance associated with developing and producing oil and gas assets. Working closely with customers enables a more integrated and holistic approach to establishing the most effective solutions across the full development and production lifecycle. In line with this rationale, Aker Solutions formed a new alliance with Aker BP and Subsea 7. It combines Aker Solutions' experience in front end engineering, modifications and subsea systems with Subsea 7's SURF capabilities and Aker BP's exploration and production expertise. This innovative way of addressing the challenges in the oil and gas industry demonstrates Aker Solutions' commitment to achieving its vision of sustainability. The company will continue to pursue opportunities to engage and collaborate with its customers with the aim of collectively driving forward industry performance.

Where We Operate

Aker Solutions last year generated about two-thirds of its revenue from contracts for delivery outside Norway, its single-largest market. The company operates in about 20 countries, including Malaysia, Brunei, India and Australia in Asia Pacific and Angola, Congo-Brazzaville and Nigeria in Sub-Saharan Africa. Aker Solutions is also present in North America, with a particular focus on the Gulf of Mexico and Atlantic Canada. The company also expanded its strong presence in Brazil by last year acquiring 70 percent of Brazilian C.S.E. Mecânica e Instrumentação Ltda, a provider of maintenance, assembly, commissioning and crane operation services for offshore and onshore facilities. The purchase provides access to Brazil's growing market for servicing existing oil and gas fields, building on a strategy to expand the services business in key markets globally.

> Aker Solutions generated **two-thirds** of its revenue from contracts for delivery outside Norway in 2016

Market Outlook

Aker Solutions' financial performance depends on activity in global oil and gas markets, which is significantly affected by demand for oil and gas, price volatility and changes in environmental requirements. The oil-services market remained challenging in 2016 as exploration and production companies grappling with capital constraints continued to curtail spending and postpone projects. Aker Solutions met these challenges by reducing costs and streamlining its business to become even more competitive. The company also engaged in increased collaboration as industry participants intensified efforts to find the most effective field development solutions.

The market outlook remains challenging, but there are some signs of a recovery. Oil prices have come off their lows and are seen stabilizing at a higher level in 2017, helping to return some confidence to the sector. While offshore investments are expected to remain subdued, the industry is moving out of survival mode and is now far better equipped to cope with oil prices at current levels. Cost cuts are having an effect, with the break-even coming down on projects amid efforts to simplify field architecture and form more effective collaboration models. This is expected to help the industry move forward with new investments while a strong pipeline of studies and tenders indicates that prospective developments are looking more economically attractive. Aker Solutions anticipates a slow acceleration of project sanctioning this year. This is especially true for brownfield projects as the industry seeks to extract additional value from existing assets and infrastructure

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

Corporate Responsibility

Aker Solutions works proactively to ensure sustainability, integrity and responsibility in its operations. Corporate responsibility at Aker Solutions is about making good and sustainable business

decisions that add value to the company, its stakeholders and society. Corporate responsibility considerations are integrated in internal processes and business operations and tailored to diverse local contexts and stakeholder expectations. The company is a member of the United Nations Global Compact corporate sustainability initiative and is committed to its 10 principles. Aker Solutions has integrated a global anti-corruption compliance program and is also a member of Trace International, an international organization promoting transparency and anti-corruption. 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 corporate responsibility based on recommendations from the Global Reporting Initiative (GRI). More information is available in the company's corporate responsibility report for 2016 on www.akersolutions.com/cr-reports.

Corporate Governance

Corporate governance is a framework of values, responsibilities and work processes to control the business and ensure sustainable value creation for shareholders and other stakeholders. The board of directors is responsible for ensuring sound governance at Aker Solutions. The audit committee supports the board in ensuring that the company has internal procedures and systems in place for effective processes based on the principles set out in the Norwegian Code of Practice for Corporate Governance. More information on corporate governance is available in the corporate governance report for 2016 on www.akersolutions.com/corporate-governance.

Ethical and Political Risks

Aker Solutions could potentially become involved in unethical behavior, either directly or through third parties or partners. The company has operations in countries associated with high political, reputational and corruption risks. Risks of this kind are managed through regular country analyses, mandatory awareness training, compliance reviews and regular integrity due diligence.

The company in 2016 strengthened its anti-corruption program, introducing a new web-based whistleblowing tool and updating policies and procedures. This included revising the qualification procedure for business partners to ensure a transparent selection and approval process. Aker Solutions also introduced a centralized global procedure for gifts and hospitality as well as a template for employees needing to report conflict-of-interest situations. The company increased training of employees across the business to boost awareness of and compliance with its ethical guidelines and code of conduct.

Financial Performance

Aker Solutions presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. All amounts except those in section 2.4 relate to the consolidated financial statements for the group, since the parent company has very limited operations.

Consolidated Financial Results

Aker Solutions' revenue declined to NOK 25.6 billion in 2016 from NOK 31.9 billion the prior year amid a market slowdown. Earnings before interest and taxes (EBIT) fell to NOK 687 million from NOK 958 million a year earlier, burdened by NOK 163 million in costs for restructuring and reducing workforce capacity and NOK 82 million to cover lease costs on vacated office space. Earnings were impacted by an unrealized gain of NOK 44 million on non-qualifying hedges and NOK 10 million in other non-recurring gains. Aker Solutions booked NOK 464 million in impairment charges on capitalized research and development programs as well as machinery and equipment. Excluding these special items EBIT fell to NOK 1.3 billion from NOK 1.9 billion a year earlier.

Interest income was NOK 65 million in 2016 compared with NOK 76 million the previous year. Interest expenses rose to NOK 477 million from NOK 348 million in 2015 because of an increase in borrowings. Aker Solutions hedges currency risk for all significant project exposures. More than 80 percent of the value of the hedging instruments either qualify for hedge accounting or are hedges of separated embedded derivatives. Income before tax fell to NOK 273 million in 2016 from NOK 685 million the year before. Income tax expenses were NOK 121 million, down from NOK 302 million in 2015. This corresponds to an effective tax rate of 44 percent, unchanged from the year before. Net income after tax in 2016 was NOK 152 million compared with NOK 383 million the previous year. Earnings per share were NOK 0.21 versus NOK 1.44 in 2015.

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

The company increased **training** of employees to boost awareness of and compliance with its ethical guidelines and code of conduct

Subsea Financial Results

The subsea business provides technologies and products, including production systems, umbilicals and power cable systems.
The segment covers all phases of the life of fields, from concept

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	Subsea		Field Design	
Amounts in NOK million	**2016**	2015	**2016**	2015
Operating revenue	**14,996**	19,101	**10,670**	12,920
EBITDA	**1,417**	1,778	**730**	543
EBITDA margin	**9.5%**	9.3%	**6.8%**	4.2%
EBITDA ex. special items	**1,425**	1,944	**795**	793
EBITDA margin ex. special items	**9.5%**	10.2%	**7.4%**	6.1%
EBIT	**352**	1,045	**580**	404
EBIT margin	**2.3%**	5.5%	**5.4%**	3.1%
EBIT ex. special items	**800**	1,357	**667**	672
EBIT margin ex. special items	**5.3%**	7.1%	**6.2%**	5.2%
NCOA	**561**	-472	**-937**	-861
Net capital employed	**6,388**	4,702	**-359**	-362
Order intake	**7,283**	7,660	**9,831**	15,263
Order backlog	**14,500**	22,476	**16,711**	17,235
Employees	**5,407**	7,449	**8,664**	7,772

screening and design through manufacturing, installation and commissioning to operational support and maintenance.

Subsea revenue declined to NOK 15 billion in 2016 from NOK 19.1 billion the year before as demand for subsea services decreased, particularly in Norway. This was partially offset by higher revenue from projects in Africa. The EBIT margin narrowed to 2.3 percent from 5.5 percent a year earlier, affected by NOK 31 million in costs for restructuring and reducing the workforce and NOK 441 million in impairment charges on capitalized research and development programs as well as machinery and equipment. Excluding special items, the EBIT margin was 5.3 percent compared with 7.1 percent a year earlier.

The full-year order intake was NOK 7.3 billion in 2016, down from NOK 7.7 billion the prior year. The order backlog was NOK 14.5 billion at the end of 2016 versus NOK 22.5 billion a year earlier.

Field Design Financial Results

The field design area provides key services, products and technologies in field development, including engineering, project management, fabrication and offshore construction services. The segment consists of the engineering and maintenance, modifications and operations (MMO) businesses.

Field Design revenue fell to NOK 10.7 billion in 2016 from NOK 12.9 billion a year earlier, primarily because of a slowdown in the Norwegian MMO market. This was partially offset by volumes from international MMO operations, which represented about half of MMO revenue in 2016. Field Design's EBIT margin expanded to 5.4 percent from 3.1 percent in 2015, helped by good project execution, commercially beneficial close-outs of projects and increased utilization of resources. It was negatively impacted by NOK 62 million in restructuring costs and NOK 23 million in impairments of technology. Excluding special items, the EBIT margin was 6.2 percent in 2016 versus 5.2 percent in 2015.

The order intake fell to NOK 9.8 billion in the year from NOK 15.3 billion in 2015. The order backlog was NOK 16.7 billion at the end of 2016, down from NOK 17.2 billion a year earlier.

Cashflow

Consolidated cashflow from operating activities depends on a number of factors, including progress on and delivery of projects, changes in working capital and prepayments from customers. Net cash from operating activities was NOK 312 million in 2016

compared with NOK 1.9 billion a year earlier. Net current operating assets were negative NOK 904 million at the end of 2016 compared with negative NOK 1.6 billion a year earlier.

Working capital may fluctuate considerably due to large milestone payments on projects. Aker Solutions' net cash outflow for investing activities was NOK 1.2 billion in 2016, compared with NOK 1.3 billion a year earlier. This included the acquisition of a 70 percent stake in the Brazilian company C.S.E. Mecânica e Instrumentação Ltda. Investments in technology development and IT were NOK 297 million, compared with NOK 449 million a year earlier. Net cash outflow related to financing activities was NOK 213 million, down from NOK 323 million in 2015. The repayments and proceeds from borrowings mainly relates to Brazil.

Financial Position

Assets, Equity and Liability

Non-current assets totaled NOK 10.3 billion at the end of 2016, compared with NOK 10.5 billion the year before. Goodwill and other intangible assets amounted to NOK 5.6 billion, down from NOK 6.2 billion after impairment charges of NOK 386 million were recognized during the year. The company had net interest bearing debt of NOK 1 billion in 2016, compared with a net cash holding of NOK 301 million the prior year. The net interest bearing debt consists of current and non-current borrowings excluding cash and interest-bearing receivables. The debt includes bond loans in the Norwegian market, bank loans with Nordic and international banks, local financing in Brazil and some smaller loan facilities between group subsidiaries and local banks. The liquidity reserves were solid at the end of the year with cash and bank deposits of NOK 2.5 billion, helped by customer prepayments on projects. Undrawn and committed long-term revolving bank credit facilities were NOK 5 billion, giving a total liquidity buffer of NOK 7.5 billion. Capital adequacy and liquidity were generally deemed solid at the end of 2016, putting the company in a good position to meet challenges and opportunities over the next years.

The book value of equity including non-controlling interests was NOK 6.4 billion at the end of 2016, compared with NOK 6.6 billion a year earlier. The company's

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equity ratio was 29.8 percent of the total balance sheet, up from 23.9 percent a year earlier.

Parent Company Financial Statements

Aker Solutions ASA, the parent company of the Aker Solutions group, owns and manages the group's subsidiaries. Aker Solutions ASA has outsourced all company functions to other companies within the group, mainly Aker Solutions Holding AS. Assets and liabilities related to the corporate treasury function are held by Aker Solutions ASA. Aker Solutions ASA had a net loss of NOK 199 million in 2016 compared with a net loss of NOK 211 million in 2015 mainly consisting of corporate costs and interest expenses.

> Aker Solutions builds on its **strengths** in key subsea and field design markets through investment in research, innovation and technology

The parent company's dividend policy is to pay shareholders 30 to 50 percent of net profit as an annual dividend over time. The dividend will be paid in cash or share buybacks or a combination of both. The board of directors proposed that no dividend payment be made for 2016 as it was deemed prudent to exercise caution amid an uncertain outlook for the oil and gas industry.

More information on the allocation of profits can be found in the income statement of the parent company on page 100 of this report.

Going Concern

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

Research, Innovation and Technology

Aker Solutions builds on its strengths in key subsea and field design markets through investment in research, innovation and technology. The focus is to develop new concepts, technologies and products that address challenges faced by our customers while lowering costs. The offshore oil and gas industry is moving into an era of declining production at maturing fields, increasingly complex reservoirs, deeper waters and stricter regulation.

The research and development (R&D) portfolio involved more than 20 main projects in 2016. Total R&D expenditure was NOK 422 million, of which NOK 297 million was capitalized and NOK 125 million was expensed. Aker Solutions recognized NOK 386 million in impairment losses on capitalized research and development. This was mainly related to technologies where the market outlook worsened as a result of the downturn in the oil and gas industry.

R&D is managed by the technology department. The purpose is to share resources and aggregate best practice and knowledge to ensure alignment with the company's overall strategy.

R&D investments target four key areas: (1) subsea production products, (2) new generation controls and automation systems, (3) offshore greenfield developments and (4) offshore brownfield modifications to increase oil and gas recovery and extend field life.

These priorities and activities were all reflected in 2016 R&D portfolio investments, striking a balance between near-term project-driven product development, medium-term feasibility studies and market-driven development and investments in longer-term technologies.

New technology development is focused on cost reduction and profitability as well as on elevating capabilities. Aker Solutions continued in 2016 to collaborate with companies such as ABB, Baker Hughes and MAN Diesel & Turbo in developing technologies and products to lower costs, increase recovery and minimize the environmental footprint.

One example is POWERJump which was qualified for subsea deployment in 2016. It is a fast-track and cost-effective boosting system that is particularly well-suited to increasing production from fields with lower flow rates or individual wells. It is built using proven technology from Baker Hughes and Aker Solutions and complements and broadens the subsea boosting technology portfolio.

Another example is the development by Aker Solutions and MAN Diesel & Turbo of the next generation in subsea compression systems, building on the successful delivery in 2015 and subsequent strong operational performance of the world's first full-scale subsea gas compression system at the Åsgard field offshore Norway. Together the two companies have developed a new compression design that will reduce the weight and size by half for the same functionality to greatly reduce capital expenditure and installation costs.

Aker Solutions last year also continued investing in early phases of technology development, encouraging employees to come up with ideas and concepts to ensure a steady stream of innovation for the technology and qualification pipeline. The company engages with university researchers to develop competence and create technologies.

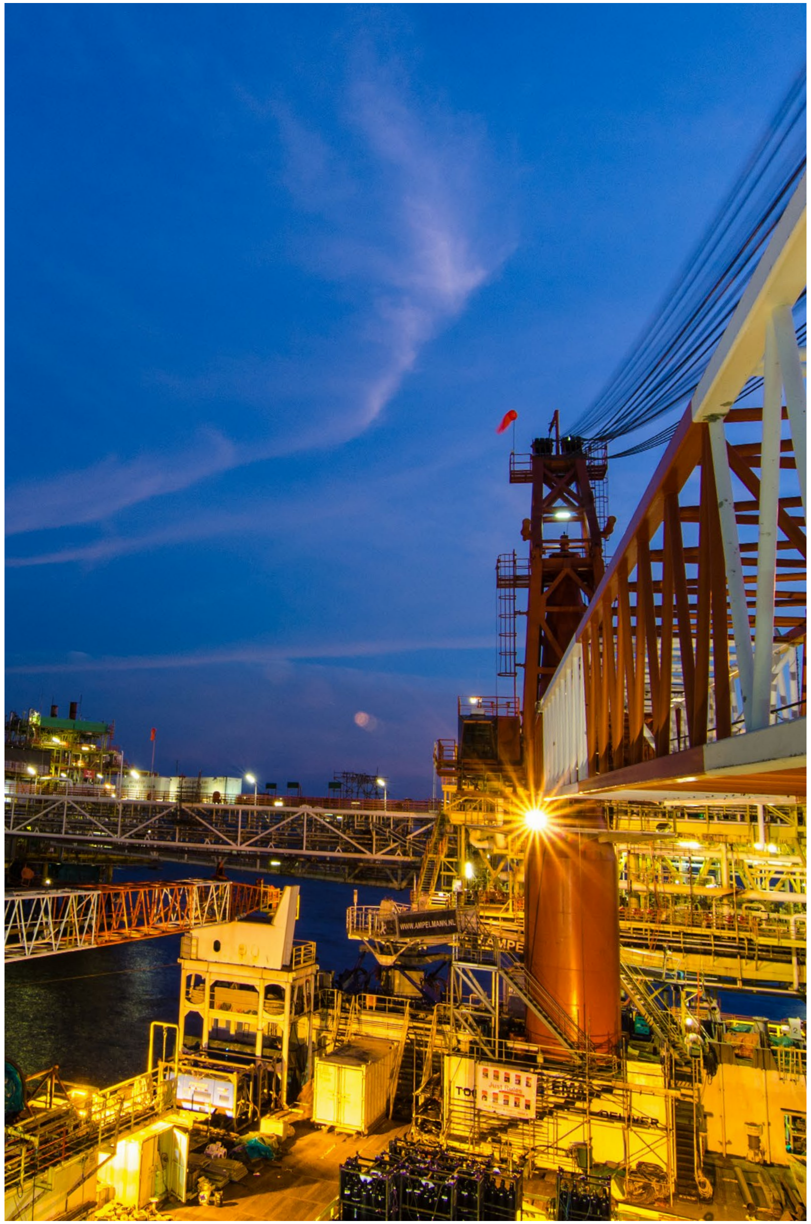
Health, Safety, Security and Environment

Aker Solutions strives to safeguard the health, safety, security and environment (HSSE) of its employees and to prevent all unfavorable incidents. The company works continuously to prevent incidents that could harm personnel, material or non-material assets through a companywide system that sets the standard for HSSE management and leadership. Regular audits shall uncover possible shortcomings so that countermeasures can be identified and initiated. The HSSE system works as a framework for cross-organizational sharing and learning. The company's Just Care concept is a symbol for HSSE culture and efforts and is backed by the principle that HSSE is the personal responsibility of every employee. Just Care will be further developed in 2017 to ensure that HSSE remains a top priority.

Safety

Aker Solutions on April 29, 2016, lost three employees and a contractor in a tragic helicopter crash off the coast of Bergen in Norway. All 13 passengers were killed on the flight to Bergen from the Statoil-operated Gullfaks B platform in the North Sea when the helicopter's main rotor head and mast suddenly detached. Aker Solutions immediately mobilized its emergency response team and has been providing support for next of kin and employees affected by the accident. The company also supported investigations by the Norwegian authorities and operator into the cause of the accident.

Aker Solutions had 55 serious incidents in 2016, compared with 53 the previous year. Of these, 12 involved personnel injury, illness and the fatalities from the helicopter accident. A total of 18 were related to environmental spills with the potential for material damage and loss of reputation. There were also 17 near misses and 8 high-risk observations. The company investigates all such incidents, near misses and observations to learn and improve. Serious incidents largely stemmed from falling objects, lifting operations, use of tools and equipment, work



at heights and pressure testing. In the second half of 2016, several employees in Congo also contracted malaria. All cases were treated and the infected personnel have recovered.

Several incidents involved people working for subcontractors, resulting in a renewed effort to ensure that suppliers also adhere to and train personnel to follow the company's safety procedures. The total recordable injury frequency (TRIF) per million working hours was 1.30 in 2016, down from 1.34 in 2015. The lost-time injury frequency (LTIF) per million working hours was 0.3 in 2016, compared with 0.49 in 2015. The company targets a TRIF and LTIF of below 1.3 and 0.3, respectively. The figures include subcontractors.

Health and Working Environment

Sick leave amounted to 2.75 percent of total working hours in 2016, compared with 2.83 percent the prior year. Variations in national laws and practices make it difficult to directly compare sick leave rates between countries. Rates for Aker Solutions staff in Norway were low by national standards, but generally higher than for employees in other countries.

The company works continuously to reduce sickleave. In Norway, many of these efforts are led by Aker Care, a health initiative that was introduced in 2014. Aker Care provides employees at major locations in Norway easy access to a variety of in-house services from health personnel. The Aker Active initiative also helped motivate staff to participate in physical activity and training.

Our efforts to reduce sick leave never cease, and in Norway, many of the initiatives are led by Aker Care.

Security

As the global security environment has become more volatile, identifying and analyzing security threats and implementing appropriate measures to protect employees, clients and assets are major priorities for Aker Solutions. Since cultural awareness is the cornerstone of any security operation, the company adheres to the international voluntary principles on security and human rights and has included

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these in the review process during security risk assessments at most locations. The company opened a Global Security Operations Center in September 2016 to monitor a number of locations worldwide and improve the response capabilities for incidents. Research and development on the use of technical security is a major contributor to cost-efficiency improvement processes. Security incidents in 2016 included armed robbery, burglaries, theft, fraud and threats. Several international incidents, such as political unrest in Congo and an attempted coup d'état in Turkey, also triggered responses and preventive measures.

Emergency Preparedness and Response

Aker Solutions continuously works to strengthen its emergency preparedness, including strategic crisis management and methodology. The company in 2016 held training sessions to improve employees' emergency preparedness. Staff at both the tactical and operational level demonstrated their capabilities in emergency response drills, as well as during several real mobilizations of local emergency response teams.

Environment

Aker Solutions' activities generally have limited direct impact on the environment. One Aker Solutions employee performing maintenance work for a customer accidentally spilled 2,297 liters of diesel in the UK sector in 2016. The incident was caused by an error during replacement of diesel filters, in which a drain valve was accidently left open, spilling fuel through drains and a disposal system. The problem was detected and the pump was shut down. British authorities were notified and, after an investigation, 29 measures were imposed to prevent similar incidents in the future.

Aker Solutions works to protect the environment in two ways: First, by offering products, systems and services that are environmentally safe and help reduce the environmental footprint of customers' operations, and second, by seeking to reduce its own direct impact.

Aker Solutions' total energy consumption, based on recorded use of oil, gas and electricity, decreased to 109,122 megawatt hours (MWh) in 2016 from 126,750 MWh in 2015. Total carbon dioxide emissions were 22,133 tons in 2016, down from 27,193 tons the year before.

Aker Solutions also focuses on waste reduction, which is highly project dependent. The company in 2016 recorded total waste of 7,690 tons, compared with 10,443 tons a year earlier. A total 86 percent of the waste was sent for recycling, mainly metal waste from the company's production. Both the decrease in energy usage and waste were mainly due to lower activity.

> Employees' **diverse** backgrounds are considered an asset for the company in a competitive global environment

Safeguarding Diversity and Equal Opportunity

Aker Solutions had 14,385 own employees, representing nearly 80 nationalities, and 1,792 contract staff at the end of 2016. Women made up about 20 percent of the workforce, excluding contract staff. The employees' diverse backgrounds and wide range of skills are considered an asset for the company in a competitive global environment.

Aker Solutions is committed to non-discrimination and equal opportunity, regardless of gender, nationality or other factors. It seeks to promote a balanced workforce through clear requirements for diversity in recruitment and development of individuals and programs supporting equal opportunity. An aim of the 2016 reorganization was to ensure diversity of gender and nationality in the new leadership structure.

The company seeks to enable local staff to move into management. This is mandatory in some places under rules for local content and participation that promotes job creation for nationals. Local management teams work to promote, build and retain local talent, ensuring legal compliance and securing long-term operations.

More information on diversity and equal opportunity is available in the company's 2016 corporate responsibility report.

Risk Factors

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

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

Market Risk

The market situation and current outlook for the oil-services industry is considered challenging in the short to medium term. The main factors that contribute to the market risk include, but are not limited to:

- Oil companies' exploration, development, production, investment, modification and maintenance activity. These factors are significantly affected by changes in global demand, energy prices and environmental requirements
- Local content requirements in countries of existing or planned operations, legislative restrictions or prohibitions on oil and gas activities
- Liabilities under environmental laws or regulations

Changes in market developments may lead to further capacity adjustments and changes in the valuation of the company's assets and liabilities. This includes delivering on the company's reorganization targets, restructuring obligations, onerous leases, impairments and increased credit risk impacting the valuation of trade receivables. Aker Solutions may take mitigating actions to increase flexibility in its operations, for instance by driving down costs, adjusting capacity and driving standardization and simplification. The company is focused on improving agility, productivity and sustainability across the business to enable the business to effectively adapt to industry changes, particularly in how value is created and rewarded across the value chain.

Operational Risk

Aker Solutions uses both reimbursable and fixed-price contracts. Contracts that include fixed prices for all or parts of the deliverables are exposed to potential cost overruns. The projects often involve complex design and engineering as well as significant procurement and manufacturing of equipment, supplies and construction management. They may also require development of new technology and solutions. There is at any project phase a risk of delays that may hamper the company's ability to deliver on time and in accordance with a contract and potentially harm Aker Solutions' reputation, performance and

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finances. Factors that may have a material adverse effect on the business, results of operations and finances of Aker Solutions include, but are not limited to:

- Loss of business from a significant customer or failure to deliver a significant project as agreed
- Changes to the order backlog, which includes contracts that may be adjusted, cancelled or suspended and consequently do not necessarily represent future revenue
- Uncertainty about future contract awards and their impact on future earnings and profitability
- Aker Solutions' ability to compete effectively and maintain market positions and sales volumes
- Aker Solutions' ability to effectively commercialize new technology
- Technology or intellectual property disputes involving the company, its suppliers or sub-suppliers which could increase or hamper Aker Solutions' ability to deliver products and services or limit its operational freedom
- Partnerships, joint ventures and other types of cooperation that expose the company to risks and uncertainties outside its control

Financial Risks

The objective of financial risk management is to control exposure to risk to increase predictability of earnings and minimize potential adverse effects on financial performance. Financial risk management and exposure 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 are denominated in a currency other than the respective functional currency of

the subsidiary. The currency risk on all major contracts is hedged in the external market. More than 80 percent of this either qualifies for hedge accounting or is presented separately as embedded derivative hedges. Some jurisdictions may also have restrictions on conversion to other currencies and transfer of cash out of the country. The company takes mitigating actions to minimize the currency exposure. These include multilateral agreements with banks, customers and vendors on timing of payments to minimize the exposed cash balance

- Liquidity risk: The corporate treasury department ensures sufficient flexibility in funding by maintaining availability under committed credit lines. The company monitors rolling weekly and monthly forecasts of the company's liquidity reserve based on expected cashflow
- Interest rate risk: Aker Solutions' interest rate risk stems from external borrowing issued at variable rates. As the group has no significant interest-bearing operating assets, operating income and operating cashflow are substantially independent of changes in market interest rates
- Credit risk: The credit risk related to customers' ability to pay is assessed in the bid phase and during execution of a project. The majority of the customers are highly rated oil companies where the credit risk is considered to be limited. Risk related to lower rated companies is monitored closely
- Price risk: Aker Solutions is exposed to fluctuations in market prices which are mitigated in the bid process by locking in committed prices with vendors or through escalation clauses with customers

More information on financial risk factors is available in note 22.

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

Fornebu, March 22, 2017
Board of Directors of Aker Solutions ASA

Øyvind Eriksen
Chairman

Anne Drinkwater
Deputy Chairman

Kjell Inge Røkke
Director

Koosum Kalyan
Director

Stuart Ferguson
Director

Atle Teigland
Director

Åsmund Knutsen
Director

Hilde Karlsen
Director

Luis Araujo
Chief Executive Officer

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Consolidated Financial Statements

Aker Solutions Group

December 31, 2016

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 2016 calendar year ended on December 31, 2016.

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 group.

To the best of our knowledge:

- the 2016 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, 2016
- the board of directors' report for the parent company and the group provides a true and fair overview of: the development, performance and financial position of the parent company and the group taken as a whole, and the most significant risks and uncertainties facing the parent company and the group

Fornebu, March 22, 2017
Board of Directors of Aker Solutions ASA

Øyvind Eriksen
Chairman

Anne Drinkwater
Deputy Chairman

Kjell Inge Røkke
Director

Koosum Kalyan
Director

Stuart Ferguson
Director

Atle Teigland
Director

Åsmund Knutsen
Director

Hilde Karlsen
Director

Luis Araujo
Chief Executive Officer

Income Statement

Consolidated statement for the year ended December 31

Amounts in NOK million	Note	2016	2015
Revenue	3, 4	**25,557**	**31,896**
Materials, goods and services		**-10,369**	-12,979
Personnel expenses	5	**-9,475**	-11,750
Other operating expenses	6, 20	**-3,784**	-5,326
Operating expenses before depreciation, amortization and impairment		**-23,628**	**-30,055**
Operating income before depreciation, amortization and impairment		**1,929**	**1,841**
Depreciation and amortization	10, 11	**-778**	-719
Impairment	10, 11, 12	**-464**	-163
Operating income		**687**	**958**
Interest income	7	**65**	76
Interest expenses	7	**-477**	-348
Net other financial items	7	**-1**	-1
Income before tax		**273**	**685**
Income tax	9	**-121**	-302
Net income		**152**	**383**
Net income attributable to:			
Equity holders of the parent company		**57**	392
Non-controlling interests	28	**95**	-8
Net income		**152**	**383**
Earnings per share in NOK (basic and diluted)	8	**0.21**	**1.44**

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

Other Comprehensive Income (OCI)

Consolidated statement for the year ended December 31

Amounts in NOK million	Note	2016	2015
Net income		**152**	**383**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cashflow hedges, effective portion of changes in fair value		**-81**	-1,385
Cashflow hedges, reclassification to income statement		**982**	1,135
Cashflow hedges, deferred tax	9	**-232**	39
Translation differences - foreign operations		**-852**	907
Total		**-183**	**696**
Items that will not be reclassified to profit or loss:			
Remeasurements of defined pension obligations	18	**42**	89
Remeasurements of defined pension obligations, deferred tax asset	9	**-13**	-21
Available-for-sale financial assets - net change in fair value	29	**28**	0
Other changes		**14**	-10
Total		**70**	**58**
Other comprehensive income (loss), net of tax		**-113**	**753**
Total comprehensive income		**38**	**1,137**
Total comprehensive income (loss) attributable to:			
Equity holders of the parent company		**-46**	1,119
Non-controlling interests		**84**	17
Total comprehensive income		**38**	**1,137**

Balance Sheet

Consolidated statement as of December 31

Amounts in NOK million	Note	2016	2015
Assets			
Non-current assets			
Property, plant and equipment	10,12	**3,808**	3,962
Intangible assets	11,12	**5,647**	6,207
Deferred tax assets	9	**666**	332
Other investments	22, 25, 29	**75**	13
Other non-current assets	25	**90**	23
Total non-current assets		**10,287**	**10,537**
Current assets			
Current tax assets		**242**	118
Inventories	13	**575**	814
Trade and other receivables	14, 25	**7,398**	10,985
Derivative financial instruments	24, 25	**93**	1,295
Interest-bearing receivables	25	**437**	117
Cash and cash equivalents	15, 25	**2,480**	3,862
Total current assets		**11,226**	**17,192**
Total assets		**21,512**	**27,729**

Amounts in NOK million	Note	2016	2015
Equity and liabilities			
Equity			
Share capital	16, 25	**294**	294
Treasury shares	16	**-1**	-1
Reserves	16	**635**	721
Retained earnings		**5,350**	5,382
Total equity attributable to the parent		**6,278**	**6,397**
Non-controlling interests	27, 28	**138**	**234**
Total equity		**6,415**	**6,630**
Non-current liabilities			
Non-current borrowings	17	**1,844**	3,137
Pension obligations	18	**540**	572
Deferred tax liabilities	9	**331**	283
Other non-current liabilities		**84**	27
Total non-current liabilities		**2,800**	**4,018**
Current liabilities			
Current tax liabilities		**30**	9
Current borrowings	17, 25	**2,110**	561
Provisions	20	**1,087**	1,294
Trade and other payables	21, 25, 30	**8,002**	12,222
Derivative financial instruments	24, 25	**1,069**	2,995
Total current liabilities		**12,297**	**17,081**
Total liabilities		**15,097**	**21,099**
Total equity and liabilities		**21,512**	**27,729**

Fornebu, March 22, 2017
Board of Directors of Aker Solutions ASA

Øyvind Eriksen
Chairman

Anne Drinkwater
Deputy Chairman

Kjell Inge Røkke
Director

Koosum Kalyan
Director

Stuart Ferguson
Director

Atle Teigland
Director

Åsmund Knutsen
Director

Hilde Karlsen
Director

Luis Araujo
Chief Executive Officer

Cashflow

Consolidated statement for the year ended December 31

Amounts in NOK million	Note	2016	2015
Cashflow from operating activities			
Net income		**152**	**383**
Adjustments for:			
Income tax	9	**121**	302
Net interest cost		**346**	320
(Profit) loss on foreign currency forward contracts	7	**67**	-46
Depreciation, amortization and impairment	10, 11, 12	**1,242**	882
Other (profit) loss on disposals and non-cash effects		**-130**	25
Net income after adjustments		**1,799**	**1,866**
Changes in operating assets and liabilities		**-483**	1,022
Cash generated from operating activities		**1,315**	2,888
Interest paid		**-517**	-288
Interest received		**103**	76
Income taxes paid		**-590**	-742
Net cash from operating activities		**312**	**1,934**
Cashflow from investing activities			
Acquisition of property, plant and equipment	10	**-329**	-841
Payments for capitalized development	11	**-297**	-449
Acquisition of subsidiaries, net of cash acquired	26	**-210**	-3
Proceeds from sale of property, plant and equipment		**17**	3
Interest-bearing loan to third-party		**-351**	0
Other investing activities		**-16**	-8
Net cash used in investing activities		**-1,186**	**-1,299**

Amounts in NOK million	Note	2016	2015
Cashflow from financing activities			
Proceeds from borrowings		**1,095**	696
Repayment of borrowings		**-1,065**	-598
Paid dividends including tax	8, 27	**-34**	-394
Acquisition of non-controlling interests		**-207**	0
Net purchase of treasury shares and share purchase program	16	**10**	-6
Other financial activities		**-12**	-21
Net cash from financing activities		**-213**	**-323**
Effect of exchange rate changes on cash and bank deposits		-294	211
Net increase (decrease) in cash and bank deposits		**-1,382**	**522**
Cash and cash equivalents at the beginning of the period		3,862	3,339
Cash and cash equivalents at the end of the period	15	**2,480**	**3,862**

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, 2015		294	-1	5,391	-1,076	1,117		-48	**5,677**	216	**5,893**
Net income				392					**392**	-8	**383**
Other comprehensive income					-211	881		58	**728**	26	**753**
Total comprehensive income				**392**	**-211**	**881**		**58**	**1,119**	**17**	**1,137**
Dividends				-394					**-394**		**-394**
Treasury shares				8					**8**		**8**
Employee share purchase program				-14					**-14**		**-14**
Equity as of December 31, 2015		**294**	**-1**	**5,382**	**-1,287**	**1,998**	**0**	**10**	**6,397**	**234**	**6,630**
Net income				57					**57**	95	**152**
Other comprehensive income				-17	669	-811	28	28	**-103**	-11	**-114**
Total comprehensive income				**40**	**669**	**-811**	**28**	**28**	**-46**	**84**	**38**
Treasury shares				10					**10**		**10**
Employee share purchase program				-10					**-10**		**-10**
Change in non-controlling interests from dividend payments, incl tax									**0**	-34	-34
Change in non-controlling interests from acquisition of shares	27			-57					**-57**	-146	**-204**
Taxes on internal dividends				-15					**-15**		-15
Equity as of December 31, 2016		**294**	**-1**	**5,350**	**-618**	**1,187**	**28**	**38**	**6,278**	**138**	**6,415**

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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 group employs more than 14,000 people with operations in over 20 countries across the world, with head office based in 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, 2016.

The consolidated financial statements were approved by the Board of Directors and the chief executive officer (CEO). The consolidated financial statements will be authorized at the Annual General Meeting on April 20, 2017. 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 of the comparative figures have been adjusted to conform to the presentation adopted in the current year, including note 3 Revenue, note 4 Operating Segments, note 6 Other Operating Expenses, note 17 Borrowings and note 23 Capital Management. In addition, the amount presented as NCI has been changed as described in note 27 Acquisition of Non-Controlling Interest (NCI).

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

Note 2 continues on next page

transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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 items 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 Trade and Other Receivables
- Note 18 Pension Obligations
- Note 20 Provisions
- Note 26 Acquisition of Subsidiaries

New Financial Reporting Principles

No significant new accounting principles have been adopted in 2016. The IASB has issued three new standards that are expected to impact the financial reporting of the company in the future. The expected impacts as described below may change as clarifications are issued by the IASB or as practice develops in the industry.

IFRS 9 Financial Instruments

Effective in 2018

The standard will replace IAS 39 Financial Instruments Recognition and Measurement. The standard includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. The actual impact of adopting IFRS 9 on the group's consolidated financial statements in 2018 is not known and cannot be reliably as it will depend on the financial instruments the group holds and economic conditions at that time as well as judgments made in the future.

The group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 and a more detailed review of hedge accounting implications in particular will be carried out in 2017. Based on preliminary assessments, the group does not anticipate significant impacts on its consolidated financial statements of initial application of the new standard.

The following changes are expected to impact the reported figures upon transition to IFRS 9:

- Around 80 percent of the group's foreign currency hedges qualify for hedge accounting under the current standard. The percentage of qualifying hedges is expected to increase under IFRS 9 as the hedge accounting model is more aligned with risk management, including prospective testing and less restrictive requirements on qualifying hedging instruments. This is expected to result in less foreign currency effects reported under financial items. There is also a possible change in timing of recognition of embedded derivatives. The change is not expected to have material impact on net profit; however assessment is on-going

- The effect of classification of financial instruments and the expected credit loss principle are not expected to have material impact on the financial reporting, following the group's customer portfolio

Note 2 continues on next page

- IFRS 9 requires more comprehensive disclosure than the current disclosure requirements

The new standard for financial instruments was issued in July 2014 and will be effective for accounting periods starting January 1, 2018. The group will not consider early adoption of IFRS 9 until the standard has been endorsed by the EU.

IFRS 15 Revenue from Contracts with Customers

Effective in 2018

The new revenue standard will supersede the current revenue recognition guidance in IAS 11 Construction Contracts and IAS 18 Revenue. IFRS 15 introduces a new five-step model that applies to revenue arising from contracts with customers. The group has initiated an implementation process to systematically analyze and evaluate the application impact. The analysis of the application of IFRS 15 is still ongoing and more detailed review of existing customer contracts will be carried out in 2017.

Based on the preliminary assessments, the new revenue recognition standard is not expected to significantly change how the group recognizes revenue. The progress-based measurement of revenue over time will still be the main method for the construction contracts. The service contracts are still expected to be recognized over time as services are delivered. The following changes are expected to impact the reported figures upon transition to IFRS 15:

- The progress method for all construction contracts not completed by January 1, 2018, will be reassessed to ensure compliance with IFRS 15. The group does not expect significant changes to the pattern of recognizing revenue as a result of this assessment
- Variable consideration (such as bonuses and incentives) and change of scope (such as variation orders and amendments) have a higher threshold for revenue recognition in the new IFRS 15 than under the current IAS 11. This is only to a limited degree expected to impact the financial figures, since the group is already practicing a high threshold for including this type of revenue
- Waste cost has to be identified and expensed immediately, and will not be considered as part of project cost recognized according to progress as under the current IAS 11
- Tender cost is expected to be mainly expensed as incurred under the new standard. The current IAS 11 requires that tender costs are capitalized if award is considered to be probable
- IFRS 15 requires more comprehensive disclosures than the current IAS 11 standard
- Other changes are currently not expected to be material. However, this may change as clarifications are issued by the IASB or as practice develops in the industry

The new revenue standard was issued in May 2015 and will be effective for accounting periods starting January 1, 2018. On transition to IFRS 15, the company will apply the new standard retrospectively with the cumulative effect of initial application recognized as an adjustment to the opening balance of retained earnings as of January 1, 2018. Under this transition method, the new standard will be applied retrospectively only to contracts that are not completed by January 1, 2018. IFRS 15 was endorsed by the EU in September 2016.

IFRS 16 Leasing

Effective in 2019

It is expected that the new standard for leasing will significantly change how the group accounts for its lease contracts. Aker Solutions has a significant number of lease contracts for land

Note 2 continues on next page

and buildings that are currently accounted for under IAS 17 as operating leases. IFRS 16 eliminates the current dual accounting model when leasing assets, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, there will be a single on-balance sheet model that is similar to current financial leases accounting. Only leases for small items such as computers and office equipment may be exempt. The following changes are expected to impact the reported figures upon transition to IFRS 16:

- Assets and liabilities in the group are expected to increase with an amount close to the net present value of future lease payments
- Earnings before interest, taxes, depreciation and amortization (EBITDA) will increase as the lease payments will be presented as depreciation and finance cost rather than operating expenses
- Operating cashflow will increase and investing and financing cashflow will decrease as the lease payments will no longer be considered as operational

The new standard for leases was issued in January 2016 and will be effective for accounting periods starting January 1, 2019. IFRS 16 has not yet been endorsed by the EU.

See note 19 for more information about lease commitments and lease expenses

Other new or revised accounting standards are not considered to have a material impact on the Aker Solutions consolidated financial statements.

Note 3 Revenue

Construction contracts for the sale of subsea production equipment and modifications of oil and gas installations account for more than half of the revenue in Aker Solutions. These contracts typically last more than one year and can be as long as five years. The total estimated contract revenue and cost in construction contracts are critical financial reporting estimates that may require significant management judgment. Aker Solutions also has service contracts for engineering and maintenance of oil and gas installations. These contracts are usually reimbursable with lower risk, but can include lump sum elements and various incentive schemes with bonus and penalty arrangements where management judgment is required. A limited portion of the revenue relates to product sales and other revenue.

Financial Reporting Principles

Construction Contracts

The construction contracts consist of engineering, procurement and construction (EPC) contracts for manufacturing or modification of assets. Revenue and cost for construction contracts is recognized using the stage of completion method. The stage of completion method is determined by the method that best reflects the work performed. Depending on the nature of the contract, the following two main methods are used in order to determine progress:

- Technical completion
- Cost incurred of total cost

The compensation format in the construction contracts is lump sum, reimbursable or a mix. The following principles are used:

- Options for additional scope of work are recognized when exercised by the buyer
- Variation orders for changes in the scope of work are recognized when they are probable and can be measured reliably
- Incentive payments based on various key performance indicators are included in contract revenue when the contract is sufficiently advanced so it is probable that the specified performance targets will be met, and the amounts can be measured reliably
- Disputed amounts and claims are only recognized when negotiations have reached an advanced stage, customer acceptance is probable and the amounts can be measured reliably
- When considered probable that liquidated damages (LD) will be imposed, a corresponding reduction in project revenue is recognized

Contract cost includes those that relate directly to the specific contract and allocated cost that are attributable to general contract activity. Tender cost is capitalized when it is probable that the company will obtain the contract. The project management team uses their experience from similar projects and develops a detailed cost estimate based on the drawings and specifications in the contract and the assumptions made in the tender phase. The specific risks associated with the contract are estimated and a risk contingency is included in the cost forecast based on a probability weighting of the possible outcomes.

The estimation uncertainty during the early stages of a construction contract is mitigated by a principle of not recognizing profit before the contract reaches 20 percent completion. However, management can on a project-by-project basis give approval of earlier profit recognition if cost estimates are

Note 3 continues on next page

considered reliable due to repeat projects, proven technology, proven execution model or high level of committed cost. During execution, total forecasted revenue and cost in addition to the stage of completion are updated each reporting date. The full loss is recognized immediately when identified on loss-making contracts.

Service Contracts

Service contracts mainly consist of engineering services, subsea aftersales services and maintenance frame agreements for oil and gas installations. The compensation format is mainly reimbursable with incentive schemes and can include target sums and lump sum elements. Service revenue is recognized in the period in which the services are rendered or by using the stage of completion method. The stage of completion is normally assessed based on the proportion of cost incurred for work performed to date compared to the estimated total contract cost. Service revenue is only recognized to the extent it is probable and the revenue, cost and the progress can be measured reliably.

Product Sales

Product revenue is recognized when the significant risks and rewards have been transferred to the buyer, usually upon delivery.

Other Income

Other income relates to rental income and gains and losses from sale of fixed assets.

Judgments and Estimates

It can be challenging to estimate the expected revenue and cost in construction and service contracts, in particular if the project is experiencing operational challenges. The judgments and estimates in construction and service contracts are described below.

Estimate of Total Contract Cost

The total contract cost can be judgmental and sensitive to changes, particularly in lump sum construction contracts. Remaining project cost depend on the ability to properly execute the engineering and design phase, availability of skilled resources, manufacturing capacity, productivity and quality factors, performance of sub-contractors 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.

Liquidated Damages (LD)

LDs are penalties for not achieving defined milestones. 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 project revenue is made when considered probable that an LD will be imposed. The estimated LD provision is highly judgmental and based on experience with similar LD situations and negotiations with customers.

Change of Scope (Variation Orders)

The construction and service contracts may have significant changes in scope of work and variation orders are normally agreed upfront. However, unapproved variation orders may be included in the project revenue where recovery is assessed as probable and the amount of revenue can be measured reliably.

Incentive Payments

Incentive payments are integral and significant parts of contract revenue on many service contracts and may also exist on construction contracts. Incentive payments include key performance indicators, bonuses, target sum mechanisms and productivity measures and can potentially both increase and

Note 3 continues on next page

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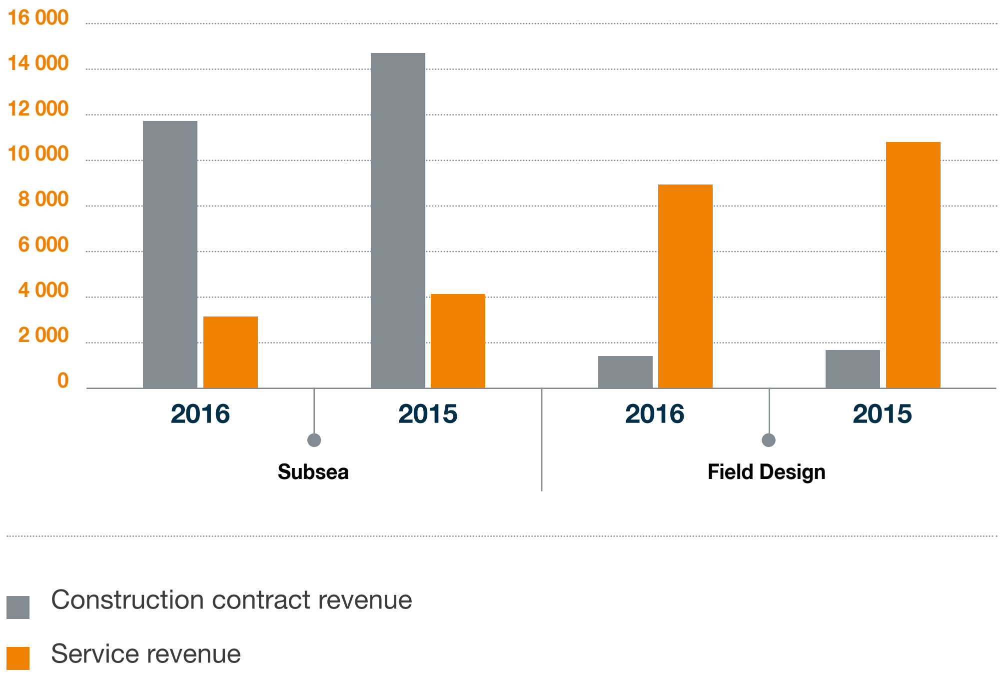
decrease revenue. Incentive payments are generally included when there is a high level of probability that the milestones or key performance indicators will be met. There is a risk that the actual payment of incentives differs from the estimated amount.

Construction Contracts and Service Revenue

The graph below presents the amounts of service and construction revenue per operating segment.

Amounts in NOK million



Amounts in the Balance Sheet Relating to Construction and Service Revenue

Work in Progress (WIP) on Construction Contracts

Work in progress (WIP) on construction contracts is presented in the balance sheet as amounts due to or from customers. The presentation of WIP as an asset or liability depends on the financial status of the individual projects. All projects with a net asset position are summarized and presented as amounts due from customer. All projects with a net liability position are summarized and presented as amounts due to customer. Advances are presented separately as a liability as such advances represent payments from customers in excess of the work performed.

Amounts in NOK million	**2016**	**2015**
Amounts due from customers for construction work	**1,103**	2,365
Amounts due to customers for construction work	**-98**	-1,037
Advances received from customers	**-2,411**	-4,958
Construction contracts in progress, net position	**-1,406**	**-3,630**
Cost incurred and recognized profits (less losses) from project start to period end	38,509	42,129

Note 3 continues on next page

Accrued and Deferred Revenue on Service Contracts

Service contracts where performed work exceeds invoiced amounts are presented as trade and other receivables in the balance sheet. Service contracts where invoiced amounts exceed work performed are presented as a trade and other payables in the balance sheet.

Amounts in NOK million	2016	2015
Accrued operating revenue from service contracts	**1,337**	2,032
Deferred revenue for service contracts	**-190**	-162
Service contracts in progress, net position	**1,147**	**1,870**

See note 4 for more information about revenue per segment
See note 14 for more information about other receivables
See note 21 for more information about other payables

Note 4 Operating Segments

Aker Solutions has two operating segments. Subsea provides production equipment and maintenance services to the subsea market. Field Design provides offshore engineering and maintenance services in addition to modifications. The two operating segments Subsea and Field Design are managed separately, have different strategies and risks and offer different solutions to its customers. In November 2016, there has been a major restructuring in the company that will change the operating segments. The new structure will be implemented for financial reporting purposes in 2017.

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 in 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.

Note 4 continues on next page

Subsea

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

Field Design

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

Other

The "other" segment includes unallocated corporate costs, onerous lease cost and the effect of hedges not qualifying for hedge accounting. Lease decisions are taken by the corporate center and onerous lease cost has for that reason been reported in the "other" segment in the internal management reporting

Note 4 continues on next page

Segment Performance

2016

Amounts in NOK million	Note	Subsea	Field Design	Total operating segments	Other	Intra-group elimination	Total
Income statement							
Construction revenue		11,694	1,465	**13,159**	-26		**13,133**
Services revenue		3,113	8,991	**12,104**	0		**12,104**
Products revenue		167	0	**167**	0		**167**
Other revenue		23	120	**143**	10		**153**
Total external revenue		**14,997**	**10,576**	**25,573**	**-16**		**25,557**
Inter-segment revenue		-1	95	94	104	-198	0
Total revenue		**14,996**	**10,670**	**25,667**	**88**	**-198**	**25,557**
Operating income before depreciation, amortization and impairment		1,417	730	**2,148**	-219		**1,929**
Depreciation and amortization	10, 11	-625	-128	**-753**	-26		**-778**
Impairment	10, 11, 12	-441	-23	**-464**	0		**-464**
Operating income		**352**	**580**	**931**	**-245**		**687**
Assets							
Current operating assets		6,128	2,455	**8,583**	204	-572	**8,215**
Non-current operating assets		6,983	2,346	**9,329**	181		**9,510**
Derivative financial instruments		724	6	**730**	-637		**93**
Operating assets		**13,835**	**4,807**	**18,642**	**-252**	**-572**	**17,819**
Liabilities							
Current operating liabilities		5,567	3,391	**8,958**	732	-572	**9,119**
Non-current operating liabilities		109	400	**509**	31		**540**
Derivative financial instruments		1,118	32	**1,150**	-81		**1,069**
Operating liabilities		**6,794**	**3,823**	**10,618**	**682**	**-572**	**10,728**
Net current operating assets		561	-937	**-376**	-528		**-904**
Net capital employed		6,388	-359	**6,029**	2,364		**8,393**
Cashflow							
Cashflow from operating activities		-315	771	**456**	-145		**312**
Acquisition of property, plant and equipment	10	-297	-14	**-311**	-18		**-329**
Capitalized development	11	-277	-12	**-288**	-8		**-297**
Other key figures							
Order intake (unaudited)		7,283	9,831	**17,114**	86	-196	**17,004**
Order backlog (unaudited)		14,500	16,711	**31,211**	0	-23	**31,188**
Own employees (unaudited)		5,407	8,664	**14,071**	314		**14,385**

Note 4 continues on next page

Segment Performance (Continued)

2015

Amounts in NOK million	Note	Subsea	Field Design	Total operating segments	Other	Intra-group elimination	Total
Income statement							
Construction revenue		14,703	1,709	**16,412**	123		**16,535**
Services revenue		4,181	10,846	**15,026**	9		**15,035**
Products revenue		227	0	**227**	0		**227**
Other revenue		1	58	**59**	40		**98**
Total external revenue		**19,112**	**12,612**	**31,724**	**172**		**31,896**
Inter-segment revenue		-12	308	297	102	-398	0
Total revenue		**19,101**	**12,920**	**32,021**	**273**	**-398**	**31,896**
Operating income before depreciation, amortization and impairment		1,778	543	**2,321**	-480		**1,841**
Depreciation and amortization	10, 11	-588	-121	**-709**	-11		**-719**
Impairment	10, 11, 12	-145	-18	**-163**	0		**-163**
Operating income		**1,045**	**404**	**1,449**	**-490**		**958**
Assets							
Current operating assets		9,211	2,878	**12,089**	164	-335	**11,918**
Non-current operating assets		7,727	2,239	**9,967**	205		**10,172**
Derivative financial instruments		2,512	1	**2,513**	-1,218		**1,295**
Operating assets		**19,450**	**5,119**	**24,569**	**-849**	**-335**	**23,384**
Liabilities							
Current operating liabilities		9,682	3,739	**13,421**	439	-335	**13,525**
Non-current operating liabilities		126	420	**546**	25		**572**
Derivative financial instruments		3,569	25	**3,594**	-600		**2,995**
Operating liabilities		**13,378**	**4,185**	**17,562**	**-135**	**-335**	**17,091**
Net current operating assets		-472	-861	**-1,332**	-275		**-1,607**
Net capital employed		4,702	-362	**4,339**	3,689		**8,029**
Cashflow							
Cashflow from operating activities		1,307	1,178	**2,485**	-551		**1,934**
Acquisition of property, plant and equipment	10	-669	-26	**-695**	-146		**-841**
Capitalized development	11	-404	-39	**-443**	-7		**-449**
Other key figures							
Order intake (unaudited)		7,660	15,263	**22,923**	287	-418	**22,793**
Order backlog (unaudited)		22,476	17,235	**39,712**	0	-27	**39,684**
Own employees (unaudited)		7,449	7,772	**15,221**	174		**15,395**

Note 4 continues on next page

Reconciliation of Information on Operating Segments to IFRS Measures

Amounts in NOK million	2016	2015
Assets		
Total operating segment assets	**17,819**	23,384
Deferred tax assets	**666**	332
Other investments	**75**	13
Current interest-bearing receivables	**437**	117
Cash and cash equivalents	**2,480**	3,862
Other	**35**	20
Total assets	**21,512**	**27,729**
Liabilities		
Total operating segment liabilities	**10,728**	17,091
Tax-related liabilities	**331**	283
Net interest-bearing borrowings	**3,954**	3,698
Other non-current liabilities	**84**	27
Non interest-bearing liabilities	**0**	0
Total equity and liabilities	**15,097**	**21,099**

Major Customers

One major customer represented 30.5 percent of total revenue in 2016, of which NOK 7.5 billion (2015: NOK 6.2 billion) in Subsea and NOK 0.4 billion (2015: NOK 0.4 billion) in Field Design. Another major customer represented 23.7 percent of total revenue in 2016, of which NOK 1 billion (2015: NOK 2.4 billion) in Subsea and NOK 5.1 billion (2015: NOK 4.8 billion) in Field Design. Aker Solutions has long-term contracts with these two customers. Both customers are large international oil companies.

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	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Norway	**13,626**	16,263	**4,033**	4,497	**34**	201
UK	**4,157**	6,657	**2,265**	2,819	**111**	122
Angola	**1,983**	403	**38**	16	**25**	13
Brazil	**1,679**	2,280	**1,480**	962	**83**	411
Brunei	**956**	1,009	**4**	4	**1**	0
USA	**929**	2,662	**643**	649	**31**	32
Congo	**707**	535	**17**	22	**1**	3
Malaysia	**601**	1,014	**516**	566	**26**	4
Other countries	**918**	1,071	**516**	636	**17**	56
Total	**25,557**	**31,896**	**9,510**	**10,172**	**329**	**841**

Note 5 Personnel Expenses

Financial Reporting Principles

Personnel expenses include wages, salaries, social security contributions, sick leave, parental leave, price reduction in employee share purchase program 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	**2016**	**2015**
Salaries and wages including holiday allowance	**7,478**	9,133
Social security contribution	**945**	1,158
Pension cost	**542**	586
Restructuring cost related to personnel	**112**	262
Other employee benefits	**399**	611
Personnel expenses	**9,475**	**11,750**

Employee Share Purchase Program

Aker Solutions employees were invited to participate in a share purchase program in 2016 whereby an employee could buy up to NOK 60,000 of Aker Solutions shares at a 25 percent reduction of cost price in addition to a discount of NOK 1,500. To encourage a long-term commitment to the company, a three-year lock-in period was part of the arrangement. The total number of employees that participated in the program in 2016 totalled 901 compared to 1,479 in the prior year. The price reduction the employees receive upon purchase of the shares is expensed as salary costs immediately. If allowed under local laws, the shares purchased by each employee were funded by a loan provided by the local employer company. The loan is repaid by salary deductions over a period of 12 months.

Loans to employees related to the share purchase program amounted to NOK 25 million per December 31, 2016, compared to NOK 40 million in the prior year.

See note 18 for more information about the pension cost and obligation
See note 20 for more information about restructuring provision related to downsizing of personnel
See note 31 for more information about the

Note 6 Other Operating Expenses

Amounts in NOK million	**2016**	**2015**
Rental and other cost for land and buildings	**1,389**	1,410
Office supplies	**981**	1,143
External consultants	**311**	404
Travel expenses	**411**	520
Insurance	**111**	185
Other expenses	**581**	1,664
Other operating expenses	**3,784**	**5,326**

See note 19 for more information about operating leases
See note 32 for more information about audit fees

Note 7 Finance Income and Expenses

Financial Reporting Principles

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

Foreign exchange gains and losses arise upon settlement of monetary assets and liabilities that are not hedged. Foreign exchange gains and losses also include 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 and embedded derivatives in addition to the ineffective portion of qualifying hedges.

Financial Income and Expenses

Amounts in NOK million	**2016**	**2015**
Interest income	**65**	**76**
Interest expenses on financial liabilities measured at amortized cost	**-452**	-330
Interest expenses on financial liabilities measured at fair value	**-26**	-18
Interest expenses	**-477**	**-348**
Capitalized interest cost	**24**	40
Net foreign exchange gain (loss)	**26**	-115
Profit (loss) on foreign currency forward contracts	**-67**	46
Other finance income	**25**	30
Other financial expenses	**-9**	-3
Net other financial items	**-1**	**-1**
Net finance cost	**- 414**	**- 273**

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 diluted shares.

Earnings per Share (EPS)

Amounts in NOK million	**2016**	**2015**
Income attributable to ordinary shares (NOK million)	**57**	392
Weighted average number of issued ordinary shares for the year adjusted for treasury shares	**270,916,252**	271,287,405
Basic and diluted earnings per share (NOK)	**0.21**	1.44

Dividends

The board of directors has proposed that no dividend should be declared for 2016 as it is deemed prudent to exercise caution under the current market uncertainty in the oil and gas industry. This is the same as in the prior year.

See note 16 for more information about share capital and treasury shares
See note 27 for more information about dividends to non-controlling interests

Note 9 Tax

Financial Reporting Principles

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

Current Tax

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

Deferred Tax

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for goodwill identified in acquisitions. 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 in order 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 stage of completion of the construction contract, and follow the same recognition criteria as the underlying construction contract.

Judgments and Estimates

The group is subject to income taxes in numerous jurisdictions, and judgment may be involved when determining the taxable amounts. Tax authorities in different jurisdictions may challenge calculation of taxes payable from prior periods. In particular, management judgment is required when assessing the valuation of unused losses, tax credits and other deferred tax assets which can be complex. 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 products 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 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 affect future reporting periods.

Note 9 continues on next page

Income Tax

Amounts in NOK million	2016	2015
Current income tax		
Current year	**358**	481
Adjustments for prior years	**-2**	-89
Total current income tax	**356**	**393**
Deferred income tax		
Origination and reversal of temporary differences	**-228**	-100
Write down of tax loss carry-forwards and deferred tax assets	**46**	48
Change in Norwegian tax rate from 27 to 25 percent	**-52**	-39
Adjustment for prior periods	**0**	0
Total deferred income tax	**-235**	**-91**
Total income tax	**121**	**302**

Taxes in OCI and Equity

Amounts in NOK million	2016	2015
Cashflow hedges, deferred tax	**-232**	39
Remeasurement of defined benefit pension plans	**-13**	-31
Deferred tax charged to OCI	**-245**	**8**
Taxes on dividends	**-15**	0
Taxes on acquisition of NCI	**-34**	0
Current tax charged to equity	**-49**	**0**

Note 9 continues on next page

Effective Tax Rate

The table below reconciles the reported income tax expenses to the tax expenses if the tax rate of 25 percent in Norway was applied.

Amounts in NOK million	2016		2015	
Income before tax	**273**		685	
Income tax when applying Norwegian tax rate of 25 percent (27 percent in 2015)	**68**	**25.0%**	185	27.0%
Tax effects of:				
Differences in tax rates from 25 percent (27 percent in 2015)	**-31**	**-11.2%**	95	13.9%
Non-deductible expenses	**5**	**1.9%**	4	0.6%
Additional withholding taxes	**109**	**40.0%**	114	16.6%
Current year effect of tax incentives	**-23**	**-8.5%**	-16	-2.4%
Prior year adjustments (current tax)	**-2**	**-0.7%**	-89	-12.9%
Deferred tax from write down (or reversal) of deferred tax assets (excluding tax loss)	**46**	**16.7%**	48	6.9%
Change in tax rates	**-52**	**-19.1%**	-39	-5.7%
Other	**1**	**0.3%**	0	-
Income tax and effective tax rate	**121**	**44.2%**	**302**	**44.0%**

Recognized Deferred Tax Assets and Liabilities

	Assets		Liabilities		Net	
Amounts in NOK million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Property, plant and equipment	**18**	19	**-107**	-111	**-89**	-92
Pensions	**112**	136	**0**	0	**112**	136
Projects under construction	**7**	0	**-1,451**	-1,559	**-1,444**	-1,559
Tax loss carry-forwards	**745**	571	**0**	0	**745**	571
Intangible assets	**6**	4	**-258**	-291	**-252**	-286
Provisions	**266**	314	**-8**	-8	**258**	305
Derivatives	**209**	440	**0**	0	**209**	440
Other	**855**	581	**-58**	-47	**797**	534
Total before offsetting	**2,218**	**2,066**	**-1,882**	**-2,016**	**335**	**49**
Offsetting	**-1,552**	-1,734	**1,552**	1,734	**0**	0
Total	**666**	**332**	**-331**	**-283**	**335**	**49**

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Change in Net Recognized Deferred Tax Assets and Liabilities

Amounts in NOK million	Property, plant and equipment	Pensions	Projects under construction	Tax loss carry-forwards	Intangible assets	Provisions	Derivatives	Other	Total
Balance as of January 1, 2015	-63	179	-1,462	399	-234	136	388	338	-319
Recognized in profit and loss	-9	-11	-74	189	-42	182	12	-155	91
Recognized in other comprehensive income (OCI)	0	-31	0	0	0	0	39	0	8
Prepaid withholding tax	0	0	0	0	0	0	0	334	334
Currency translation differences	-20	0	-23	-17	-9	-12	1	15	-66
Balance as of December 31, 2015	**-92**	**136**	**-1,559**	**571**	**-286**	**305**	**440**	**534**	**49**
Recognized in profit and loss	15	-9	91	169	24	-107	3	62	248
Recognized in other comprehensive income (OCI)	0	-13	0	0	0	0	-232	0	-245
Prepaid withholding tax	0	0	0	0	0	0	0	252	252
Additions through acquisition of subsidiaries	-9	0	0	0	-12	0	0	-2	-23
Reclassification between categories	0	0	0	0	0	48	0	-48	0
Currency translation differences	-3	-2	24	5	22	11	-2	-1	54
Balance as of December 31, 2016	**-89**	**112**	**-1,444**	**745**	**-252**	**258**	**209**	**797**	**335**

Tax Loss Carry-Forwards and Unrecognized Deferred Tax Assets

Amounts in NOK million	Expiry within 5 years	Expires 2021 and later	Indefinite	Total	Unrecognized tax loss carry-forwards	Unrecognized other tax assets
Norway	0	0	1,951	1,951	0	0
Europe excluding Norway	361	22	51	434	374	0
North America	15	352	0	367	33	0
South America	0	0	429	429	0	0
Asia Pacific	1	0	87	89	89	3
Other	238	0	13	251	238	0
Total	**615**	**374**	**2,531**	**3,520**	**735**	**3**

The tax losses carried-forward relate to tax losses in previous years that can be used as tax credits in payable taxes in the future. The tax losses carried-forward recognized in the balance sheet are estimated to be used within 10 years.

See note 20 for information about contingent tax claims

Note 10 Property, Plant and Equipment

The majority of property, plant and equipment relate to subsea manufacturing plants and service bases in Norway, Brazil, Malaysia, the US and the UK. The new subsea manufacturing plant in Brazil was opened in 2016. 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 mainly depreciated on a straight-line basis over their expected economic lives as follows:

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

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. Impairment is assessed for individual assets and for cash generating units as a whole. 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.

Amounts in NOK million	Buildings and sites	Machinery and equipment	Under construction	Total
Historical cost				
Balance as of January 1, 2015	1,222	4,185	761	**6,168**
Additions	33	289	559	**882**
Transfer from assets under construction	93	329	-423	**0**
Disposals and scrapping	-7	-66	0	**-73**
Currency translation differences	95	232	-85	**242**
Balance as of December 31, 2015	**1,436**	**4,970**	**813**	**7,219**
Additions	48	60	292	**399**
Transfer from assets under construction	635	294	-929	**0**
Additions through acquisition of subsidiaries	23	54	0	**77**
Disposal of subsidiaries	0	-10	0	**-10**
Disposals and scrapping	-60	-152	0	**-211**
Currency translation differences	19	-77	40	**-18**
Balance as of December 31, 2016	**2,102**	**5,138**	**216**	**7,456**
Accumulated depreciation and impairment				
Balance as of January 1, 2015	-316	-2,236	-13	-2,565
Depreciation for the year	-73	-492	0	-565
Impairment	-15	-12	0	-27
Disposals and scrapping	6	64	0	70
Currency translation differences	-34	-135	-2	-171
Balance as of December 31, 2015	**-431**	**-2,810**	**-16**	**-3,257**
Depreciation for the year	-83	-483	0	-567
Impairment	0	-78	0	-79
Disposal of subsidiaries	0	7	0	7
Disposals and scrapping	36	147	0	183
Currency translation differences	10	53	0	62
Balance as of December 31, 2016	**-469**	**-3,164**	**-16**	**-3,648**
Book value as of December 31, 2015	**1,005**	**2,160**	**797**	**3,962**
Book value as of December 31, 2016	**1,633**	**1,974**	**200**	**3,808**

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Borrowing Cost

Additions include NOK 24 million of capitalized borrowing costs in 2016 with an average interest rate of 9.4 percent, compared to NOK 40 million in 2015 with an average interest rate of 8.4 percent. The capitalized borrowing costs mainly relate to the subsea manufacturing plant in Brazil that was completed in 2016. The borrowing cost will first be capitalized as asset under construction before the asset is ready for use and transferred to building and sites.

Commitments

Aker Solutions has entered into contractual commitments for the acquisition of property, plant and equipment amounting to NOK 52 million as of December 31, 2016, of which NOK 48 million will expire in 2017. Contractual commitments were NOK 168 million per December 31, 2015.

Impairments

Impairment losses for property, plant and equipment of NOK 79 million in 2016 relates to the Subsea operating segment. Impairment losses in 2015 of NOK 27 million relates to Subsea (NOK 21 million) and Field Design (NOK 6 million).

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

Note 11 Intangible Assets

The research and development (R&D) programs in 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. Intangible assets also include goodwill and other assets identified in mergers and acquisitions in addition to IT systems.

Financial Reporting Principles

Capitalized Development

All internal technology development programs are reviewed by the Corporate Investment Committee before any costs are capitalized. The technology development in 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 labour costs in addition to materials for the development program. The capitalized development is normally amortized over five years on a straight-line basis, but some programs that have 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.

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 triggered.

Other

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

Note 11 continues on next page

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.

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, capitalized development programs that have not been completed are subject to an annual impairment test. The impairment test includes update of the business case, 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 asset is written down to recoverable amount, if lower than book value. The impairment testing involves judgmental assumptions about future market development, cashflows, determination of WACC, growth rate used for calculation of terminal value and other assumptions that may change over time.

Research and Development Expenses

The research and development expenses amounted to NOK 125 million in 2016 compared to NOK 211 million in 2015.

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

Intangible Assets

Amounts in NOK million	Capitalized development	Goodwill	Other	Total
Historical cost				
Balance as of January 1, 2015	1,845	3,972	243	6,060
Additions	431	0	17	449
Reclassification	-56	0	56	0
Disposals	0	0	16	16
Currency translation differences	90	195	26	311
Balance as of December 31, 2015	**2,310**	**4,166**	**359**	**6,836**
Additions	278	0	19	297
Additions through business combinations	0	117	37	154
Disposals	0	-2	0	-2
Currency translation differences	-116	-305	-34	-455
Balance as of December 31, 2016	**2,472**	**3,976**	**381**	**6,829**
Accumulated amortization and impairment				
Balance as of January 1, 2015	-266	5	-35	-297
Amortization for the year	-120	0	-35	-155
Impairment	-89	0	-47	-136
Reclassification	25	0	-25	0
Disposals	0	0	-16	-16
Currency translation differences	-19	-1	-6	-26
Balance as of December 31, 2015	**-470**	**4**	**-164**	**-629**
Amortization for the year	-178	0	-34	-212
Impairment	-386	0	0	-386
Disposals	0	0	0	0
Currency translation differences	26	2	16	44
Balance as of December 31, 2016	**-1,007**	**6**	**-182**	**-1,182**
Book value as of December 31, 2015	**1,841**	**4,171**	**195**	**6,207**
Book value as of December 31, 2016	**1,465**	**3,983**	**199**	**5,647**

Note 12 Impairment of Assets

The challenging market conditions for the oil services companies have continued in 2016. All individual assets have been assessed for impairment, in addition to testing assets and goodwill as part of cash generating units. The impairment testing of the assets resulted in impairment losses of NOK 386 million for intangible assets and NOK 79 million for property, plant and equipment in 2016.

Financial Reporting Principles

Individual Assets

Individual intangible and fixed assets are 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 is no longer feasible. Capitalized development programs that have not been completed are subject to annual impairment test with updates of the business case, 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 asset is written down to recoverable amount, if lower than book value.

Assets in a Cash Generating Unit (CGU)

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

Goodwill

Groups of CGUs that include goodwill are tested for impairment annually, or when impairment triggers have been identified. The company does not have other assets than goodwill with indefinite useful lives.

Judgments and Estimates

The impairment testing of assets is by nature highly judgmental as it includes estimates such as future expected cashflows, discount rate and growth rate. 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 which in turn impact the market in which Aker Solutions operate. Information about sensitivities in the testing is given below.

Cash Generating Units (CGU)

CGUs have been identified when testing fixed and intangible assets and may represent a plant or a group of plants which are deemed to produce independent cash inflows. CGUs have been grouped together when testing goodwill and represent the business areas of Aker Solutions (Subsea, Maintenance, Modification and Operations and Engineering). Goodwill has been allocated to business areas as this is the level where synergies are expected and goodwill is monitored. For example, whereas goodwill is tested on a Subsea business area level, the capitalized development and property, plant and equipment in Subsea is tested separately at CGU level for Norway/Africa, US, UK, Malaysia and Brazil.

Note 12 continues on next page

Cashflow Assumptions

Expectations about the long-term oil prices are important when assessing the future market development for the products and services of Aker Solutions. It has been assumed that the downturn in the market will remain through 2017, with a recovery in 2018. The long-term oil price per barrel has been estimated to gradually increase to USD 70 in the terminal year. This assumption is particularly sensitive in the current market conditions. Five year cashflows in the period 2017 to 2021 projected from the forecast and strategy process, approved by management in 2016, have been used as basis for the estimates of future cashflows. The forecasts are based on firm orders in the backlog and identified prospects in addition to expected service revenue. Changes in the assumptions related to the expected prospects can have a significant impact on the forecasted cashflows. The forecasted cashflows used in the impairment tests reflect organic growth only. Other parameters in the assessment are the mix of products 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 the subsea and field design 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 used to calculate terminal value after the five-year period.

Impairment Testing of Individual Assets

When reviewing the individual capitalized development, certain development programs were identified where the technology or commercial outlook no longer justified the value, mainly as a result of the downturn in the oil service sector. One smaller development program was identified and partially impaired due to the fact that the design was not working as intended. In total, NOK 363 million was impaired in the operating segment for Subsea and NOK 23 million was impaired in Field Design. The impairments were mainly related to development projects in Norway and the UK. In addition, individual machines, furniture and fittings were impaired in Subsea of NOK 79 million. The total remaining book value of the assets that were partially impaired was NOK 191 million per December 31, 2016.

The value-in use method was used for both fixed and intangible assets. A WACC of 10.7 percent post tax was used for the impairment testing in Norway and a WACC of 9.5 percent post tax was used in the UK.

Impairment Testing of Assets in CGUs

No impairment losses were recognized as a result of the impairment testing of assets in CGUs based on the value-in-use method. Sensitivity analysis for change in future cash flows, growth rate and WACC has been performed for the CGUs with limited headroom in the impairment testing. A CGU in Brazil and in the US had the least headroom resulting in additional sensitivity testing. The results from the analysis support the conclusion from the test that no impairment should be recognized. The group is continuesly monitoring the market development and will perform impairment testing if further impairment triggers are identified.

Note 12 continues on next page

Impairment Testing of Goodwill

The goodwill in each of the three business areas identified as separate CGUs is shown in the following table.

Amounts in NOK million	2016	2015
Subsea	**2,546**	2,862
Maintenance, Modifications and Operations (MMO)	**977**	849
Engineering	**460**	460
Total goodwill as of December 31	**3,983**	**4,171**

	2016		2015	
Amounts in NOK million	Post-tax WACC	Pre-tax WACC	Post-tax WACC	Pre-tax WACC
Subsea	**10.0%**	**11.7%**	8.6%	10.7%
Maintenance, Modifications and Operations (MMO)	**9.6%**	**11.8%**	8.9%	11.0%
Engineering	**9.6%**	**11.7%**	8.9%	11.3%

The annual average five year growth rate for revenue in the cashflow used for impairment testing is 7.1 percent. A post-tax value in-use method was used, with pre-tax rates calculated using an iterative method for illustration purposes only. When determining the terminal value, a growth rate of 1.5 percent was used. The annual impairment testing of goodwill did not result in any impairment losses.

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

The recoverable amounts exceed book value for all scenarios for all the CGUs in the goodwill impairment testing. The asset base in the business areas for MMO and Engineering is relatively low and the recoverable amount is significantly higher than book values in these impairment tests. Subsea has a higher asset base, but the recoverable amount is still higher than book values in the impairment test. Due to the current market uncertainties and the fact that Subsea has a significant goodwill balance, sensitivities are included below.

The following table illustrates some of the key sensitivities and how much they can change without triggering an impairment of goodwill in Subsea.

	Subsea	
Amounts in NOK million	2016	2015
Highest post-tax WACC that can be used without resulting in impairment	**13.6%**	14.7%
Lowest growth rate that can be applied to the terminal value without resulting in impairment	**-5.0%**	-10.0%
Highest reduction of free cashflows that can be used without resulting in impairment	**-35.0%**	-52.0%

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

Note 13 Inventories

Financial Reporting Principles

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses and the estimated cost to complete the inventory. The cost of inventories is based on the first-in first-out principle and includes expenditures for bringing them to their existing location and condition.

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 turns out to be lower than the amount estimated by management.

Inventories

Amounts in NOK million	**2016**	**2015**
Stock of raw materials	**514**	789
Goods under production	**2**	11
Finished goods	**59**	14
Total	**575**	**814**
Total inventories at cost	**818**	986
Inventory write-downs to net realizable value	**-244**	-172
Total	**575**	**814**
Inventory write-down expenses in the period	**129**	115

There are no securities pledged over inventories.

Note 14 Trade and Other Receivables

Financial Reporting Principles

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

Judgments and Estimates

Judgment is involved when determining the allowance for doubtful receivables. The allowance 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.

Trade and Other Receivables

Amounts in NOK million	2016	2015
Trade receivables	**3,600**	4,286
Trade receivables, related parties	**111**	121
Less provision for impairment of receivables	**-170**	-143
Trade receivables, net	**3,541**	**4,264**
Advances to suppliers	**156**	232
Amounts due from customers for construction work	**1,103**	2,365
Accrued operating revenue from service contracts	**1,337**	2,032
Other receivables	**1,260**	2,091
Total	**7,398**	**10,985**

Bad Debt Provision

Amounts in NOK million	2016	2015
Balance as of January 1	**-143**	-40
Provisions made during the year	**-79**	-109
Provisions used during the year	**8**	5
Provisions reversed during the year	**23**	12
Currency translation differences	**21**	-12
Balance as of December 31	**-170**	**-143**

Aging of Trade Receivables

Amounts in NOK million	2016	2015
Not overdue	**2,599**	3,549
Past due 0-30 days	**611**	297
Past due 31-90 days	**136**	195
Past due 91 days to one year	**110**	279
Past due more than one year	**256**	87
Total	**3,711**	**4,407**

See note 3 for more information about amounts due from customers for construction and service contracts
See note 22 for more information about credit risk
See note 30 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 held at banks and other short-term highly liquid deposits with original maturity of three months or less.

Cash and Cash Equivalents

Amounts in NOK million	2016	2015
Cash pool	**1,461**	1,692
Other cash at banks	**1,019**	2,170
Total	**2,480**	**3,862**

Available Liquidity

Additional undrawn committed non-current bank revolving credit facilities amounted to NOK 5.0 billion, it was also NOK 5.0 billion in the prior period. Together with cash and cash equivalents, this gives a total liquidity buffer of NOK 7.5 billion, compared to NOK 8.9 billion in the prior period.

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

Note 16 Equity

Share Capital

Aker Solutions ASA was founded May 23, 2014 with a nominal share capital of NOK 293,807,940 through the issuance of 272,044,389 shares. The total number of outstanding shares is 272,044,389 at par value NOK 1.08 per share as of December 31, 2016. 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

The group purchases its own shares (treasury shares) to meet the obligation 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 on the purchase or sale of the groups own equity instruments.

Amounts in NOK million	Number of shares	Consideration
Treasury shares as of December 31, 2015	**377,311**	26
Purchase	**1,072,847**	29
Sale	**-938,357**	-40
Treasury shares as of December 31, 2016	**511,801**	**16**

Hedging Reserve

The hedge reserve mainly relates to effects of currency cash flow 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 construction contract.

Note 16 continues on next page

Translation Reserve

The currency translation reserve includes foreign exchange differences arising from the translation of the subsidiaries into the presentation currency of the consolidated statements.

Pension Reserve

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

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

Note 17 Borrowings

Financial Reporting Principles

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

Norwegian Bonds

The group has issued two bonds in the Norwegian bond market denominated in Norwegian Kroner. The bonds are issued based on a floating interest rate plus a predefined margin. The bonds are issued with Norsk Tillitsmann as trustee and the loan agreements are based on Norsk Tillitsmann's standard loan agreement for such bonds. The bonds are unsecured on a negative pledge basis and include no dividend restrictions. All bonds issued are listed on the Oslo Stock Exchange. Aker Solutions' strategy is to have between 30-50 percent of borrowings at fixed interest rates. To the extent that this is not reflected in the loan agreements, swap transactions are entered into.

Note 17 continues on next page

Bonds and Borrowings

2016

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 0010647431	NOK	1,500	**1,505**	1.14%	4.25%	5.39%	06/06/17	Floating, 3M+fix margin
ISIN NO 0010661051	NOK	1,000	**1,007**	1.13%	4.20%	5.33%	10/09/19	Floating, 3M+fix margin
Total bonds[1]			**2,512**					
Revolving credit facility (NOK 5,000 million)[2]	NOK	0	**-20**	1.05%	0.85%	1.90%	07/03/19	NIBOR + Margin[3]
Total credit facility			**-20**					
Brazilian Development Bank loans[4]	BRL	548	**1,451**	11.96%	0.00%	11.96%	2017-2022	Fixed, periodically
Brazilian Development Bank loans			**1,451**					
Other borrowings			**10**					
Total borrowings			**3,954**					
Current borrowings			**2,110**					
Non-current borrowings			**1,844**					
Total borrowings			**3,954**					

1) The carrying amount is calculated by reducing the nominal value of NOK 2,500 million (NOK 2,500 million in 2015) by total issue costs related to the new financing of NOK 7 million (NOK 11 million in 2015). Amount includes NOK 18 million of accrued interest related to the bonds (NOK 18 million in 2015).
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 3.5 percent to 19 percent in 2016 (3.5 percent to 16.7 percent in 2015). 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

Bonds and Borrowings

2015

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 0010647431	NOK	1,500	**1,502**	1.15 %	4.25 %	5.40 %	06/06/17	Floating, 3M+fix margin
ISIN NO 0010661051	NOK	1,000	**1,005**	1.11 %	4.20 %	5.31 %	10/09/19	Floating, 3M+fix margin
Total bonds[1]			**2,507**					
Revolving credit facility (NOK 5,000 million)[2]	NOK	0	**-27**	1.05 %	0.85 %	1.90 %	07/03/19	NIBOR + Margin[3]
Total credit facility			**-27**					
Brazilian Development Bank loans[4]	BRL	527	**1,209**	10.41 %	0.00 %	10.41 %	2016-2022	Fixed, periodically
Brazilian Development Bank loans			**1,209**					
Other borrowings			**9**					
Total borrowings			**3,698**					
Current borrowings			**561**					
Non-current borrowings			**3,137**					
Total borrowings			**3,698**					

1) The carrying amount is calculated by reducing the nominal value of NOK 2,500 million (NOK 2,500 million in 2015) by total issue costs related to the new financing of NOK 7 million (NOK 11 million in 2015). Amount includes NOK 18 million of accrued interest related to the bonds (NOK 18 million in 2015).
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 3.5 percent to 19 percent in 2016 (3.5 percent to 16.7 percent in 2015). 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.

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Maturity of Bonds and Borrowings

2016

Amounts in NOK million	Carrying amount	Total cashflow[1]	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
ISIN NO 0010647431	1,505	1,539	**1,539**	0	0	0	0
ISIN NO 0010661051	1,007	1,155	**26**	27	53	1,049	0
Total bonds	2,512	2,694	**1,565**	27	53	1,049	0
Revolving credit facility (NOK 5,000 million)	-20	0	**0**	0	0	0	0
Brazilian Development Bank loans	1,451	1,801	**86**	658	499	113	445
Other loans	10	11	**0**	11	0	0	0
Total other loans	**1,442**	**1,812**	**86**	**669**	**499**	**113**	**445**
Total borrowings	**3,954**	**4,506**	**1,651**	**696**	**552**	**1,162**	**445**

2015

Amounts in NOK million	Carrying amount	Total cashflow[1]	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
ISIN NO 0010647431	1,502	1,617	**40**	40	1,537	0	0
ISIN NO 0010661051	1,005	1,204	**26**	26	53	1,099	0
Total bonds	2,507	2,821	**66**	66	1,590	1,099	0
Revolving credit facility (NOK 5,000 million)	-27	0	**0**	0	0	0	0
Brazilian Development Bank loans	1,209	1,502	**102**	518	111	509	262
Other loans	9	9	**0**	9	0	0	0
Total other loans	**1,191**	**1,510**	**102**	**526**	**111**	**509**	**262**
Total borrowings	**3,698**	**4,331**	**168**	**592**	**1,701**	**1,608**	**262**

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).

Mortgages

The group has no mortage liabilities in 2016. In 2015 there were NOK 5.7 million in mortgage liabilities, which is secured by pledges on property, plant and equipment with book values of NOK 4.6 million.

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

Note 18 Pension Obligations

Financial Reporting Principles

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 still has some closed defined benefit plans and impact of these are gradually reduced.

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, represent limited additional pension entitlements. The following pension plans exist in Norway:

Defined Contribution Plan

All employees in Norway are offered participation in a defined contribution plan. The annual contributions expensed for the Norwegian plans were NOK 276 million in 2016. The estimated contribution expected to be paid in 2017 is NOK 275 million.

Note 18 continues on next page

Defined Benefit Plan

The Norwegian companies in Aker Solutions closed the defined benefit plans in 2008. Employees who were 58 years or older in 2008 are still members of the defined benefit plan. This is a funded plan and represents most of the funded pension liability reported in the tables below. The estimated contribution expected to be paid during 2017 is NOK 61 million.

Compensation Plan

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 compensation amount will be reduced. This unfunded plan is classified and accounted for as a defined benefit plan.

Tariff Based Pension Agreement (AFP)

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

Termination Benefits

Certain pension arrangements up until retirement has been given as part of restructuring programs to achieve reduction of personnel. The cost in 2016 was NOK 16 million.

Pension Plans Outside Norway

Pension plans outside Norway are predominately defined contribution plans. The annual contributions expensed for plans outside Norway were NOK 181 million in 2016. The estimated contributions expected to be paid in 2017 is NOK 137 million to the plans outside Norway.

Total Pension Cost

Amounts in NOK million	**2016**	**2015**
Defined benefit plans	**85**	75
Defined contribution plans	**457**	511
Total	**542**	**586**

Note 18 continues on next page

Movement in Pension Obligations

Tables below relate to the movement in the pension obligation for defined benefit plans. It is mainly the Norwegian entities that have defined benefit plans; other defined benefit plans are insignificant.

Amounts in NOK million	2016	2015
Balance as of January 1	572	670
Current service and administration cost	71	60
Interest cost (income)	14	15
Included in income statement	**85**	**75**
Actuarial loss (gain) arising from demographic assumptions	116	0
Actuarial loss (gain) arising from financial assumptions	-126	-79
Actuarial loss (gain) arising from experience adjustments	-32	-10
Re-measurements loss (gain) included in OCI	**-42**	**-89**
Contributions paid into the plan	-70	-75
Benefits paid by the plan	-34	-11
Reclassification from restructuring provision	28	0
Other movements	1	2
Other	**-75**	**-84**
Balance as of December 31	**540**	**572**
Represented by:		
Net funded liability	13	89
Net unfunded liability	527	483
Balance as of December 31	**540**	**572**

Assets in the Defined Pension Plan

Amounts in NOK million	2016	2015
Equity securities	40	29
Bonds	1,114	1,184
Funds	94	47
Total plan assets at fair value	**1,248**	**1,260**

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. The majority of the bond investment is in Norwegian municipalities and are assumed to have a rating equal to AA, but there are very 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 investment in funds is mainly hedge funds that invests in listed securites and where the value is based on quoted prices.

Note 18 continues on next page

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:

	2016	2015
Discount rate	**2.50%**	2.60%
Asset return	**2.50%**	2.60%
Salary progression	**2.25%**	2.50%
Pension indexation funded plans[1]	**0.00%**	0.75%
Mortality table	**K2013**	K2013 BE
Life expectancy at age 65 for pensioners, males	**22.4**	21.3
Life expectancy at age 65 for pensioners, females	**25.4**	24.4

[1)] Pension indexation for unfunded plans is agreed invidually (0-8 percent).

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

Sensitivity Analysis

Changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have changed the defined benefit obligation as of December 31, 2016 by the amounts shown below.

	Change net liability increase (+)/decrease (-)	
Amounts in NOK million	**2016**	**2015**
Discount rate +1 percent	**-162**	-234
Discount rate -1 percent	**205**	216
Expected rate of salary increase +1 percent	**35**	22
Expected rate of salary increase by -1 percent	**-31**	-20
Expected rate of pension increase +1 percent	**171**	215
Expected rate of pension increase by -1 percent	**-137**	-153

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

See note 5 for more information about personnel expenses
See note 31 for more information about pension arrangements for the management

Note 19 Operating Leases

Financial Reporting Principles

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

Lease Expenses and Sub-Lease Income

Aker Solutions leases a number of production sites and office buildings worldwide. The leases typically run for a period of 10-15 years, with an option to renew the lease at market conditions. Other leasing contracts relate to IT and office equipment with an average life of 3-5 years with no renewal option included in the contracts.

2016

Amounts in NOK million	Buildings, plants and sites	Other	Total
Minimum lease expense	844	10	**854**
Sub-lease income	-125	0	**-125**
Total	719	10	**729**

2015

Amounts in NOK million	Buildings, plants and sites	Other	Total
Minimum lease expense	883	11	**893**
Sub-lease income	-67	0	**-67**
Total	815	11	**826**

Lease Commitments

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

Amounts in NOK million	2016	2015
Less than one year	**820**	867
Between one and five years	**2,801**	3,251
More than five years	**4,357**	4,975
Total	**7,978**	**9,093**

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

Amounts in NOK million	2016	2015
Less than one year	**-140**	-65
Between one and five years	**-607**	-157
More than five years	**-514**	-24
Total	**-1,261**	**-247**

See note 6 for more information about operating expenses for land and buildings
See note 20 for more information about onerous lease provisions
See note 30 for more information about leasing contracts with related parties

Note 20 Provisions and Contingent Liabilities

Financial Reporting Principles

A provision is a liability with uncertain timing and amount. Provisions are recognized when a 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 a 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 in nature highly judgmental. 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, 2016	591	323	262	118	**1,294**
Provisions made during the year	172	111	112	68	**463**
Provisions used during the year	-128	-139	-205	-38	**-510**
Provisions reversed during the year	-34	-29	-28	-6	**-98**
Unwinding of discounting effect	0	10	0	0	**10**
Reclassification to pension obligations	0	0	-28	0	**-28**
Currency translation differences	-27	-9	0	-7	**-43**
Balance as of December 31, 2016	**573**	**267**	**112**	**135**	**1,087**
Expected timing of payment as of December 31, 2016					
Due within twelve months	154	119	112	57	**442**
Due after twelve months	419	148	0	78	**645**
Total	**573**	**267**	**112**	**135**	**1,087**

Warranties

The provision for warranties relates to expected re-work and improvements for products and services delivered to customers. The warranty period is normally two to five years. The provision is based on the historical average warranty expenses for each type of contract 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.

Onerous Contracts

The onerous contracts provision relates to separable parts of leased office buildings that have been vacated or will be vacated in the near future by Aker Solutions. Future lease commitments and future expected sub-lease income have been discounted to present value using a market rate of 6.1 percent. The provision is sensitive to changes in the discount rate and assumptions relating to the sub-lease period and the sub-lease revenue.

Restructuring Provision

The restructuring provision relates to capacity adjustments as a result of the downturn in the oil services sector. Significant decline in oil prices and current market conditions have resulted in lower order intake, pressure on cost and necessary work-force reductions. The restructuring provision relates to expected employee costs for permanent and temporary redundancies for first-half 2017. The provision has been estimated based on assumptions of number of employees affected, salary levels, notice period, idle time assumed during notice period and severance pay. The provision is sensitive for changes in any of these assumptions.

Note 20 continues on next page

Other

Other provisions relate to other liabilities with uncertain timing or amount. This includes provisions for leasehold dilapidations and US medical reserve.

Contingent Liabilities

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

Tax Claim in Brazil

The tax authorities in the state of Parana in Brazil has claimed the Aker Solutions company in Brazil for approximately NOK 740 million (including penalties and interests), stating that the conditions for the export exemption from ICMS are not fulfilled. ICMS is a value added tax on sales and services related to the movement of goods. It is managements' opinion that, based on current law and practice, a successful outcome in the administrative appeal system is regarded as likely. The claim is regarded as a contingent liability since the possible outcome will be confirmed by the occurrence of an uncertain future event (a potential court decision). No provision has been made for this contingent liability since a cash outflow is not considered probable, nor is it possible to establish a reliable estimate.

There are no other significant contingent liabilities where disclosure is required as of December 31, 2016 (2015: nil).

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

Note 21 Trade and Other Payables

Financial Reporting Principles

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

Trade and Other Payables

Amounts in NOK million	2016	2015
Trade creditors[1]	**964**	1,517
Trade creditors, related parties	**67**	153
Amount due to customers for construction work	**98**	1,037
Advances received from customers	**2,411**	4,958
Accrued operating and financial costs	**2,183**	2,435
Deferred revenue for service contracts	**190**	162
Public duties and taxes	**710**	688
Other current liabilities	**1,380**	1,273
Total	**8,002**	**12,222**

[1)] Trade creditors include NOK 2 million (NOK 13 million in 2015) due after one year.

See note 3 for more information about advances and amounts due to customers for construction and service contracts
See note 30 for more information about receivables to related parties

Note 22 Financial Risk Management and Exposures

The objective of financial risk management is to manage and control financial risk exposures to increase the predictability of earnings and minimize potential adverse effects on the group'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 credit risk, liquidity risk and price risk.

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 group has well-established procedures for overall risk management, as well as policies for the use of derivatives and financial investments. There have not been any changes in these policies during the year.

Currency Risk

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

Use of Currency Derivatives

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

For segment reporting purposes, each business unit designates all foreign currency hedge contracts with corporate treasury as cashflow hedges or as hedges of separated embedded derivatives. Corporate treasury enters into external foreign exchange contracts separately for revenue and cost exposure. More than 80 percent of the value of the hedging instruments either qualify for hedge accounting or are hedges of separated embedded derivatives. Corporate treasury monitors hedges not qualifying for hedge accounting and disqualification effects are reported in the "other" segment. Currency exposure from investments in foreign currencies is only hedged when specifically instructed by management.

Exposure to Currency Risk

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

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	2016			2015		
Amounts in NOK million	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
Bank deposits	-64	-40	-51	-23	-32	**-79**
Intercompany loans	-76	-104	-1	-102	-91	**28**
Balance sheet exposure	**-140**	**-144**	**-52**	**-125**	**-123**	**-51**
Forecasted receipts from customers	721	29	74	1,295	55	**127**
Forecasted payments to vendors	-262	-99	-178	-331	-166	**-305**
Cashflow exposure	**459**	**-70**	**-104**	**964**	**-111**	**-178**
Forward exchange contracts	**-321**	**200**	**156**	**-837**	**236**	**229**
Net exposure	**-2**	**-14**	**0**	**2**	**2**	**0**

The currency exposure was within the trading mandate as of December 31, 2016 and 2015.

Sensitivity Analysis - Fair Value of Financial Instruments

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

	2016		2015	
Amounts in NOK million	**Profit (loss) before tax**	**Equity increase (decrease)**	**Profit (loss) before tax**	**Equity increase (decrease)**
USD - 15 percent strengthening	**-186**	**-414**	-437	-972
EUR - 15 percent strengthening	**47**	**91**	120	194
GBP - 15 percent strengthening	**59**	**132**	38	303

The primary currency risk is the risk of reduced competitiveness abroad in the case of a strengthened NOK. This risk relates to future commercial contracts and is not included in the sensitivity analysis.

Sensitivity Analysis - Currency Translation of Subsidiaries

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

	2016			
Amounts in NOK million	**Revenue increase (decrease)**	**EBIT increase (decrease)**	**Profit (loss) before tax**	**Equity increase (decrease)**
USD - 15 percent strengthening	472	28	45	476
EUR - 15 percent strengthening	0	3	3	223
GBP - 15 percent strengthening	624	-21	-16	226
BRL - 15 percent strengthening	252	17	-7	165

Regulatory Restrictions

Different regulatory rules may put restrictions on free flow of cash in some jurisdictions, including Angola and Nigeria. Although the currency in these countries may not be fully convertible with other currencies, mitigating actions have been taken in order to minimize the currency exposure. These include multilateral agreements with

Note 22 continues on next page

banks, customers and vendors on timing of payments to minimize the exposed cash balance. Aker Solutions will always strive to minimize cash balances and maximize cash available for treasury. The cash in these countries amounted to NOK 94 million as of December 31, 2016 compared to NOK 174 million in the prior year.

Interest Rate Risk

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

As the group has no significant interest-bearing operating assets, operating income and operating cashflow are substantially independent of changes in market interest rates. At year-end, approximately 80 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 2016 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

A decrease of 100 basis points in interest rates during 2016 would have had the equal but opposite effect on the amounts, on the basis that all other variables remain constant.

	2016		2015	
Amounts in NOK million	Profit (loss) before tax	Equity increase (decrease)[1]	Profit (loss) before tax	Equity increase (decrease)[1]
Interest on cash and cash equivalents	**30**	**0**	28	0
Interest on borrowings	**-41**	**0**	-37	0
Effect of interest rate swap	**20**	**21**	20	40
Cashflow sensitivity (net)	**10**	**21**	**11**	**40**

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

Credit Risk

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

Investment Securities and Derivatives

Investment securities and derivatives are only traded against approved banks. 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 and Interest-Bearing Receivables

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.

The credit risk has generally increased during the year due to the downturn in the market. The majority of the customers are highly rated oil companies where the credit risk is considered to be limited. Risk related to lower rated companies is monitored closely. The maximum exposure to credit risk at the reporting date equals the book value of each category of financial assets. The group does not hold collateral as security.

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Liquidity Risk

Liquidity risk is the risk that the group is unable to meet the obligations associated with its financial liabilities. The group'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 group'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.

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Financial Liabilities and the Period in Which They Mature

2016

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	3,954	4,506	1,651	696	552	1,162	445
Net derivative financial instruments	975	975	871	39	38	27	0
Trade and other payables	8,002	8,002	7,545	313	144	0	0
Total liabilities	**12,930**	**13,483**	**10,067**	**1,048**	**734**	**1,188**	**445**
Financial guarantees		8,824	1,547	280	225	2,474	4,298

2015

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	3,698	4,331	168	592	1,701	1,608	262
Net derivative financial instruments	1,700	1,700	1,012	257	350	82	0
Trade and other payables	12,222	12,222	9,166	1,757	1,300	0	0
Total liabilities	**17,620**	**18,253**	**10,345**	**2,605**	**3,351**	**1,690**	**262**
Financial guarantees		6,913	636	486	724	1,586	3,481

[1)] Nominal currency value including interest.

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Cash Pool Arrangements

The group policy for the purpose of optimizing availability and flexibility of cash within the group 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 the group 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 group policy is not applied in countries where local laws prohibit international cash pool arrangements.

Price Risk

The group 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 vendors as basis for offers to customers or through escalation clauses with customers.

Guarantees

The group 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 were NOK 45 billion (NOK 65 billion in 2015)
- Financial parent company indemnity guarantees for fulfillment of lease obligations, credits and loans were NOK 4.5 billion (NOK 2.5 billion in 2015)
- Financial guarantees including counter guarantees for bank/surety bonds and guarantees for pension obligations to employees were NOK 5.3 billion (NOK 4.4 billion in 2015)

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 billion per December 31, 2016 compared to NOK 3.6 billion per December 31, 2015.

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

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, 2016 this liquidity reserve amounted to NOK 7.5 billion and was composed of an undrawn committed credit facility and bank deposits.

Funding of Operations

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

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 and the average term to maturity for existing loans is to be at a minimum of two years.

Aker Solutions aims to have a diversified selection of funding sources in order to reach the lowest possible cost of capital. These funding sources include:

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

Debt Covenants

As per end of 2016, the capital structure of Aker Solutions was 37 percent from bank and export credit agency (ECA) debt and 63 percent from bonds issued in the Norwegian market. The group monitors capital on the basis of gearing and interest coverage ratios. The reported ratios are well within the requirements in the loan agreements as shown in the table below.

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

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

Aker Solutions has the following debt covenant for the bonds:

- The company's gearing ratio shall not exceed 4.0 and is calculated from the gross interest bearing debt to the adjusted EBITDA

Note 23 continues on next page

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	**2016**	**2015**
Gearing ratios		
Non-current interest-bearing debt	**1,844**	3,137
Current interest-bearing debt	**2,110**	561
Gross interest-bearing debt	**3,954**	**3,698**
Cash and cash equivalent	**-2,480**	-3,862
Net interest-bearing debt	**1,474**	**-164**
EBITDA (Operating income before depreciation, amortization and impairment)	**1,929**	1,841
Restructuring and other special items as defined in the loan agreement	**180**	514
Adjusted EBITDA	**2,109**	**2,355**
Gross interest-bearing debt/adjusted EBITDA	**1.9**	1.6
Net interest-bearing debt/adjusted EBITDA	**0.7**	-0.1
Interest coverage		
Adjusted EBITDA	**2,109**	2,355
Net interest expense as defined in the loan agreement	**392**	254
Adjusted EBITDA/Net finance cost	**5.4**	9.3

See note 12 for more information about financial risk management
See note 17 for more information about borrowings
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 group has future cashflows to be settled in a foreign currency, and forward contracts are the most commonly used derivative to hedge such exposure. The policy states that all foreign exchange exposure is hedged, of which at least 80 percent shall be done back-to-back and qualify for hedge accounting or be hedges of separated embedded derivatives. The group may also use currency options for cashflows that are not firm and has certain interest rate swaps.

Financial Reporting Principles

Cashflow Hedges of Foreign Currency

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.

Some hedged transactions do not qualify for hedge accounting under IFRS, primarily because internal hedge transactions are grouped and netted before external hedge transactions are established. Both the derivatives and the foreign exchange effects of the hedged receivable or payable will be reported as financial income and expenses with corresponding and opposite effects. The net foreign exchange gain or loss therefore reflects the difference in timing between these two.

Note 24 continues on next page

Derivatives not qualifying for hedge accounting include derivatives used by corporate treasury to hedge the residual exposure of the group as part of its risk mandate. As of year-end 2016, these hedging instruments only include currency forwards, currency options, interest swaps and foreign exchange swaps.

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

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

Hedge accounting is applied using the cashflow model for interest rate swaps which means that gains and losses from floating to fixed interest rates as of December 31, 2016 are recognized in the hedging reserve in equity and will be continuesly released to the income statement until the bank borrowings are repaid. This is achieved based on the periodic market-to-market revaluation of the interest rate swaps whose fair value tends to reach zero upon maturity.

Fair Values and Maturity

The following table presents the fair value of the derivatives and a maturity analysis of the derivatives undiscounted cashflows. Given the Aker Solutions hedging policy and the assumption that projects are cash neutral, this table also indicates when the cashflows related to project expenses are expected to impact profit and loss. The majority of project revenues are recognized in accordance with IAS 11 using the stage of completion method. This may result in differences between cashflow and revenue recognition.

Note 24 continues on next page

2016

Amounts in NOK million	Instruments at fair value	Total cashflow[1]	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Assets							
Cashflow hedges	106	106	74	21	11	0	0
Fair value adjustments to hedged assets[2]	-58	-58	-41	-11	-6	0	0
Embedded derivatives in ordinary commercial contracts	14	14	4	3	6	1	0
Financial instruments not hedge accounted	32	32	32	0	0	0	0
Total financial instrument assets	**94**	**94**	**70**	**13**	**11**	**1**	**0**
Liabilities							
Cashflow hedges	-957	-957	-852	-50	-49	-6	0
Fair value adjustments to hedged liabilities[2]	-63	-63	-61	-2	0	0	0
Embedded derivatives in ordinary commercial contracts	0	0	0	0	0	0	0
Financial instruments not hedge accounted	-16	-16	-16	0	0	0	0
Total forward foreign exchange contracts	**-1,036**	**-1,036**	**-929**	**-52**	**-49**	**-6**	**0**
Cashflow hedges interest rate instruments	-33	-33	-11	0	0	-21	0
Total financial instrument liabilities	**-1,069**	**-1,069**	**-941**	**-52**	**-49**	**-27**	**0**
Net financial instruments	**-975**	**-975**	**-871**	**-39**	**-38**	**-27**	**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

2015

Amounts in NOK million	Instruments at fair value	Total cashflow[1]	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Assets							
Cashflow hedges	536	536	263	110	153	11	0
Fair value adjustments to hedged assets[2]	624	624	49	232	290	52	0
Embedded derivatives in ordinary commercial contracts	66	66	44	11	8	2	0
Currency derivatives not hedge accounted	70	70	66	0	4	0	0
Total financial instrument assets	**1,295**	**1,295**	**422**	**354**	**455**	**65**	**0**
Liabilities							
Cashflow hedges	-2,351	-2,351	-923	-592	-726	-110	0
Fair value adjustments to hedged liabilities[2]	-555	-555	-496	-19	-35	-5	0
Embedded derivatives in ordinary commercial contracts	0	0	0	0	0	0	0
Currency derivatives not hedge accounted	-15	-15	-15	0	0	0	0
Total forward foreign exchange contracts	**-2,920**	**-2,920**	**-1,434**	**-611**	**-761**	**-114**	**0**
Cashflow hedges interest rate instruments	-75	-75	0	0	-43	-32	0
Total financial instrument liabilities	**-2,995**	**-2,995**	**-1,434**	**-611**	**-804**	**-146**	**0**
Net financial instruments	**-1,700**	**-1,700**	**-1,012**	**-257**	**-350**	**-82**	**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

Unsettled Hedges

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

	2016			2015		
Amounts in NOK million	**Fair value of all hedging instruments**	**Recognizedin 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)	**-852**	-615	-236	**-1,814**	-819	**-995**
Interest rate swaps	**-36**	0	-36	**-75**	0	**-75**
Total	**-887**	**-615**	**-272**	**-1,889**	**-819**	**-1,070**

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 construction contracts are recognized in the income statement in accordance with progress. Consequently, negative NOK 615 million (negative NOK 819 million in 2015) of the value of the forward contracts have already impacted the income statement indirectly as revenues and expenses are recognized based on updated forecasts and progress. The negative NOK 236 million (negative NOK 995 million in 2015) 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.

Interest Rate Swaps

Aker Solutions has two bonds totalling NOK 2,500 million at floating interest rates out of which NOK 2,000 million are swapped to fixed interest. Floating interest is mainly tied to Inter-bank offered rates (NIBOR for NOK and LIBOR for other currencies).

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 Reporting Principles

Financial assets and liabilities in the group consist of investments in other companies, trade and other receivables, interest-bearing receivables, cash and cash equivalents, trade and other payables, interest-bearing borrowings and equity. Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Fair Value Hierarchy

Financial instruments measured at fair value are classified by the levels in the fair value hierarchy. All other financial instruments are classified by the main group of instruments as defined in IAS 39. Both carrying amount and fair value are shown for all financial instruments.

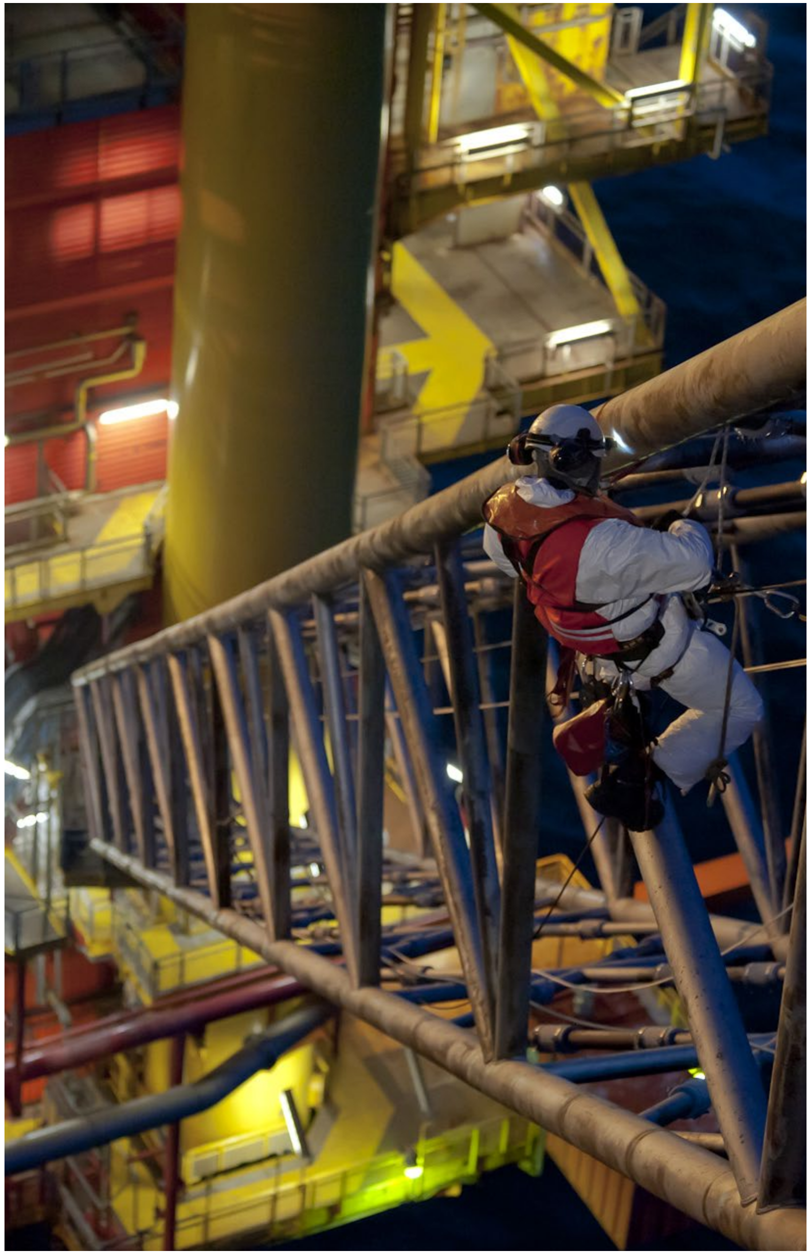
For financial instruments measured at fair value, the levels in the fair value hierarchy are:

- 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



Financial Instruments as of December 31, 2016

	Carrying value							Fair value			
Amounts in NOK million	**Fair value - hedging instruments**	**Financial assets at FVTPL[1]**	**Loans and receivables**	**Available for sale**	**Financial liabilities at FVTPL[1]**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Other investments[2]	0	0	0	75	0	0	**75**	61	0	14	**75**
Non-current receivables	0	0	90	0	0	0	**90**	0	0	0	**0**
Trade and other receivables	0	0	7,398	0	0	0	**7,398**	0	0	0	**0**
Forward foreign exchange contract	93	0	0	0	0	0	**93**	0	93	0	**93**
Current interest-bearing receivables	0	87	351	0	0	0	**437**	87	0	0	**87**
Cash and cash equivalents	0	0	2,480	0	0	0	**2,480**	0	0	0	**0**
Financial assets	**93**	**87**	**10,318**	**75**	**0**	**0**	**10,574**	**148**	**93**	**14**	**256**
Non-current borrowings[3]	0	0	0	0	0	-1,844	**-1,844**	0	-1,856	0	**-1,856**
Other non-current liabilities	0	0	0	0	0	-17	**-17**	0	0	-17	**-17**
Current borrowings[3]	0	0	0	0	0	-2,110	**-2,110**	0	-2,128	0	**-2,128**
Deferred consideration	0	0	0	0	-76	0	**-76**	0	0	-76	**-76**
Trade and other payables	0	0	0	0	0	-8,002	**-8,002**	0	0	0	**0**
Forward foreign exchange contracts	-1,036	0	0	0	0	0	**-1,036**	0	-1,036	0	**-1,036**
Interest rate instruments	-33	0	0	0	0	0	**-33**	0	-33	0	**-33**
Financial liabilities	**-1,069**	**0**	**0**	**0**	**-76**	**-11,972**	**-13,117**	**0**	**-5,053**	**-93**	**-5,146**

[1] FVTPL is short for fair value through profit and loss.
[2] All available for sale investments are designated as such upon initial recognition. Investments in level 1 consist of listed shared with quoted market prices, and investments in level 3 are shares where fair value cannot be measured reliably as the financial instrument is not traded in an active market. The best estimate of fair value is initial purchase price.
[3] Fair value is quoted prices for the bonds noted on the Oslo Stock Exchange.

Note 25 continues on next page

Financial Instruments as of December 31, 2015

	Carrying value							Fair value			
Amounts in NOK million	Fair value - hedging instruments	Financial assets at FVTPL[1]	Loans and receivables	Available for sale	Financial liabilities at FVTPL[1]	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Other investments[2]	0	0	0	13	0	0	**13**	0	0	13	**13**
Non-current receivables	0	0	23	0	0	0	**23**	0	0	0	**0**
Trade and other receivables	0	0	10,985	0	0	0	**10,985**	0	0	0	**0**
Forward foreign exchange contract	1,295	0	0	0	0	0	**1,295**	0	1,295	0	**1,295**
Current interest-bearing receivables	0	117	0	0	0	0	**117**	117	0	0	**117**
Cash and cash equivalents	0	0	3,862	0	0	0	**3,862**	0	0	0	**0**
Financial assets	**1,295**	**117**	**14,870**	**13**	**0**	**0**	**16,295**	**117**	**1,295**	**13**	**1,425**
Non-current borrowings[3]	0	0	0	0	0	-3,137	**-3,137**	0	-3,076	0	**-3,076**
Other non-current liabilities	0	0	0	0	0	-10	**-10**	0	0	-10	**-10**
Current borrowings[3]	0	0	0	0	0	-561	**-561**	0	-561	0	**-561**
Deferred consideration	0	0	0	0	-16	0	**-16**	0	0	-16	**-16**
Trade and other payables	0	0	0	0	0	-12,222	**-12,222**	0	0	0	**0**
Forward foreign exchange contracts	-2,916	0	0	0	0	0	**-2,916**	0	-2,916	0	**-2,916**
Interest rate instruments	-78	0	0	0	0	0	**-78**	0	-78	0	**-78**
Financial liabilities	**-2,995**	**0**	**0**	**0**	**-16**	**-15,930**	**-18,941**	**0**	**-6,632**	**-26**	**-6,658**

1) FVTPL is short for fair value through profit and loss.
2) All available for sale investments are designated as such upon initial recognition. Investments in level 1 consist of listed shared with quoted market prices, and investments in level 3 are shares where fair value cannot be measured reliably as the financial instrument is not traded in an active market. The best estimate of fair value is initial purchase price.
3) Fair value is quoted prices for the bonds noted on the Oslo Stock Exchange.

See note 14 for more information about trade and other receivables
See note 15 for more information about cash and cash equivalents
See note 17 for more information about borrowings
See note 21 for more information about trade and other payables
See note 29 for more information about other investments

Note 26 Acquisition of Subsidiaries

Aker Solutions acquired C.S.E. Mecânica e Instrumentacâo Ltda (C.S.E.) on December 5, 2016 to gain access to Brazil's growing market for servicing existing oil and gas fields. C.S.E. has approximately 2,300 employees and provides maintenance, assembly, commissioning and crane operation services at offshore and onshore facilities. The acquired business is part of the Field Design operating segment.

Financial Reporting Principles

The fair value of the acquired assets and liabilities are included in the consolidated financial statement from the date control is obtained. Goodwill is the difference between the fair value of the consideration and the net assets acquired. When Aker Solutions enters into put/call or forward contracts to acquire the remaining shares in a subsidiary in cash as part of a business combination, the non-controlling interests (NCI) are derecognised and a liability is recognized for the present value of the contingent consideration. Non-controlling interests and profits attributable to the NCI are presented as attributable to Aker Solutions. The contingent consideration is subsequently recognized at fair value and Aker Solutions has made an accounting policy choice to recognize changes in the fair value of the liability in equity. Transaction costs related to business combinations are expensed as incurred.

Judgments and Estimates

Judgment has been applied when assessing the fair value of the acquired assets and liabilities (including WACC) and when determining the amortization period for excess values. Various valuation techniques has been used in the purchase price allocation, including a market approach and cost replacement approach for property, plant and equipment and the excess earnings method for intangible assets. Management judgment has also been applied when valuing the contingent consideration which is based on estimates of future profits.

The Acquisition

On October 20, 2016 Aker Solutions entered into an agreement to acquire 70 percent of shares and voting rights of Brazilian C.S.E Mecânica e Instrumentacâo Ltda ("C.S.E"). The acquisition gives Aker Solutions access to Brazil's growing market for servicing existing oil and gas fields. C.S.E had revenue of BRL 322 million in 2015 and provides maintenance, assembly, commissioning and crane operation services at offshore and onshore facilities. The company headquartered in Pinhais in the Parana state has approximately 2,300 employees primarily located at five service facilities covering the country's different oil and gas basins.

Put and Call Options

Aker Solutions has a call option for all of the remaining 30 percent shares executable in 2019 while the sellers have a put option for all of the remaining 30 percent shares exercisable in 2021. It is assumed that the call option will be exercised in 2019. The cash payment upon exercising the options will be calculated based on the 12 months EBITDA measured at a specific date in 2019. The contingent consideration is measured at present value at the date of the aquisition by using the forcasted 12-month EBITDA at the exercise-date in 2019 and a discount rate equal to the implied internal rate of return in the business case for the acquisition.

Purchase Price Allocation

The cost price of the acquisition includes the present value of the contingent consideration at the time of the business combination of NOK 67 million. Transaction costs related to the acquisition of NOK 7 million have been recognised in other

Note 26 continues on next page

operating expenses in the income statement. Goodwill resulting from the transaction is mainly attributable to the assembled workforce and expected synergies. The report from the external valuation expert has not been finalized at the time of this report, and the purchase price allocation presented below is preliminary.

Amounts in NOK million	
Property, plant and equipment	77
Intangible assets	37
Trade receivables	82
Other current operating assets	103
Cash and cash equivalents	11
Deferred tax liabilities	-23
Current operating liabilities	-114
Non-current liabilities	-1
Net assets acquired at fair value	**172**
Goodwill	117
Fair value acquired	**288**
Total consideration	288
Contingent consideration	-67
Net cash consideration	221
Cash and cash equivalents acquired	-11
Net cash outflow	**210**
Operating revenue in acquired subsidiary after acquisition	44
Profit for the period in acquired subsidiaries after acquisition	-2

The trade receivables are estimated to have a fair value equal to their gross carrying amount and hence no provision has been made for uncollectable receivables. The goodwill relating to C.S.E has not been tested for impairment in 2016 since the acquisition and fair value assessment of the assets occurred late in the year (December 5).

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

See note 28 for more information about subsidiaries

Note 27 Acquisition of Non-Controlling Interest (NCI)

Acquisition of NCI

In October 2016, Aker Solutions increased its ownership in Aker Powergas Pvt Ltd from 68.1 percent to 88.8 percent. The increase was structured through a treasury-share buy-back in Aker Powergas Pvt Ltd from its NCIs with subsequent deletion of the treasury shares. A change in the ownership without losing control is accounted for as an equity transaction and no gain or loss is recognized in the income statement. Prior to the share buy-back, the NCIs received a dividend payment of NOK 34 million (including taxes of NOK 6 million).

Impact on Equity

The carrying amount of Aker Powergas Pvt Ltd net assets in the consolidated financial statements at the date of the acquisition was NOK 788 million. The group recognized a decrease of NCI of NOK 184 million representing the book value of the net assets related to the share buy-back and subsequent deletion of shares. The difference between the paid consideration and taxes to the book values resulted in a decrease of retained earnings of NOK 17 million and NCI of NOK 2 million as shown below.

Amounts in NOK million	Total	Allocated to majority	Allocated to remaining NCI
Book value of the NCI acquired	184	164	20
Consideration paid to NCI	-165	-147	-18
Tax payable on buyback of shares from NCI	-38	-34	-4
Paid consideration and taxes in excess of book value	**-19**	**-17**	**-2**
Book value of acquired NCI		0	-184
Re-allocation between majority and NCI		-40	40
Net decrease of equity		**-57**	**-146**

An amount of NOK 40 million has been re-allocated from majority's equity to the NCI in 2016, representing the NCI's share of equity of a subsidiary fully owned by Aker Powergas Pvt Ltd. The share of this subsidiary has not previously been allocated to the NCI. Comparative figures have not been restated as the effect has not been considered material.

See note 28 for more information about NCIs

Note 28 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 50 subsidiaries in 24 countries at the reporting date. The company acquired a new subsidiary in Brazil in 2016, C.S.E Mecânica e Instrumentacâo Ltda. One subsidiary was sold in 2016 (Aker Solutions AB) resulting in a loss of NOK 14 million presented as other revenue. Aker Solutions AS in Norway is the only company that individually account for more than 10 percent of the revenue in the group and is considered material. The group holds the majority of the shares in all subsidiaries except two, see description below. Subsidiaries fully owned or controlled by Aker Solutions as of December 31, 2016 are listed below. If not stated otherwise, ownership equals the percentage of voting shares.

Company	Location	Country	Percent
Aker Solutions Enterprises LDA	Luanda	Angola	49
Aker Solutions Pty Ltd	Perth	Australia	100
Aker Solutions Azerbaijan LLC	Baku	Azerbaijan	100
Aker Solutions do Brasil Ltda	Curitiba	Brazil	100
C.S.E. Mecânica e Instrumentacâo Ltda	Curitiba	Brazil	70
Aker Solutions Sdn Bhd	Kuala Belait	Brunei	100
Aker Solutions Canada Inc	Vancouver	Canada	100
Aker Solutions Asset Integrity and Mgt. Canada Inc	Newfoundland	Canada	100
Aker Subsea (Shenzhen) Co. Ltd	Shenzhen	China	100
Aker Solutions Congo SA	Point-Noire	Congo	100
Aker Solutions Cyprus Ltd	Limassol	Cyprus	100
Aker Solutions SAS	Paris	France	100
Aker Solutions Ghana Ltd	Adabraka	Ghana	90
Aker Powergas Pvt Ltd	Mumbai	India	88.8
Aker Powergas Subsea Pvt Ltd	Mumbai	India	88.8
Aker Solutions Malaysia Sdn Bhd	Kuala Lumpur	Malaysia	100
Aker Solutions India Sdn Bhd	Kuala Lumpur	Malaysia	100
Aker Solutions APAC Sdn Bhd	Shah Akam	Malaysia	48
Aker Solutions Umbilical Asia Pasific Sdn Bhd	Kuala Lumpur	Malaysia	100
Aker Engingeering Malaysia Sdn Bhd	Kuala Lumpur	Malaysia	90
Aker Engineering International Sdn Bhd	Kuala Lumpur	Malaysia	100
Aker Solutions India Services Sdn Bhd	Kuala Lumpur	Malaysia	100
Aker Solutions India Operations Sdn Bhd	Kuala Lumpur	Malaysia	100
Aker Solutions de Mexico	Mexico City	Mexico	100
Aker Solutions Mozambique Ltda	Maputo	Mozambique	100

Note 28 continues on next page

Company	Location	Country	Percent
Aker Solutions BV	Zoetermeer	Netherlands	100
Aker Solutions Nigeria Ltd	Ikoyi-Lagos	Nigeria	100
Aker Solutions Holding AS	Fornebu	Norway	100
Aker Solutions AS	Fornebu	Norway	100
Aker Installation FP AS	Fornebu	Norway	100
Aker Solutions Russia AS	Fornebu	Norway	100
Benestad Solutions AS	Lierskogen	Norway	100
KB eDesign AS	Oslo	Norway	100
Aker Operations AS	Stavanger	Norway	100
Aker Insurance Services AS	Fornebu	Norway	100
Aker Solutions Middle East AS	Fornebu	Norway	100
Aker Process Gulf Company Ltd	Al-Khobar	Saudia Arabia	100
Aker Solutions Saudi Arabia Co. Limited	Dhahran	Saudia Arabia	100
Aker Solutions Korea Co Ltd	Geoje	South Korea	100
K Water AB	Ørnskjøldsvik	Sweden	100
Aker Solutions Tanzania Ltd	Dar es Salaam	Tanzania	100
Aker Solutions Ltd	Maidenhead	UK	100
Aker Solutions Angola Ltd	Maidenhead	UK	100
Enovate Systems Ltd	Aberdeen	UK	100
Aker Engineering & Technology Ltd	London	UK	100
Aker Engineering Malaysia Ltd	Leeds	UK	100
Aker Offshore Partner Ltd	London	UK	100
International Design Engineering and Services Ltd	Glasgow	UK	100
Aker Solutions USA Corporation	Houston	USA	100
Aker Solutions Inc	Houston	USA	100

Subsidiaries where Aker Solutions does not have the Majority of Shares

Aker Solutions has 49 percent of the shares in Aker Solutions Enterprises LDA in Angola and 48 percent in Aker Solutions APAC Sdn Bhd in Malaysia. 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.

Material Non-Controlling Interests (NCIs)

The subsidiary Aker Solutions Enterprises LDA in Luanda, Angola has a significant non-controlling interest (51percent). The table below summarizes the financial information for the company, before any intra-group eliminations.

Balance sheet	2016	2015
Non-current assets	**67**	39
Current assets	**258**	123
Current liabilities	**-226**	-203
Net assets	**98**	**-41**
NCI's share of net assets	**50**	**-21**

Income statement	2016	2015
Revenue	**1,766**	362
Profit	**136**	-50
NCI's share of profit	**70**	-25

See note 26 for more information about acquisition of subsidiaries
See note 27 for more information about acquisition of non-controlling interest

Note 29 Other Investments

Financial Reporting Principles

Other investments are those entities in which the group does not have significant influence; usually entities were the group holds less than twenty percent of the voting power. These investments are categorized as available-for-sale investments measured at fair value with changes (other than impairment losses) recognized in other comprehensive income (OCI) in equity. When the investments are sold, the accumulated gain or loss in equity is reclassified to the income statement.

Available-for-Sale Investments

Amounts in NOK million	2016	2015
Equity securities in unlisted companies, measured at cost	**14**	13
Equity securities in listed companies, measured at fair value	**61**	0
Available-for-sale investments	**75**	13

Quoted market prices are used to value investments in listed companies. Investments in shares that do not have quoted market prices are measured at cost, as fair value cannot be measured reliably.

See note 25 for more information about financial assets and liabilities

Note 30 Related Parties

Financial Reporting Principles

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

Related Parties of Aker Solutions

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

Note 30 continues on next page

Transactions and Balances with Related Parties

Amounts in NOK million	2016	2015
Income statement		
Operating revenues	**770**	1,372
Operating costs	**-2,665**	-4,067
Balance sheet		
Trade receivables	**133**	121
Non-current interest-bearing receivable	**32**	18
Trade payables	**-67**	-153
Current interest-bearing loan	**-1**	-1

The Major Related Parties Transactions

Aker Solutions has several transactions with related parties on a recurring basis as part of normal business and leases property from related parties. Below is a description of the significant related party transactions and balances in 2016.

Shared Services and Hire of Personnel

Aker Solutions entered into a five-year contract with Frontica Business Solutions (part of Akastor) in 2016 for IT services and consultancy projects as well as business support services within HR, finance and procurement. The contract value is about NOK 1-1.25 billion annually. Frontica Business Solutions was sold to Cognizant on November 28, 2016 and is no longer a related party to Aker Solutions after this date. Akastor is also providing staffing services with an estimated value up to NOK 1 billion annually (depending on volume) through Frontica Advantage. On January 6, 2017 Frontica Advantage was sold to NES Global Talent in exchange for a minority shareholding in the combined entity. Frontica Advantage is no longer a related party to Aker Solutions after this date. The total amount charged for these services is NOK 2.3 billion in 2016 (NOK 3.6 billion in 2015).

Lease Agreements

Aker Solutions leases several of its industrial buildings in Norway including Tranby, Egersund and Ågotnes from companies owned by Aker Maritime Finance, a company fully owned by Kjell Inge Røkke. The rent recognized in 2016 was NOK 81 million. Further, Aker Solutions agreed in 2016 to sub-lease offices in Stavanger, Norway, to Aker BP.

Commercial Contracts with Kvaerner and Aker BP

Aker Solutions both buys from and delivers services and products to Kvaerner through sub-contractor agreements. Aker Solutions holds agreements for delivery of equipment and services to Aker BP for various oil fields offshore Norway.

Other

Other agreements with related parties include:

- Aker Solutions is a party to various agreements addressing commercial separation issues between Akastor and Aker Solutions as a result of the demerger in 2014, including secondary joint liability for obligations existing in Akastor at the time of the demerger
- Aker Solutions contributed NOK 70 million in 2016 (NOK 75 million in 2015) 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
- A non-current interest-bearing loan has been granted to the non-controlling interest in Aker Solutions Enterprises LDA in Luanda, Angola of NOK 32 million per December 31, 2016 (NOK 18 million in 2015)
- Aker Solutions supported the group's union representative function with NOK 510,000 (same as prior year)

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

Note 31 Management Remuneration

Board of Directors

The current Board of Directors has been elected by the general meeting to serve for an appointment period starting on April 7, 2016 and ending on the date of the 2018 annual general meeting. Fees to the board of directors are approved by the annual general meeting. The board held 10 meetings in 2016 with an average attendance rate of 85 percent. In addition, certain matters were processed by way of circulation of documents.

The audit committee held seven meetings in 2016 and comprise of Anne Drinkwater (chairperson), Stuart Ferguson 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 2017. The directors did not receive any other fees except for employee elected directors who have received salary as employees. No agreements exist which entitle the directors to any extraordinary compensation and no board members have loans in the company.

		December 31, 2016	December 31, 2015	2016		2015	
		Number of shares owned[1]		Audit Committee fees	Board fees[2]	Audit Committee fees	Board fees
Øyvind Eriksen[3]	Chairman	0	0	0	600,000	0	600,000
Anne Drinkwater	Deputy chairman	3,500	3,500	205,000	502,500	205,000	515,000
Kjell Inge Røkke[3]		0	0	0	340,000	0	340,000
Stuart Ferguson		0	0	115,000	390,000	115,000	415,000
Koosum Kalyan		0	0	0	402,500	0	415,000
Atle Teigland		8,751	7,328	115,000	170,000	115,000	170,000
Åsmund Knutsen		9,028	7,842	0	170,000	0	170,000
Hilde Karlsen		5,363	5,363	0	170,000	0	170,000
Total		26,642	24,033	**435,000**	**2,745,000**	**435,000**	**2,795,000**

[1] The number of shares owned covers direct ownership of Aker Solutions ASA only and does not include Øyvind Eriksen's and Kjell Inge Røkke's indirect ownership.
[2] Board fees include an allowance of NOK 12,500 per meeting per physical attendance for board members residing outside the Nordic countries.
[3] The fee allocated to Øyvind Eriksen will be paid to Aker ASA and the fee allocated to Kjell Inge Røkke will be paid to The Resource Group TRG AS.

Note 31 continues on next page

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 market based salary, standard employee benefits, a variable pay program and a long term incentive plan. The chief executive officer (CEO) and the executive management team participate in the standard pension and insurance schemes applicable to all employees.

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

The variable pay program for the other members of the executive management team consists of two parts and is based on the achievement of company financial results, the executive's individual performance objectives 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 first part of the variable pay is earned during the first year and is based on financial results and the executive's individual performance objectives. The maximum value of this part is 53.34 percent of base salary. The executives are paid 50 percent of this variable pay after the first year, and 50 percent is deferred until after the third year

- The second part is conditional on the basis that the executive is still employed after three years, where the executive receives an additional 50 percent of the variable pay as earned in the first year (maximum 26.66 percent of base salary)

Aker Solutions also has a share based program only offered to executives that started before January 1, 2016. This part is based on the development of the Aker Solutions share price compared to the Philadelphia Oil Service Sector Index ("PHLX") and the Oslo Stock Exchange Benchmark Index ("OSEBX") after three years. The maximum payment is 20 percent of basic salary and is dependent on the executive still being employed at that time.

In addition, the executive management is from time to time granted a discretionary variable pay. There were no discretionary payments made in 2016 or 2015. The remuneration to the executive management team in 2016 was according to the guidelines of the company.

Note 31 continues on next page

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.

2016

	Job title	Period	Base salary	Variable pay[1]	Other benefits[2]	Total remuneration	Pension benefit earned/cost to company[3]
Luis Araujo	Chief Executive Officer	Jan. 1 - Dec. 31	7,086,154	4,821,929	183,702	**12,091,785**	93,463
Svein Stoknes	Chief Financial Officer	Jan. 1 - Dec. 31	2,632,000	996,870	24,957	**3,653,827**	157,569
Dean Watson	Chief Operating Officer	Sep. 1 - Dec. 31	1,306,667	170,738	1,221,971	**2,699,376**	30,005
Mark Riding	Executive Vice President Strategy	Jan. 1 - Dec. 31	3,441,020	1,090,485	6,530	**4,538,035**	793,793
Valborg Lundegaard	Executive Vice President Customer Management	Jan. 1 - Dec. 31	2,900,992	1,290,622	38,034	**4,229,647**	246,824
Svenn Ivar Fure	Executive Vice President Front End	Nov. 1 - Dec. 31	373,427	131,417	1,831	**506,674**	19,370
Egil Bøyum	Executive Vice President Products	Nov. 1 - Dec. 31	455,606	110,087	1,627	**567,320**	40,821
Knut Sandvik	Executive Vice President Projects	Jan. 1 - Dec. 31	2,208,985	282,509	9,965	**2,501,459**	245,066
David Clark	Executive Vice President Services	Jan. 1 - Dec. 31	2,811,522	699,854	1,369,254	**4,880,630**	946,920
Alan Brunnen	Head of Subsea	Jan. 1 - Sep. 30	4,941,975	-	3,203,889	**8,145,864**	378,689
Per Harald Kongelf	Regional Head of Norway	Jan. 1 - Sep. 4	2,429,170	-	31,339	**2,460,509**	146,862
Tore Sjursen	Head of Operational Improvements and Risk Mgt	Jan. 1 - Oct. 31	2,204,462	774,196	24,270	**3,002,928**	197,366
Total			**32,791,979**	**10,368,707**	**6,117,369**	**49,278,055**	**3,296,747**

1) Based on estimated variable pay earned during the year.
2) Other benefits include membership in the standard employee benefit scheme and an additional executive group life and disability insurance, housing, relocation costs, children schooling costs, phone and broadband allowance, sign-on fee 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 certain management compensation for various pension schemes.

Note 31 continues on next page

2015

	Job title	Period	Base salary	Variable pay[1]	Other benefits[2]	Total remuneration	Pension benefit earned/cost to company[3]
Luis Araujo	Chief Executive Officer	Jan. 1 - Dec. 31	7,086,154	0	1,030,914	**8,117,068**	87,320
Svein Stoknes	Chief Financial Officer	Jan. 1 - Dec. 31	2,632,000	1,155,874	25,562	**3,813,436**	146,874
Tore Sjursen	Head of Operational Improvements and Risk Mgt	Jan. 1 - Dec. 31	2,689,142	955,543	28,206	**3,672,891**	186,358
Mark Riding	Chief Strategic Marketing	Jan. 1 - Dec. 31	3,277,306	1,396,971	415,804	**5,090,081**	292,502
Valborg Lundegaard	Head of Engineering	Jan. 1 - Dec. 31	2,546,082	1,101,578	42,264	**3,689,924**	224,762
Knut Sandvik	Head of MMO	Apr. 1 - Dec. 31	1,595,946	765,851	7,318	**2,369,115**	152,212
Alan Brunnen	Head of Subsea	Jan. 1 - Dec. 31	4,488,163	1,987,671	12,708	**6,488,542**	883,943
David Clark	Regional Head of Europe and Africa	Sep. 21 - Dec. 31	844,442	172,542	926,461	**1,943,445**	188,305
Per Harald Kongelf	Regional Head of Norway	Jan. 1 - Dec. 31	2,985,295	1,239,157	38,722	**4,263,174**	203,924
David Currie	Regional Head of UK	Jan. 1 - Jan. 8	80,485	0	368,890	**449,375**	3,541
Erik Wiik	Regional Head of North America	Jan. 1 - Mar. 4	798,459	0	197,270	**995,729**	61,304
Total			**29,023,474**	**8,775,187**	**3,094,119**	**40,892,780**	**2,431,045**

1) Based on estimated variable pay expensed during the year.
2) Other benefits include membership in the standard employee benefit scheme and an additional executive group life and disability insurance, housing, relocation costs, international salary compensation, children schooling costs, auto allowance, phone and broadband allowance, sign-on fee 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 certain management compensation for various pension schemes.

Note 31 continues on next page

Share-Based Payments

The development of the company's share price is an element of the variable pay program. The accrual related to the long term incentive plan is estimated with the basis of the share price at year-end. The accrual consists of variable pay programs for three preceding years. The accrual for the long term incentive plan for the executive management team was nil as of December 31, 2016 (same as previous year). 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 for all employees, but with a higher maximum amount.

In total 18 executives and senior managers participated in the separate management share program allowing eligible managers to purchase shares for an amount up to 25 percent of their base salary with a reduction of 25 percent on the share price. To encourage a long-term commitment to the company, a three-year lock-in period was part of the arrangement. Shares purchased under the management program were settled in cash by the participants.

The managers were also offered to participate in the ordinary share purchase program for employees where the shares purchased are funded by a loan from the employer company to each participant. The outstanding loan balances related to the share purchase program are reported below. There are no other loans, securities or guarantees granted nor any advances, salary payment given to the executive management team members.

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 loans and shareholding applicable to the current executive management team.

	Job title	Number of shares owned	Outstanding loan balances in NOK[1]	Notice period	Severance pay
Luis Araujo	Chief Executive Officer	76,898	43,500	3 months	6 months
Svein Stoknes	Chief Financial Officer	26,444	43,500	3 months	6 months
Dean Watson	Chief Operating Officer	0	0	3 months	6 months
Mark Riding	Executive Vice President Strategy	32,006	0	3 months	3 months
Valborg Lundegaard	Executive Vice President Customer Management	5,185	0	3 months	6 months
Svenn Ivar Fure	Executive Vice President Front End	61,008	43,500	3 months	6 months
Egil Bøyum	Executive Vice President Products	4,198	0	6 months	3 months
Knut Sandvik	Executive Vice President Projects	3,036	0	3 months	6 months
David Clark	Executive Vice President Services	1,434	0	3 months	3 months

[1] Loan amounts are to be repaid over 12 months by salary deductions.

See note 5 for more information about salaries and the share purchase program for employees
See note 18 for more information about pension arrangements

Note 32 Audit Fees

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

	Aker Solutions ASA		Subsidiaries		Total	
Amounts in NOK million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Audit	**4.3**	1.7	**12.1**	13.3	**16.4**	15.0
Other assurance services	**0.4**	0.7	**0.6**	0.3	**1.0**	1.0
Tax services	**0.0**	0.0	**2.0**	3.3	**2.0**	3.3
Other non-audit services	**0.4**	0.0	**0.3**	0.8	**0.7**	0.8
Total	**5.2**	**2.4**	**15.0**	**17.8**	**20.1**	**20.2**

Parent Company Financial Statements

Aker Solutions ASA

December 31, 2016

Income Statement

For the year ended December 31

Amounts in NOK million	**Note**	**2016**	**2015**
Operating revenues	2	**30**	23
Operating expenses	2	**-99**	-117
Operating loss		**-69**	**-94**
Net financial expenses	3	**-189**	-188
Loss before tax		**-258**	**-282**
Income tax	4	**59**	70
Net loss		**-199**	**-211**
Net loss for the period distributed as follows:			
Other equity		**-199**	-211
Net loss		**-199**	**-211**

Balance Sheet

Statement as of December 31

Amounts in NOK million	Note	2016	2015
Assets			
Deferred tax asset	4	**137**	88
Investments in group companies	5	**11,018**	10,676
Non-current interest-bearing receivables from group companies	8	**309**	663
Other non-current interest-bearing receivables		**2**	2
Total non-current assets		**11,465**	**11,429**
Current interest-bearing receivables from group companies	8	**36**	341
Non-interest bearing receivables from group companies	8	**38**	67
Financial instruments	9	**1,038**	2,995
Other current receivables		**3**	0
Cash and cash equivalents	8	**1,461**	2,693
Total current assets		**2,575**	**6,095**
Total assets		**14,041**	**17,524**

Amounts in NOK million	Note	2016	2015
Equity and liabilities			
Issued capital		**294**	294
Other equity		**3,007**	3,165
Total equity	6	**3,301**	**3,459**
Non-current borrowings	7	**975**	2,462
Total non-current liabilities		**975**	**2,462**
Current borrowings	7	**1,517**	18
Current borrowings from group companies	8	**7,157**	8,581
Non interest-bearing liabilities from group companies	8	**61**	33
Financial instruments	9	**1,017**	2,929
Other current liabilities		**13**	42
Total current liabilities		**9,765**	**11,603**
Total liabilities		**10,740**	**14,065**
Total equity and liabilities		**14,041**	**17,524**

Fornebu, March 22, 2017
Board of Directors of Aker Solutions ASA

Øyvind Eriksen
Øyvind Eriksen
Chairman

Anne Drinkwater
Deputy Chairman

Kjell Inge Røkke
Director

Koosum Kalyan
Director

Stuart Ferguson
Director

Atle Teigland
Director

Åsmund Knutsen
Director

Hilde Karlsen
Hilde Karlsen
Director

Luis Araujo
Chief Executive Officer

Cashflow

Statement for the year ended December 31

Amounts in NOK million	2016	2015
Loss before tax	**-258**	-282
(Profit) loss on foreign currency forward contracts	**44**	-163
Changes in other operating assets and liabilities	**78**	-227
Net cash from operating activities	**-136**	**-672**
Increase in investments in subsidiaries	**-342**	0
Net cash used in investing activities	**-342**	**0**
Payment of dividend	**0**	-394
Changes in borrowings to group companies	**659**	-211
Changes in borrowings from group companies	**-1,424**	2,266
Proceeds from employees share purchase program	**40**	61
Repurchase of treasury shares	**-29**	-74
Net cash from financing activities	**-754**	**1,648**
Net increase (decrease) in cash and cash equivalents	**-1,232**	**976**
Cash and cash equivalents at the beginning of the period	**2,693**	1,717
Cash and cash equivalents at the end of the period[1]	**1,461**	**2,693**

[1)]Unused credit facilities amounted to NOK 5,000 million as of December 31, 2016.

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 comprises NOK 30 million in income from Parent Company Guarantees (PCG). The PCGs are invoiced when the guarantees are issued, and the revenue is recognized evenly over the lifetime of the guarantee.

Expenses

There are no employees in Aker Solutions ASA and hence no personnel expenses. Executive management and corporate staff are employed by other Aker Solutions companies. Costs for their services as well as other parent company costs are recharged proportionally to Aker Solutions ASA and presented as operating expenses. Remuneration to and shareholding of managing director Luis Araujo is described in note 31 Management Remuneration in the consolidated financial statements.

Audit fees to KPMG

Amounts in NOK million	2016	2015
Audit fee	**4.3**	1.7
Other assurance services	**0.4**	0.7
Other non-audit services	**0.4**	0.0
Total	**5.2**	2.4

See note 10 for more information about guarantees

Note 3 Financial Income and Expenses

Financial Reporting Principles

Foreign Currency

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

Foreign Currency Derivatives

Subsidiaries have entered into financial derivative contracts with the parent company to hedge their currency exposure. The parent company uses derivatives from external banks to mitigate the currency exposure from the financial derivative contracts with the subsidiaries. The parent company does not engage in other currency hedging activities. 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.

Note 3 continues on next page

Interest Rate Derivatives

In order to reduce the interest rate risk related to external borrowings, Aker Solutions enters into interest swap agreements. The market value of interest rate swaps classified as cashflow hedges (where the interest rate of the debt is switched from floating to fixed interest rate) is accounted for directly against equity. The corresponding interest payments are reflected in the profit and loss to neutralize potential changes in interest levels.

The change in market values for arrangements where a fixed interes rate is swapped to floating is recognized in the income statement as fair value hedges, with a corresponding adjustment to the carrying amount of the liability.

Financial Income and Expense

Amounts in NOK million	2016	2015
Interest income from group companies	**41**	49
Interest expense to group companies	**-9**	-16
Net interest income from group companies	**31**	33
External interest income	**30**	25
External interest expenses	**-259**	-263
Net external interest expense	**-229**	-238
Other financial expenses	**-2**	-2
Foreign exchange loss	**-5,578**	-4,507
Foreign exchange gain	**5,589**	4,526
Net other financial items	**9**	17
Net financial expense	**-188**	-188

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 24 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	**2016**	**2015**
Calculation of taxable income		
Loss before tax	**-258**	-282
Change in timing differences	**87**	-146
Taxable income	**-171**	-427
Positive and negative (-) temporary differences		
Unrealized gain on forward exchange contracts	**62**	149
Interest rate swaps	**-32**	-75
Tax loss carried forward	**-598**	-428
Basis for deferred tax	**-569**	**-354**
Deferred tax in income statement	**129**	70
Deferred tax in equity	**8**	19
Deferred tax asset	**137**	**88**
Income tax benefit		
Origination and reversal of temporary differences	**59**	70
Total tax income	**59**	70

Effective Tax Rate

Amounts in NOK million	**2016**	**2015**
Loss before tax	**-258**	-282
Income tax 25% (27% in 2015)	**64**	76
Change in tax rate from 25% to 24% (27% to 25% in 2015)	**-5**	-6
Total tax income	**59**	70

Note 5 Investments in Group Companies

Financial Reporting Principles

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

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

Investment in Group Companies

Amounts in NOK million	Registered office	Share capital	Number of shares held	Percentage owner-voting share	Book value
Aker Solutions Holding AS	Fornebu, Norway	3,582	30	100%	**11,018**
Total investments in group companies					**11,018**

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.

The board of directors has proposed that no dividend payment be made for 2016 as it was deemed prudent to exercise caution under the current market uncertainty in the oil and gas industry. This is the same as in the prior year.

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

Shareholders' Equity

Amounts in NOK million	Share capital	Treasury shares	Hedging reserve	Retained earnings	Total
Equity as of December 31, 2015	294		(56)	3,220	**3,459**
Shares issued to employees through share purchase program[1]		1		38	**39**
Share buy back[2]		-1		-28	**-29**
Loss for the period				-198	**-198**
Cashflow hedge[3]			31		**31**
Equity as of December 31, 2016	**294**	**0**	**-25**	**3,033**	**3,301**

[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 2016, a total of 938,357 shares were sold under the program.

[2)] A total of 1,072,847 treasury shares were acquired in the market in 2016. The number of treasury shares held by end of 2016 was 511,801. 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 other 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.

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. This is done over the period of the borrowings on an effective interest basis.

Norwegian bonds

All bonds are denominated in Norwegian kroner and are issued in the Norwegian bond market. The bonds are issued based on a floating interest rate plus a predefined margin. The bonds are issued with Norsk Tillitsmann as trustee and the loan agreements are based on Norsk Tillitsmann's standard loan agreement for such bonds. The bonds are unsecured on a negative pledge basis and include no dividend restrictions. All bonds issued are listed on the Oslo Stock Exchange. The strategy of Aker Solutions is to have between 30-50 percent of borrowings at fixed interest rates. To the extent that this is not reflected in the loan agreements, swap transactions are entered into.

Note 7 continues on next page

Bonds and Borrowings

2016

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 0010647431	NOK	1,500	**1,505**	1.14%	4.25%	5.39%	06/06/17	Floating, 3M+fix margin
ISIN NO 0010661051	NOK	1,000	**1,007**	1.13%	4.20%	5.33%	10/09/19	Floating, 3M+fix margin
Total bonds[1]			**2,512**					
Revolving credit facility (NOK 5,000 million)[2]	NOK	0	**-20**	1.05%	0.85%	1.90%	07/03/19	NIBOR + Margin[2]
Total credit facility			**-20**					
Total borrowings			**2,492**					
Current borrowings			**1,517**					
Non-current borrowings			**975**					
Total			**2,492**					

[1)] The book value is calculated by reducing the nominal value of NOK 2,500 million by total issue costs related to the new financing of negative NOK 6 million. Accrued interest related to the bonds are included by NOK 18 million.
[2)] The margin applicable to the facility is decided by a price grid based on the gearing ratio with 0.85 percent as the lowest margin (0.85 percent in 2015). A fee will be added to the margin for utilization of the facility. Commitment fee on unutilized facility is 35 percent of the applicable margin. Carrying amount includes deferred refinancing cost of negative NOK 20 million (NOK 27 million in 2015).

Note 7 continues on next page

Bonds and Borrowings

2015

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 0010647431	NOK	1,500	**1,502**	1.15%	4.25%	5.40%	06/06/17	Floating, 3M+fix margin
ISIN NO 0010661051	NOK	1,000	**1,005**	1.11%	4.20%	5.31%	10/09/19	Floating, 3M+fix margin
Total bonds[1]			**2,507**					
Revolving credit facility (NOK 5,000 million)[2]	NOK	0	**-27**	1.05%	0.85%	1.90%	07/03/19	NIBOR + Margin[2]
Total credit facility			**-27**					
Total borrowings			**2,480**					
Current borrowings			**18**					
Non-current borrowings			**2,462**					
Total			**2,480**					

1) The book value is calculated by reducing the nominal value of NOK 2,500 million by total issue costs related to the new financing of negative NOK 6 million. Accrued interest related to the bonds are included by NOK 18 million.
2) The margin applicable to the facility is decided by a price grid based on the gearing ratio with 0.85 percent as the lowest margin (0.85 percent in 2015). A fee will be added to the margin for utilization of the facility. Commitment fee on unutilized facility is 35 percent of the applicable margin. Carrying amount includes deferred refinancing cost of negative NOK 20 million (NOK 27 million in 2015).

Note 7 continues on next page

Maturity of Bonds and Borrowings

2016

Amounts in NOK million	Carrying amount	Total cashflow[1]	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
ISIN NO 0010647431	1,505	1,539	**1,539**	0	0	0	0
ISIN NO 0010661051	1,007	1,155	**26**	27	53	1,049	0
Total	**2,512**	**2,694**	**1,565**	**27**	**53**	**1,049**	**0**
Revolving credit facility (NOK 5,000 million)	-20	0	**0**	0	0	0	0
Total borrowings	**2,492**	**2,694**	**1,565**	**27**	**53**	**1,049**	**0**

2015

Amounts in NOK million	Carrying amount	Total cashflow[1]	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
ISIN NO 0010647431	1,502	1,617	**40**	40	1,537	0	0
ISIN NO 0010661051	1,005	1,204	**26**	26	53	1,099	0
Total	**2,507**	**2,821**	**66**	**66**	**1,590**	**1,099**	**0**
Revolving credit facility (NOK 5,000 million)	-27	0	**0**	0	0	0	0
Total borrowings	**2,480**	**2,821**	**66**	**66**	**1,590**	**1,099**	**0**

[1)] The interest costs are calculated using either the last fixing rate known by year-end (plus applicable margin) or the contractual fixed rate (when fixed rate debt).

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

Aker Solutions ASA is the owner of the cash pool system arrangements with DNB and Nordea. The cash pool systems cover a majority of the group geographically and assure good control and access to the group's cash. Participation in the cash pool is vested in the group policy and decided by each company's board of directors and confirmed by a statement of participation. Certain entities in Brazil, Angola and other locations do not participate in the cash pool arrangements due to local restrictions. The participants in the cash pool system are joint and severally liable and it is therefore important that Aker Solutions as a group is financially viable. Any debit balance on a sub-account can be offset against any credit balance in the cash pool. Hence a debit balance on a sub-account represents a liability for Aker Solutions ASA and a credit balance on a sub-account a receivable for Aker Solutions ASA.

The cash pool systems were showing a net balance of NOK 1,461 million per December 31, 2016. 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 rating and the duration of the borrowings.

Amounts in NOK million	2016	2015
Group companies interest-bearing deposits in the cash pool system	**4,556**	5,139
Aker Solutions ASAs net borrowings in the cash pool system	**-3,094**	-3,448
Cash in cash pool system	**1,461**	1,692
Current interest-bearing receivables from group companies	**36**	341
Non-current interest-bearing receivables from group companies	**309**	663
Current interest-bearing borrowings from group companies	**-7,157**	-8,581
Net interest-bearing borrowings from group companies	**-6,812**	-7,577
Non-current interest-bearing receivables from group companies	**38**	67
Non-current interest-bearing borrowings from group companies	**-1**	-33
Net non interest-bearing receivables from group companies	**37**	33
Total net borrowings from group companies	**-5,314**	-5,852

All current receivables and borrowings are due within one year.

Note 9 Financial Risk Management and Financial Instruments

Currency Risk

Aker Solutions ASA has entered into foreign exchange contracts with other entities in the group in 2016 with a total value of approximately NOK 35 billion. Large contracts are hedged back-to-back with external banks, while minor contracts are hedged based on internal matching principles. Contracts hedged back to back with external banks represent about 80 percent of the total group exposure, but are limited to a small number of transactions. Aker Solutions ASA does not apply hedge accounting to any of the currency derivatives. All financial assets and liabilities related to foreign exchange contracts are revalued at fair value in respect to exchange rate movements each period.

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

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

	2016		2015	
Amounts in NOK million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward exchange contracts with group companies	**924**	**-175**	2,640	-874
Forward exchange contracts with external counterparts	**113**	**-806**	323	-1,945
Forward exchange options with external counterparts	**1**	**-36**	32	-110
Total	**1,038**	**-1,017**	**2,995**	**-2,929**

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

Note 9 continues on next page

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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. Interest terms on the borrowing are described in note 7 Borrowings. At year-end, approximately 80 percent of NOK 2,500 million in bonds was fixed for the duration of the bonds through interest rate swaps.

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, 2016 a net loss of NOK 25 million (NOK 32 million before tax) is recognized in equity and will be continuesly 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.

	2016		2015	
Amounts in NOK million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps - cashflow hedge (against equity)	**0**	**-32**	0	-75
Total	**0**	**-32**	**0**	**-75**

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 assessed by the internal credit committee. Loss provisions are made in situations of negative equity and where the company is not expected to be able to fulfil its loan obligations from future earnings. External deposits and forward contracts are placed according to a list of approved banks and primarily with banks where the company also has a borrowing relation.

The existence of netting agreements between Aker Solutions ASA and the related 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 continuesly monitored through weekly and monthly cash forecasts, annual budgets and long-term planning.

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	2016	2015
Parent company guarantees to group companies[1]	**49,579**	68,965
Counter guarantees for bank/surety bonds[2]	**5,309**	4,397
Total guarantee liabilities	**54,887**	73,362
Maturity of guarantee liabilities:		
6 months and less	**6,759**	14,694
6-12 months	**5,916**	5,267
1-2 years	**7,614**	12,613
2-5 years	**7,703**	12,362
5 - years	**26,896**	28,425

1) Parent company guarantees to support subsidiaries in contractual obligations towards customers.
2) Bank guarantees and surety bonds are issued on behalf of Aker Solutions subsidiaries, and counter indemnified by Aker Solutions ASA.

See note 3 for more information about revenue from guarantees

Note 11 Related Parties

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

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

All transactions with related parties are entered into at market rates and in accordance with the arm's length principle.

Note 12 Shareholders

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

2016

Company	Nominee	Number of shares held	Ownership
Aker Kværner Holding AS		110,333,615	40.56%
Aker ASA		17,331,762	6.37%
Folketrygdfondet		12,331,732	4.53%
State Street Bank & Trust Company	NOM	9,784,222	3.60%
Ferd AS		5,205,203	1.91%
Morgan Stanley & Co.LLC	NOM	4,467,768	1.64%
JPMorgan Chase bank,NA London Nordea RE:NON-Traty	NOM	4,363,716	1.60%
State Street Bank & Trust Company	NOM	3,483,280	1.28%
Verdipapirfondet Alfred Berg Gamba		3,397,184	1.25%
J.P.Morgan Chase Bank N.A.London US RESIDENT NON	NOM	3,224,752	1.19%

2015

Company	Nominee	Number of shares held	Ownership
Aker Kværner Holding AS		110,333,615	40.56 %
State Street Bank & Trust Company S/A SSB CLIENT	NOM	17,965,839	6.60 %
Aker ASA		17,331,762	6.37 %
Folketrygdfondet		11,421,898	4.20 %
J.P. Morgan Chase	NOM	7,617,901	2.80 %
State Street Bank & Trust Company A/C CLIENT	NOM	5,419,338	1.99 %
Swedbank Robur Nordenfon		4,421,014	1.63 %
SIS SIX AG	NOM	4,275,107	1.57 %
The Bank of New York BNYM SA/NV - BNY GCM	NOM	4,046,537	1.49 %
Morgan Stanley & Co. MS & CO LLC MSCO CLI	NOM	3,838,276	1.41 %
Clearstream Banking S.A	NOM	3,227,683	1.19 %
The Bank of New York BNY Mellon	NOM	3,128,243	1.15 %

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Independent auditor's report

To the Annual Shareholders' Meeting of Aker Solutions ASA

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Aker Solutions ASA (the "Company"), which comprise the balance sheet as at 31 December 2016, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Aker Solutions ASA and its subsidiaries (the "Group"), which comprise the balance sheet at 31 December 2016, the income statement and the statement of other comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway ("NGAAP").
- The accompanying financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

Basis for opinion

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

Key audit matters

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

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 assets, cash generating units and can also impact the assessment of impairment of goodwill.

As of 31 December 2016, the Group has property, plant and equipment of NOK 3 808 million, goodwill of NOK 3 983 million and other intangible assets of NOK 1 664 million. The Group has recognized an impairment charge in 2016 associated with their property, plant and equipment and other intangible assets of NOK 79 million and NOK 386 million respectively.

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- Assessing management's process and results for identification and classification of CGU's to ensure they were appropriate and in accordance with IAS 36;
- Evaluating management's assessment of impairment indicators;
- Where impairment indicators were identified or where impairment testing was required, confirming, with assistance from our valuation specialists, that the models used to calculate value in use are appropriate and mathematically accurate;
- Assessing the discount rates applied for each cash flow forecast;
- Challenging management on the timing of the cash flows;
- Evaluating the historical accuracy of management’s budgets and forecasts and challenging 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;
- Assessing the calculations and rationale supporting the impairment of tangible and intangible assets; 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 construction contracts & service revenue

Refer to note 3 Revenue and note 4 Operating Segments

The key audit matter

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

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

- incentive payments;
- key performance indicators;
- liquidated damages; and
- expected total cost to complete.

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

For the year ended 31 December 2016, the Group has recognized construction revenue of NOK 13 133 million and service revenue of NOK 12 104 million.

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- Evaluating management's process for assessing the stage of completion and the method applied;
- Challenging management on estimated recovery of incentive payments, incentives linked to key performance indicators and recognition of liquidated damages;
- Assessing the ability to recover amounts accrued under service contracts compared to historical recovery rates and the assessments made by management over the current balance;
- Challenging management on the estimate of cost to complete and the risk assessment related to forecast cost;
- Evaluating the calculation of project revenue and cost and amounts due to and from customers in relation to the stage of completion and forecasts; and
- Evaluating the adequacy and appropriateness of the disclosures in the financial statements related to revenue from construction contracts and service contracts.

KPMG

Onerous contract provision

Refer to note 20 Provisions and Contingent Liabilities

The key audit matter

The onerous contract provision is considered to be a risk area as the Group is committed to significant future lease payments. Following the downturn in the oil and gas markets, there have been various downsizing activities in the business leading to part or all of some leased buildings becoming vacant. The result of which has caused the costs of certain contractual lease obligations to exceed the economic benefits expected to be received.

The key judgements and estimates applied by management include the calculation of the discount rate applied, the duration of sublease and vacancy periods and sublease revenues.

As of 31 December 2016, the Group has recognized a provision for onerous contracts of NOK 267 million.

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- Considering all leased locations in assessing the completeness of management's estimate;
- Assessing the accuracy of lease obligation information used in management's estimate;
- Challenging the inputs used in management's estimate and assessing the reasonableness of significant assumptions such as vacancy periods, projected utilization and estimated future cash flows by facility;
- Challenging the discount rate applied in the estimate and evaluating the reasonableness with reference to market data;
- Evaluating the mathematical accuracy of calculations utilized in management's valuation models; and
- Evaluating the adequacy and appropriateness of disclosures in the financial statements related to onerous contract provisions.

KPMG

Restructuring provision

Refer to note 20 Provisions and Contingent Liabilities

The key audit matter

The restructuring provision is considered to be a risk area as the estimated cost of the restructuring program announced in December 2016 is subject to management judgment.

Following the downturn in the oil and gas markets, there have been various downsizing activities in the business leading to a decision to further reduce the workforce across several locations in December 2016.

The key judgements and estimates applied by management are amongst others the number and level of employees and the estimated incremental cost of termination in each location based on local laws, regulations and local practice.

As of 31 December 2016, the Group has recognized a provision for restructuring of NOK 112 million.

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- Considering the restructuring plan, suggested number of employees and the allocation across all relevant locations compared to the provision recognized;
- Assessing the accuracy of the data and assumptions used in management's estimate compared to source data and the cost of previous restructuring programs;
- Challenging the inputs used in management's estimate of significant assumptions such as notice periods, settlement costs and legal fees, current salary levels and pension assumptions;
- Evaluating the mathematical accuracy of calculations utilized in management's models; and
- Evaluating the adequacy and appropriateness of disclosures in the financial statements related to restructuring provisions.

KPMG

Other information

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

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

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

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

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

The Board of Directors and the Chief Executive Officer ("management") are responsible for the preparation and fair presentation of the financial statements of the Company in accordance with NGAAP, and for the preparation and fair presentation of the financial statements of the Group in accordance with IFRS, 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 parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

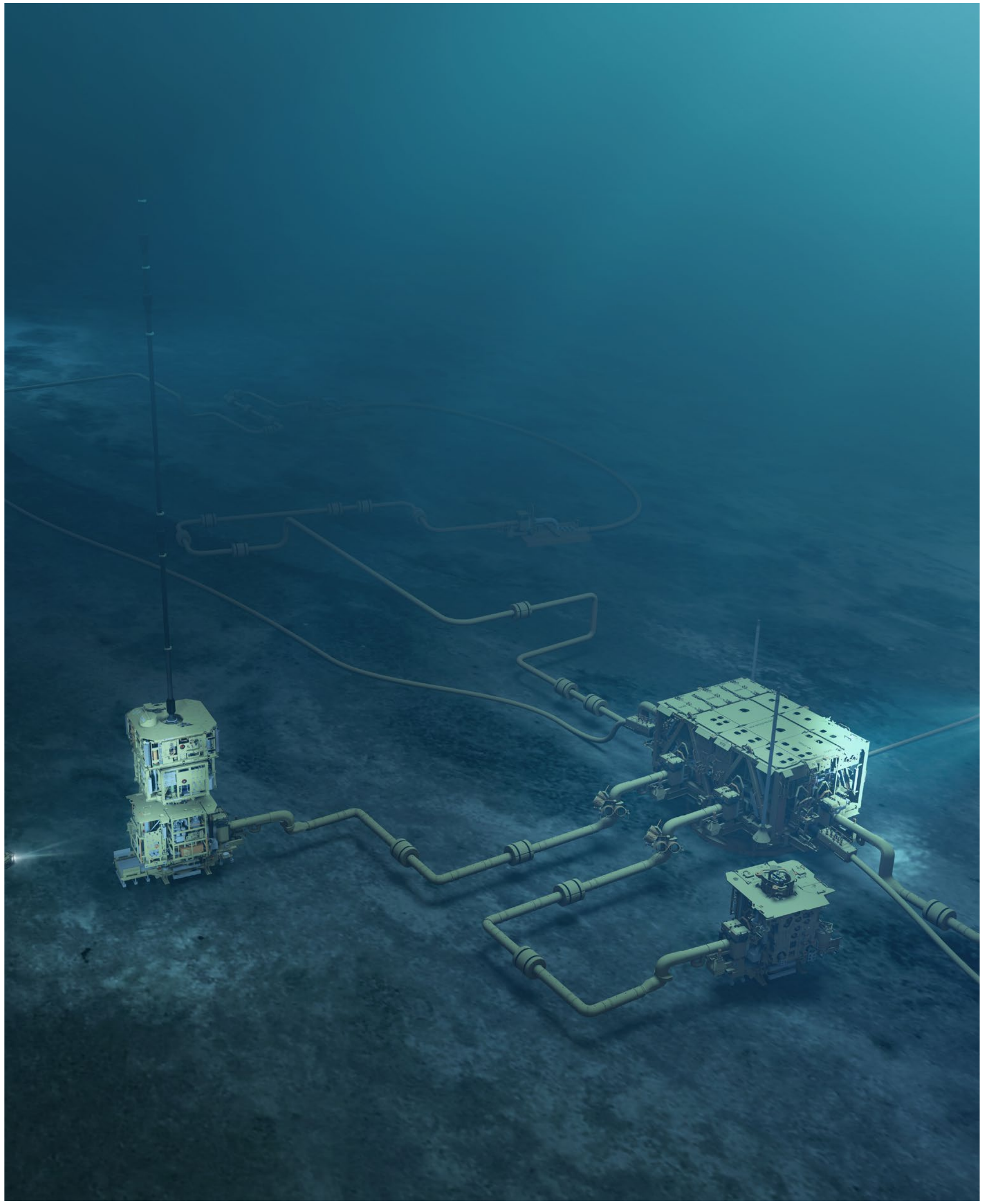
Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements 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, 22 March 2017
KPMG AS

Julie Berg

Julie Berg
State Authorised Public Accountant



Alternative **Performance** Measures

Aker Solutions (the company) discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS.

Alternative performance measures are frequently used by securities analysts, investors and other interested parties and they are meant to provide an enhanced insight into the operations, financing and future prospects of the company.

Profit Measures

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

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

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

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

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

Special Items Impacting Revenue

	Aker Solutions group		Subsea		Field Design	
Amounts in NOK million	2016	2015	2016	2015	2016	2015
Revenue	**25,557**	**31,896**	**14,996**	**19,101**	**10,670**	**12,920**
Non-qualifying hedges -"other" segment	**26**	-123				
Gain/loss sale of PPE	**-36**		**-36**			
Other	**12**		**12**			
Sum of special items ex. from revenue	**2**	**-123**	**-24**	**0**	**0**	**0**
Revenue ex. special items	**25,559**	**31,772**	**14,972**	**19,101**	**10,670**	**12,920**

Special Items Impacting EBITDA

	Aker Solutions group		Subsea		Field Design	
Amounts in NOK million	2016	2015	2016	2015	2016	2015
EBITDA	**1,929**	**1,841**	**1,417**	**1,778**	**730**	**543**
Onerous lease cost	**82**	265			**2**	
Restructuring cost	**163**	416	**31**	166	**62**	250
Non-qualifying hedges	**(44)**	94				
Gain/loss sale of PPE	**(36)**		**(36)**			
Demerger and other costs	**26**	22	**12**			
Sum of special items ex. from EBITDA	**192**	**797**	**7**	**166**	**64**	**250**
EBITDA ex. special items	**2,121**	**2,638**	**1,425**	**1,944**	**795**	**793**
EBITDA margin	7.5%	5.8%	9.5%	9.3%	6.8%	4.2%
EBITDA margin ex. special items	8.3%	8.3%	9.5%	10.2%	7.4%	6.1%

Special Items Impacting EBIT

	Aker Solutions group		Subsea		Field Design	
Amounts in NOK million	2016	2015	2016	2015	2016	2015
EBIT	**687**	**958**	**352**	**1,045**	**580**	**404**
Sum of special items excluded from EBITDA	**192**	797	**7**	166	**64**	250
Impairments	**464**	163	**441**	145	**23**	18
Sum of special items ex. from EBIT	**656**	**960**	**449**	**312**	**87**	**268**
EBIT ex. special items	**1,343**	**1,918**	**800**	**1,357**	**667**	**672**
EBIT margin	2.7%	3.0%	2.3%	5.5%	5.4%	3.1%
EBIT margin ex. special items	5.3%	6.0%	5.3%	7.1%	6.2%	5.2%

Financing Measures

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

Net Current Operating Assets (NCOA)

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

Amounts in NOK million	2016	2015
Current tax asset	**242**	118
Inventory	**575**	814
Trade and other receivables	**7,398**	10,985
Current operating assets	**8,215**	**11,918**
Current tax liability	**-30**	-9
Provisions	**-1,087**	-1,294
Trade and other payables	**-8,002**	-12,222
Current operating liabilities	**(9,119)**	**(13,525)**
Net current operating assets (NCOA)	**(904)**	**(1,607)**

Net Interest-Bearing Debt

is calculated as interest-bearing debt subtracted by interestbearing receivables and cash and cash equivalents.

Amounts in NOK million	2016	2015
Current borrowings	**2,110**	561
Non-current borrowings	**1,844**	3,137
Current interest-bearing receivables	**-437**	-117
Non-current interest-bearing receivables[1]	**-34**	-20
Cash and cash equivalents	**-2,480**	-3,862
Net interest-bearing debt	**1,002**	**-301**

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

Equity Ratio

is calculated as total equity divided by total assets.

Amounts in NOK million	2016	2015
Total equity	**6,415**	6,630
Total assets	**21,512**	27,729
Equity ratio	**29.8%**	**23.9%**

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	2016	2015
Cash and cash equivalents	**2,480**	3,862
Credit facility (unused)	**5,000**	5,000
Liquidity buffer	**7,480**	**8,862**

Financing Measures continues on next page

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

Amounts in NOK million	2016	2015
Property, plant and equipment	**3,808**	3,962
Intangible assets	**5,647**	6,207
Non-current receivables[1]	**56**	4
Non-current operating assets	**9,510**	**10,172**
Non-current operating liabilities (pension obligations)	**(540)**	**(572)**
Deferred tax assets	**666**	332
Other investments	**75**	13
Net current operating assets (NCOA) as defined above	**(904)**	(1,607)
Deferred tax liabilities	**(331)**	(283)
Other non-current liabilities	**(84)**	(27)
Net capital employed	**8,393**	**8,029**

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

Order Intake Measures

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

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

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

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