

# AKER KVÆRNER™



## 1st Quarter Results 2005

Inge K. Hansen  
Group President & CEO  
26 April 2005

Bjørn Erik Næss  
Group EVP & CFO

## Agenda

Topic	Speaker
■ Group update	Inge K. Hansen
■ Financials	Bjørn Erik Næss
■ Closing remarks	Inge K. Hansen
■ Q & A session	

In the first quarter of 2004 Kværner ASA announced a three-way reorganisation of the group, which has resulted in the formation of Aker Kvaerner, a focused industrial group with activities within the oil, gas, energy and process industries. The figures in this report are prepared as if the restructuring and refinancing were completed before 1 January 2002.

## 1Q05: First financial target achieved

- ■ ■ ■ ■
- **Annualised EBITDA of NOK 1.5 billion achieved**
  - 1Q EBITDA: NOK 376 million
- **Record-high order backlog of NOK 37.7 billion**
  - NOK 9.7 billion in order intake
- **Comfortable liquidity buffer of NOK 4 billion including undrawn credit facilities**
  - Cash position of NOK 2.4 billion
  - Repayment of debt over the last 12 months of NOK 900 million
  - Undrawn credit facilities of NOK 1.6 billion
- **Accounts prepared under IFRS from 1 January 2005**

\* Based on annual run rate

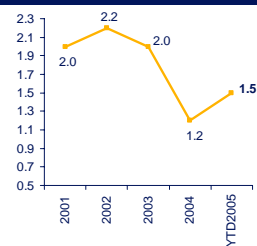
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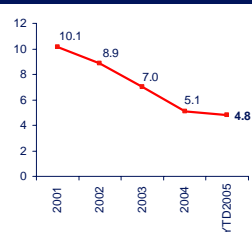
## Health, Safety and Environment

- ■ ■ ■ ■
- Regrettably, there was one fatality related to Aker Kvaerner's activities on the Kristin project in January
- Sick leave up from 2.9% in 2004 to 3.1% in 1Q05
- HSE step change improvement programme continues
  - "Just Care" used as a theme and symbol of our HSE culture
  - Group-wide HSE operating system
  - HSE leadership training
  - Focus on leading indicators
- First in a series of 10 HSE leadership training programmes for top management were conducted in March

Lost Time Injuries per million hours worked (LTIF)\*



Total Recordable Injuries per million hours worked (TRIF)\*



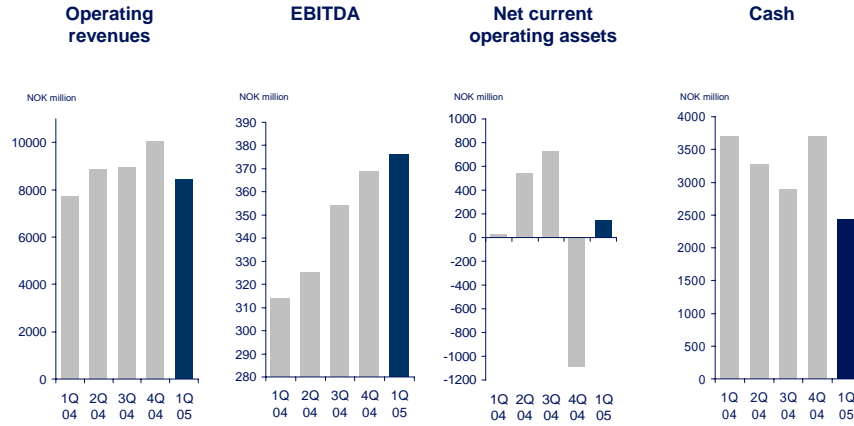
New leading indicators will be visualised when they have matured over some time

\* Numbers include subcontractors working for Aker Kvaerner

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## Key indicators

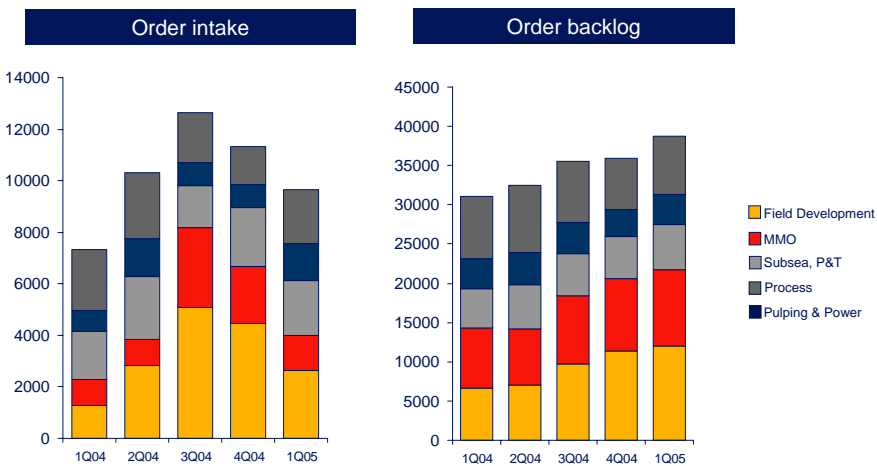


Numbers for 1st quarter 2004 are proforma

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## Record-high order backlog



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■ Q & A session	

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## Income statement consolidated

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	7 715	8 857	8 921	10 060	8 407	35 553
<b>EBITDA</b>	314	325	354	369	376	1 362
Depreciation	-74	-79	-72	-83	-76	-308
<b>EBITA</b>	240	246	282	286	300	1 054
Amortisation	-11	0	0	0	0	-11
<b>EBIT</b>	229	246	282	286	300	1 043
Net financial items	-70	-109	-92	-125	-95	-396
<b>Profit aft. fin. items</b>	159	137	190	161	205	647
Tax	-23	-19	-75	-12	-67	-129
<b>Net profit</b>	136	118	115	149	138	518
Earnings per share (NOK)					2.34	9.25

Numbers for 1st quarter 2004 are proforma

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## Income statement consolidated

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	7 715	8 857	8 921	10 060	8 407	35 553
<b>EBITDA</b>	314	325	354	369	376	1 362
<b>EBITDA specified</b>						
Field Development	90	90	80	149	123	409
MMO	50	53	78	48	56	229
Subsea and P&T	92	101	167	130	110	490
Process	50	52	3	5	38	110
Pulping and Power	73	69	58	64	64	264
Unallocated corporate costs	-41	-40	-32	-27	-15	-140

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## Cashflow

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Net c/f from oper. act.	98	-202	-1	1 751	-886	1 646
Net c/f from investing activities	-3	-98	-35	-526	-136	-662
Net c/f from financial activities	-21	-48	-204	-333	-338	-606
<b>Translation adjustment</b>	68	-77	-136	-88	82	-233
<b>Net +/- in cash and bank deposits</b>	142	-425	-376	804	-1 278	145
Cash and bank dep. as at start of period	3 558	3 700	3 275	2 899	3 703	3 558
Cash and bank dep. as at end of period	3 700	3 275	2 899	3 703	2 425	3 703

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## Assets

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05
Property, plant and equipment	1 395	1 346	1 370	1 403	1 403
Other fixed assets	4 841	4 861	4 838	5 056	5 037
Financial assets (long-term)	195	164	138	182	211
I B receivables (long-term)	29	38	21	103	147
Other current assets	9 657	10 809	10 683	9 828	10 199
Cash & bank deposits	3 700	3 275	2 899	3 703	2 425
<b>Total assets</b>	<b>19 817</b>	<b>20 493</b>	<b>19 949</b>	<b>20 275</b>	<b>19 422</b>

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## Debt and equity

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05
Shareholder's equity	1 693	1 763	1 790	1 704	2 994
Minority interests	59	61	67	48	57
Subordinated debt	4 044	4 093	4 068	3 826	2 860
Non I B liabilities (long-term)	1 101	1 137	1 150	1 283	1 266
Interest bearing debt	3 245	3 112	2 870	2 436	2 134
Non I B liabilities (short-term)	9 675	10 327	10 004	10 978	10 111
<b>Total liabilities and shareholder's equity</b>	<b>19 817</b>	<b>20 493</b>	<b>19 949</b>	<b>20 275</b>	<b>19 422</b>
<b>Total net current operating assets</b>	<b>32</b>	<b>538</b>	<b>730</b>	<b>-1 084</b>	<b>144</b>
Net interest bearing items	488	203	52	1 371	438
Net debt	-3 556	-3 890	-4 016	-2 455	-2 422
Equity	1 752	1 824	1 857	1 752	3 051
Equity ratio in %	8.8	8.9	9.3	8.6	15.7
Combined ratio (incl. subord debt)	29.2	28.9	29.7	27.5	30.4

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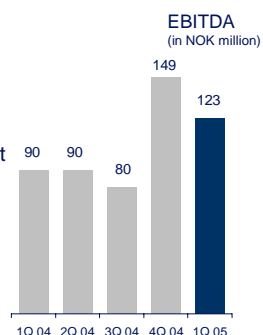
## Field Development

### Operations

- Strong performance in Norway and continued improvements in the US
- Kristin Semi successfully completed
- Ormen Lange contracts merged into one EPC contract
- Strategic acquisition in RR Offshore Oy

### Market

- LNG market approaching execution phase
- Buoyant Russian and Caspian markets, but uncertain timing
- Letter of intent worth NOK 1 billion received for the extended Snøhvit project, to be booked in 2Q



(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	2 034	2 467	2 414	2 731	2 317	9 646
EBITDA	90	90	80	149	123	409
Order intake	1 343	2 864	5 098	4 650	2 624	13 955
Order backlog	6 779	7 135	9 859	11 565	11 967	11 565

Numbers for 1st quarter 2004 are proforma

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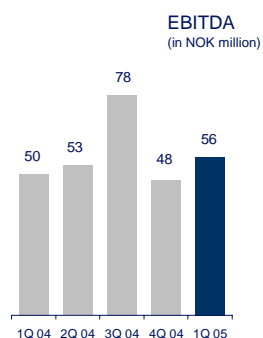
## Maintenance, Modifications and Operations

### Operations

- Stable activity and performance
- Solid order backlog

### Market

- Overall high bidding activity
- Modifications market picking up
- Good prospects on the UK sector – two important modification projects awarded in 1Q
- Letter of intent worth NOK 1.9 billion received for Statfjord Late Life modification project, to be booked in 2Q



(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	1 525	1 594	1 636	1 572	1 383	6 327
EBITDA	50	53	78	48	56	229
Order intake	1 065	1 039	3 131	2 624	1 353	7 859
Order backlog	7 864	7 304	8 758	9 765	9 764	9 765

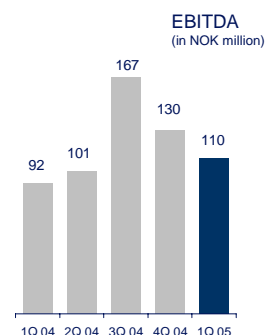
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## Subsea, Products & Technologies

- ■ ■ ■ ■
- Operations
  - Healthy backlog and performance in most businesses
  - Service business continues to grow
- Market
  - Steady flow of orders
  - Overall good market expected throughout 2005
  - Letter of intent worth NOK 500 million received for delivery of a complete subsea system, to be booked in 2Q



(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	1 614	1 779	1 900	2 337	1 887	7 630
EBITDA	92	101	167	130	110	490
Order intake	1 908	2 458	1 645	2 321	2 157	8 332
Order backlog	5 213	5 790	5 543	5 462	5 791	5 462

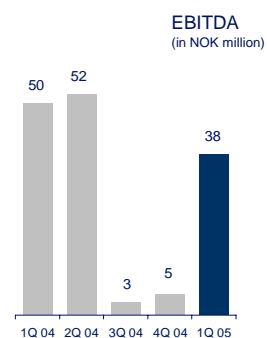
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## Process

- ■ ■ ■ ■
- Operations
  - AK Engineering Services still negative, but performance improving
  - Onshore Process business shows strong performance
- Market
  - Good market opportunities in Europe, India, China and Middle East
  - Power market still healthy in North America
  - High activity in the Metals market
  - USD 50 million EPCm contract secured for Metals in Chile



(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	1 607	2 053	2 155	2 308	1 785	8 123
EBITDA	50	52	3	5	38	110
Order intake	2 403	2 581	1 961	1 520	2 083	8 465
Order backlog	8 194	8 691	7 896*	6 667	7 316	6 667

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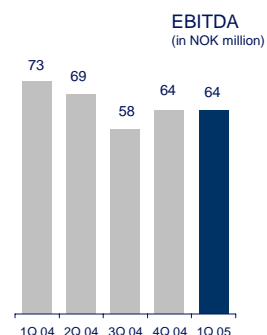
\* Amendment of one frame agreement contract has resulted in a reduction of order backlog by NOK 600 million in 3Q04.

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## Pulping & Power

- ■ ■ ■ ■
- Operations
  - Service activity is increasing
  - Continued high activity level
- Market
  - Positive market for newbuild activity
  - Strong market for Power Generation
  - Several power boiler contracts secured from clients in North America and Europe



(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	1 148	1 192	1 064	1 411	1 038	4 815
EBITDA	73	69	58	64	64	264
Order intake	874	1 485	932	907	1 426	4 198
Order backlog	3 897	4 166	4 064	3 442	3 837	3 442

Numbers for 1st quarter 2004 are proforma

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## International Financial Reporting Standards (IFRS)

### ■ ■ ■ ■ ■ - main changes

- Pension assets/liabilities
  - Unrecognised loss as at 1.1.2004 to be charged directly to equity
  - Reduced actuarial assumptions
  - Effect on deferred tax assets: 28%
- Goodwill
  - No more amortisation of goodwill
  - Impairment testing of goodwill
- Subordinated Loan
  - 2001 refinancing treated as transaction
  - Book value of the loan reduced to fair value, assuming 8% interest rate
  - Carried at amortised cost thereafter
- Financial Instruments
  - All derivatives to be recognised on the balance sheet. No net P&L effect as all derivatives are used for hedging
  - Strict documentation rules for hedging
  - Changed valuation method: -NOK 12 million

Effect of transition to IFRS	Equity 31.12.2004	Proforma Net profit 1.1.04- 31.12.04
<i>Amounts in NOK million</i>		
NGAAP* 31.12.04	1 935	240
Pensions	-678	-39
Deferred tax asset	188	-
Goodwill	307	307
<b>IFRS 31.12.04</b>	<b>1 752</b>	<b>518</b>
Subordinated loan	1 100	
Financial instruments	-12	
<b>IFRS 1.1.05</b>	<b>2 840</b>	

\* Norwegian Generally Accepted Accounting Principles

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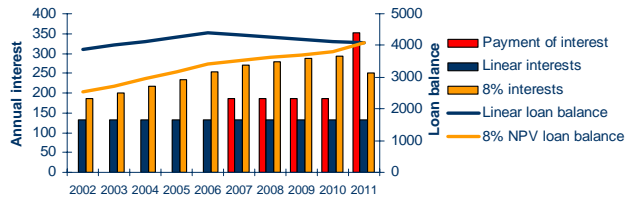
## Pension assets / liabilities



Amounts in NOK million	31.12.2004
Unrecognised losses	224
Reduced discount rate	454
<b>Increased pension liability</b>	<b>678</b>
Increased deferred tax asset	-188
<b>Reduced equity</b>	<b>490</b>
<b>Increased pension cost in 2004</b>	<b>39</b>

- Unrecognised losses included in pension liability
- Reduced discount rate leads to increased pension liability
- Reduced discount rate leads to increased cost
  - Interest expense on increased pension liability
  - Increased service cost

## Subordinated loan



- NGAAP
  - Loan recorded at nominal value
  - Linear interest accrual
- IFRS
  - Loan recorded at fair value in 2001/02 refinancing and thereafter at amortised cost
  - Assumed 8% interest including future interest- and back-end fee payments and increase from fair value to nominal value

The differences in GAAP doesn't affect the actual cash payments of interest, back-end fee and loan balance to be paid in 2011.

## Agenda



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■ Group update	Inge K. Hansen
■ Financials	Bjørn Erik Næss
■ <b>Closing remarks</b>	<b>Inge K. Hansen</b>
■ Q & A session	

## E&C - Market perspective



Most markets strong and developing positively



Ill: Skoghall



Ill: MidAmerican Energy

- Pulp and Power with both newbuild and modification opportunities
- Chemicals markets developing positively, especially in emerging regions
- US construction market with healthy opportunities in the power segment
- High commodity prices continue to stimulate metals related markets

## Oil & Gas - Market perspective



### High oil price and gas deficit driving markets



Ill: Statoil

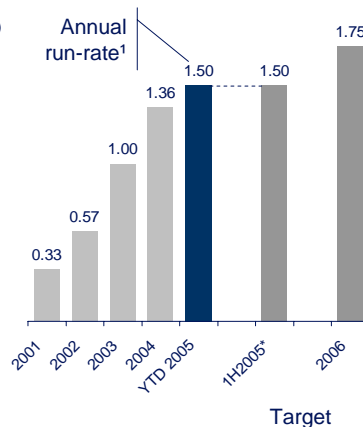
- North Sea modification, tie-back and decommissioning markets heating up
- Norwegian onshore market strong and with new opportunities within gas power plants
- Global LNG market approaching the execution phase. Higher relative share of onshore opportunities than earlier anticipated
- Emerging market segments in Russia and Middle East. Selectiveness and focus required from a contractor perspective

## Outlook



### First target reached!

EBITDA  
(in NOK billion)



<sup>1</sup> Current quarter multiplied by four  
\* Annualised 1st half year target



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Status 1Q05

## First financial target achieved

Record-high order backlog  
Comfortable liquidity buffer  
Continuing good market opportunities

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## Additional information

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## Order intake

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Field Development	1 343	2 864	5 098	4 650	2 624	13 955
MMO	1 065	1 039	3 131	2 624	1 353	7 859
Subsea and P&T	1 908	2 458	1 645	2 321	2 157	8 332
Process	2 403	2 581	1 961	1 520	2 083	8 465
Pulping & Power	874	1 485	932	907	1 426	4 198
Other	-270	-126	-130	-701	33	-1 227
<b>Total</b>	<b>7 323</b>	<b>10 301</b>	<b>12 637</b>	<b>11 321</b>	<b>9 676</b>	<b>41 582</b>

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## Order backlog

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05
Field Development	6 779	7 135	9 859	11 565	11 967
MMO	7 864	7 304	8 758	9 765	9 764
Subsea and P&T	5 213	5 790	5 543	5 462	5 791
Process	8 194	8 691	7 896	6 667	7 316
Pulping and Power	3 897	4 166	4 064	3 442	3 837
Other	-842	-644	-558	-981	-959
<b>Total</b>	<b>31 105</b>	<b>32 442</b>	<b>35 562</b>	<b>35 920</b>	<b>37 716</b>

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## Net current operating assets

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05
Field Development	-114	-80	44	-697	-529
MMO	286	346	328	-86	129
Subsea and P&T	785	856	880	653	807
Process	-334	-119	34	-125	174
Pulping and Power	-723	-777	-666	-623	-388
Other	132	312	110	-206	-49
<b>Total net current operating assets</b>	<b>32</b>	<b>538</b>	<b>730</b>	<b>-1 084</b>	<b>144</b>

## Field Development

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	2 034	2 467	2 414	2 731	2 317	9 646
<b>EBITDA</b>	<b>90</b>	<b>90</b>	<b>80</b>	<b>149</b>	<b>123</b>	<b>409</b>
<b>EBIT</b>	<b>75</b>	<b>73</b>	<b>64</b>	<b>134</b>	<b>109</b>	<b>346</b>
Order intake	1 343	2 864	5 098	4 650	2 624	13 955
Order backlog	6 779	7 135	9 859	11 565	11 967	11 565
Employees	4 798	4 679	4 640	4 566	4 496	4 566

Numbers for 1st quarter 2004 are proforma

## Maintenance, Modifications and Operations

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	1 525	1 594	1 636	1 572	1 383	6 327
<b>EBITDA</b>	50	53	78	48	56	229
<b>EBIT</b>	48	52	76	46	52	222
Order intake	1 065	1 039	3 131	2 624	1 353	7 859
Order backlog	7 864	7 304	8 758	9 765	9 764	9 765
Employees	5 183	5 171	4 999	4 867	4 926	4 867

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## Subsea, Products & Technologies

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	1 614	1 779	1 900	2 337	1 887	7 630
<b>EBITDA</b>	92	101	167	130	110	490
<b>EBIT</b>	54	73	143	99	82	369
Order intake	1 908	2 458	1 645	2 321	2 157	8 332
Order backlog	5 213	5 790	5 543	5 462	5 791	5 462
Employees	3 441	3 348	3 381	3 411	3 049	3 411

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## Process

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	1 607	2 053	2 155	2 308	1 785	8 123
<b>EBITDA</b>	50	52	3	5	38	110
<b>EBIT</b>	45	51	-3	-7	33	86
Order intake	2 403	2 581	1 961	1 520	2 083	8 465
Order backlog	8 194	8 691	7 896	6 667	7 316	6 667
Employees	4 944	5 266	6 231	4 896	4 367	4 896

## Pulping & Power

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	1 148	1 192	1 064	1 411	1 038	4 815
<b>EBITDA</b>	73	69	58	64	64	264
<b>EBIT</b>	61	58	47	53	53	219
Order intake	874	1 485	932	907	1 426	4 198
Order backlog	3 897	4 166	4 064	3 442	3 837	3 442
Employees	1 965	1 975	1 997	2 005	1 876	2 005

## Other and eliminations

(in NOK million)	1Q04	2Q04	3Q04	4Q04	1Q05	2004
Operating revenues	-213	-228	-248	-299	-3	-988
<b>EBITDA</b>	-41	-40	-32	-27	-15	-140
<b>EBIT</b>	-54	-61	-45	-39	-29	-199
Order intake	-270	-126	-130	-701	33	-1 227
Order backlog	-842	-644	-558	-981	-959	-981
Employees	1 012	1 121	1 091	922	949	922

## Employees

	1Q04	2Q04	3Q04	4Q04	1Q05
Field Development	4 798	4 679	4 640	4 566	4 496
MMO	5 183	5 171	4 999	4 867	4 926
Subsea and P&T	3 441	3 348	3 381	3 411	3 049
Process	4 944	5 266	6 231	4 896	4 367
Pulping and Power	1 965	1 975	1 997	2 005	1 876
Other	1 012	1 121	1 091	922	949
<b>Total number of employees</b>	21 343	21 560	22 339	20 667	19 663
<b>Employees in Norway</b>	10 171	10 079	10 039	10 034	9 981

## Disclaimer



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