

January – March 2004

Performance on track

The oil, gas, energy and process group Aker Kvaerner reported positive results and performance on track in the first quarter. Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to NOK 324 million, compared with NOK 209 million in the same period last year. Few major contracts were announced, but a steady stream of orders resulted in a satisfactory NOK 7.3 billion order intake in the first quarter 2004. The order backlog at the end of March was NOK 31.1 billion.

All main business units in the Oil & Gas, Process and Pulping & Power segments developed positively and as planned in the first quarter.

The cash position is strong. At the end of March cash and short-term interest-bearing receivables amounted to NOK 3.7 billion.

Aker Kvaerner has an ambition to increase the EBITDA to NOK 1.75 billion in 2006. In about one year, the group expects that the EBITDA will reach NOK 1.5 billion on an annualised level.

A focused group

In the first quarter this year Kvaerner 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 was completed before 1 January 2002.

For Aker Kvaerner, the plan was concluded on 2 April 2004 when the group was listed on the Oslo Stock Exchange with ticker AKVER.

Financially, the plan involved a NOK 2.1 billion equity issue, transfer of NOK 4.1 billion of subordinated debt maturing in 2011 to Aker Kvaerner ASA and repayment of NOK 3.1 billion debt which matured at the end of 2004. Furthermore, Aker Kvaerner O&G AS, a wholly owned subsidiary of Aker Kvaerner ASA, placed a EUR 260 million international bond with seven year maturity in the market, and arranged a EUR 150 million term and revolving credit facility maturing in 2009.

The Norwegian based industrial holding company Kvaerner ASA is the majority shareholder in Aker

Consolidated key figures

(in NOK million)	1Q03	2Q03	3Q03	4Q03	1Q04	2003
Operating revenues	7,239	7,563	7,469	9,066	7,715	31,327
EBITDA	209	194	257	343	324	1,003
Depreciation	-74	-87	-81	-91	-74	-333
Earnings before interest, tax and amortisation (EBITA)	135	107	176	252	250	670
Amortisation	-76	-76	-77	-86	-89	-315
Earnings before interest and exceptionals	59	31	99	166	161	355
Exceptional items	0	-87	0	-365	0	-452
Earnings before interest and tax (EBIT)	59	-56	99	-199	161	-97
Profit after financial items	-157	-123	115	-173	91	-338
Net profit	-141	-117	69	-159	66	-348
Total assets *	19,851	18,792	18,375	18,776	19,562	
Equity *	2,080	2,113	1,974	2,034	2,146	
Equity ratio (%) *	10.5	11.2	10.7	10.8	11.0	
Equity ratio including subordinated debt (%) *	30.9	32.9	32.6	31.9	31.6	
Net interest-bearing liabilities(-)/receivables (+) *	-1,054	-219	-220	454	488	
Cash and short-term interest-bearing receivables *	3,006	2,837	2,881	3,561	3,704	
Total net current operating assets *	934	436	411	-192	29	
Order intake	10,386	9,671	7,212	9,633	7,323	36,902
Order reserve *	29,279	31,569	30,798	31,491	31,105	

* at end of period

Aker Kvaerner

Kværner ASA, currently holding 71 per cent of the shares. Upon completion of an exchange offer presented to Kværner ASA shareholders on 20 April, Kværner ASA's holding in Aker Kværner ASA will be reduced to approximately 58 per cent.

Dividend policy

The shareholders' investment should give a competitive return over time in the form of dividend payments and increasing share value. The Board of Directors considers that the dividend on average, over time, should be approximately 30 per cent of the net result.

Priority will be given over the next 2-3 years to strengthen the financial situation of the company, and dividend payments will thus only be made if the EBITDA targets stated above are exceeded.

Business overview

Following the focusing of its operations, Aker Kvaerner adjusted its financial reporting structure. The new structure better reflects the legal and operating structures, and groups related businesses more logically together in the following five segments:

Field Development (FD) includes Aker Kvaerner's engineering and fabrication activities related to development of oil and gas fields world-wide. Its engineering resources are located mainly in Norway and in the USA, with project offices and smaller engineering offices in Canada, Russia and South East Asia. The group has three specialised fabrication yards in Norway. FD represented 26 per cent of group revenues in 2003. FD comprises the activities of Field Development Europe and Oil, Gas & Process International segments referred to in the previous reporting structure.

Maintenance, modifications and operations (MMO) provides engineering and project management services and offshore maintenance, modifications and operation support, decommissioning and deconstruction of offshore installations. MMO's main activities and markets are in the North Sea, on the Norwegian and UK continental shelves. In 2003 MMO constituted 20 per cent of group revenues.

Subsea, Products & Technologies (SPT) includes subsidiaries which provide technology products and solutions to the oil and gas industry world-wide. Main activities are within subsea equipment and solutions, drilling equipment, process technology, marine equipment and loading systems, as well as marine

operations. In 2003 SPT constituted 21 per cent of group revenues.

The businesses within **Process (PRO)** provide process solutions to a wide range of industries, including chemicals and polymers, refining, pharmaceuticals, onshore oil and gas, water, power, nuclear, metals and mining. They are involved in design, engineering, project management, procurement management, products and construction services to projects world-wide, and represented 22 per cent of group revenues last year.

Pulping & Power (P&P) features business units which are leading providers of fiberlines, pollution control systems, specialised process solutions, power and recovery boilers as well as evaporators to the pulp and paper industries world-wide. The main operations are in Sweden, Finland, Brazil and in North America. In 2003 P&P represented 11 per cent of group revenues.

HSE

The lost time incidents frequency (incidents per million man hours) for the Aker Kvaerner group was slightly below 1 in the first quarter of 2004, an improvement compared to previous quarters, but still not satisfactory. Plans are currently being drawn up to achieve a step change within this field.

Sick leave for the group as a whole was down from just above four per cent in the fourth quarter 2003 to below 2.5 per cent in the first quarter 2004.

Status operations

In the first quarter 2004, group earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to NOK 324 million. Profits were significantly better than in the first quarter 2003, but somewhat lower than in the fourth quarter last year.

Field Development (FD)

(in NOK million)	1Q03	2Q03	3Q03	4Q03	1Q04	2003
Op revenues	2,077	1,908	2,064	2,195	2,034	8,244
EBITDA	22	7	33	96	94	158
Order intake	2,543	1,003	2,406	2,564	1,343	8,516
Order reserve	7,777	6,892	7,187	7,701	6,779	7,701
Employees	5,865	5,633	5,507	5,200	4,798	5,200

FD reported stable activity levels overall in the first quarter this year and significantly improved profits compared to first quarter 2003. In 2004 first quarter EBITDA was NOK 94 million.

In 2003 FD committed to a strategy aimed at expanding its field development capabilities, particularly in the deepwater market, in Houston. Costs related to this, combined with a generally low utilisation of engineering resources in the region and reduction of capacity, resulted in weak financial performance last year. In the first quarter this year the Houston business reported a small profit.

No major contracts were awarded in the first quarter, and the order intake mainly refers to growth on existing projects. Work on strategically important front-end engineering design (FEED) studies for three offshore LNG terminals continued. FEED work began on the Alvhheim prospect, a potential new field development in Norway.

Maintenance, Modifications and Operations

(in NOK million)	1Q03	2Q03	3Q03	4Q03	1Q04	2003
Op revenues	1,470	1,533	1,547	1,761	1,525	6,311
EBITDA	70	69	52	50	54	241
Order intake	2,289	1,323	1,169	1,729	1,065	6,510
Order reserve	8,871	8,691	8,302	8,283	7,864	8,283
Employees	5,524	5,503	5,490	5,224	5,183	5,224

Maintenance, modifications and operations (MMO) reported activity levels and profits in line with previous quarters. In the first quarter 2004 EBITDA was NOK 54 million. The corresponding quarter in 2003 included a NOK 30 million gain from sale of properties.

All major projects are progressing according to plan. In the UK, important new orders have been secured resulting in improved utilisation compared to last year. The major new orders include a contract with Kerr-McGee to provide engineering, construction and support services to the oil company's assets in the North Sea, and a similar contract with British Gas for the Armada platform.

MMO is aiming at expanding its range of services beyond conventional maintenance and modification work, and in April the business signed a contract with Amerada Hess making it duty holder on the Ivanhoe/Rob Roy fields in the UK sector. Under the contract, an Aker Kvaerner subsidiary has assumed management responsibility for day-to-day operations on the production platform until the end of its working life.

Subsea, Products & Technologies (SPT)

(in NOK million)	1Q03	2Q03	3Q03	4Q03	1Q04	2003
Op revenues	1,514	1,779	1,507	1,941	1,614	6,741
EBITDA	94	93	111	101	94	399
Order intake	1,592	2,809	1,528	1,507	1,908	7,436

Order reserve	4,038	5,101	5,149	4,897	5,213	4,897
Employees	3,832	3,697	3,599	3,468	3,441	3,468

In the first quarter this year SPT reported an EBITDA of NOK 94 million and relatively stable activity levels. The corresponding quarter in 2003 included a NOK 37 million gain from sale of properties.

All major product lines reported profits in the first quarter this year, except marine operations which had low utilisation. Main projects are progressing according to plan.

The order intake exceeded revenues in the quarter by NOK 0.3 billion. Important orders were signed within subsea, deepwater mooring systems and marine equipment.

Process (PRO)

(in NOK million)	1Q03	2Q03	3Q03	4Q03	1Q04	2003
Op revenues	1,766	1,626	1,637	2,134	1,607	7,163
EBITDA	16	21	45	47	50	129
Order intake	3,143	2,638	1,249	2,160	2,403	9,190
Order reserve	7,435	8,960	7,632	7,310	8,194	7,310
Employees	5,906	5,513	5,621	5,528	4,944	5,528

Even with somewhat lower revenues, EBITDA in the first quarter this year was significantly higher than last year. The profits have increased steadily in the past quarters, evidencing that the significant turn-around in the engineering and construction businesses is taking hold.

Strong project performance in chemicals and polymers, mining and metals, and the US based construction businesses continued to deliver positive results.

At the end of March, the order situation was satisfactory after strong booking through 2003 and in the first quarter of 2004. The most significant contract awards this year include engineering and project management on a petrochemical plant in the Middle East and coal fired power plant in the USA.

Pulping & Power (P&P)

(in NOK million)	1Q03	2Q03	3Q03	4Q03	1Q04	2003
Op revenues	621	918	892	1,250	1,148	3,681
EBITDA	34	34	50	91	73	209
Order intake	1,099	2,138	1,043	1,951	874	6,230
Order reserve	1,977	3,340	3,421	4,178	3,897	4,178
Employees	1,924	1,877	1,905	1,938	1,965	1,938

P&P reported a comfortable NOK 73 million EBITDA in the first quarter 2004, with major projects developing favourably.

Aker Kvaerner

Order intake was satisfactory in the first quarter, and significant contracts have been confirmed in both Pulping and Power after the end of the quarter. The order reserve at the end of March was NOK 3.9 billion.

Unallocated corporate costs in the first quarter amounted to NOK 41 million, of which about half were related to Aker Kvaerner O&G AS. Of this amount, special one-off charges, including those related to the legal restructuring and refinancing of the group represented approx NOK 10 million.

Group financials

First quarter consolidated revenues were NOK 7,715 million this year compared with NOK 7,239 million last year. In the first three months of 2004, earnings before interest, tax, depreciation and amortisation were NOK 324 million and earnings before interest and tax were NOK 161 million.

Net financial items including interest expenses amounted to NOK 70 million. The interest expenses reflect the new financial structure of the group, and include a continuation of the accounting practice of accruing the interest costs on the subordinated debt over its duration (10 years), even if it is interest free for the five first years, until 30 October 2006.

Profit after financial items was NOK 91 million, and net profit was NOK 66 million. This equals NOK 1.24 per share.

In the first quarter 2004, the working capital was reduced and cash flow from operating activities amounted to NOK 98 million. Cash and bank deposits were 3.7 billion including NOK 2.1 billion in IPO proceeds.

Capital expenditure amounted to NOK 78 million, which is in line with the NOK 74 million calculated depreciation in the quarter.

Costs relating to the refinancing in the first quarter amounted to NOK 220 million. Of this NOK 75 million was deducted from the NOK 2.1 billion equity issue proceeds, while NOK 145 million relating to the debt financing will be expensed over the term of the loans.

Following completion of the refinancing in the first quarter, Aker Kvaerner has a sound financial position. Long-term interest-bearing borrowings amounted to NOK 3.1 billion at the end of March. In addition, the subordinated bond, which is interest free until fourth quarter 2006, is included in the balance sheet at nominal value of NOK 4.0 billion. The subordinated debt and equity yielded a combined ratio of 31.6 per cent at the end of March.

Oslo, 14 May 2004
The Board of Directors

AKER KVAERNER GROUP IN FIGURES

PROFIT AND LOSS ACCOUNT

Group summary:	Q1	Q1	1.1 - 31.12
Amounts in NOK millions	2004	2003	2003
Operating revenues	7 715	7 239	31 327
Operating expenses	-7 391	-7 030	-30 324
EBITDA	324	209	1 003
Depreciation	-74	-74	-333
Amortisation	-89	-76	-315
Operating profit before exceptional items	161	59	355
Exceptional items	-	-	-452
Operating profit	161	59	-97
Financial items	-70	-216	-241
Profit/loss before tax	91	-157	-338
Taxation	-25	16	-10
Net profit/loss	66	-141	-348
Minority interests	-2	-2	5
Majority share	68	-139	-353
Earnings per share (NOK)	1,24	-2,53	-6,41

BALANCE SHEET

Amounts in NOK millions	31.3	31.3	31.12
	2004	2003	2003
Deferred tax asset	236	191	241
Goodwill, patents etc	4 347	4 632	4 386
Tangible fixed assets	1 395	1 792	1 422
Other long-term operating assets	82	138	106
Long-term investments	113	113	106
Interest-bearing long-term receivables	29	104	30
Current operating assets	9 654	9 873	8 922
Short-term share investments	2	2	2
Interest-bearing receivables	1	4	-
Cash and bank deposits	3 703	3 002	3 561
Total assets	19 562	19 851	18 776
Equity	2 087	2 024	1 974
Minority interests	59	56	60
Deferred tax	7	4	7
10-year subordinated debt	4 044	4 058	3 946
Other long-term liabilities	445	550	454
Interest-bearing long-term debt	3 116	3 141	3 133
Taxes payable	50	56	82
Other current operating liabilities	9 625	8 939	9 114
Interest-bearing current liabilities	129	1 023	6
Total liabilities and equity	19 562	19 851	18 776

CASHFLOW

Amounts in NOK millions	31.3 2004	31.3 2003	31.12 2003
Net cashflow from operating activities	98	-418	791
Net cashflow from investing activities	-3	-215	-81
Net cashflow from financing activities	-21	147	-757
Translation adjustments	68	118	238
Net decrease (-) / increase (+) in cash and bank deposits	142	-368	191
Cash and bank deposits as at 1 January	3 561	3 370	3 370
Cash and bank deposits as at end of period	3 703	3 002	3 561

EQUITY RECONCILIATION

Amounts in NOK millions	31.3 2004	31.3 2003	31.12 2003
Equity at the beginning of the period	1 974	1 896	1 896
Net profit/loss	68	-139	-353
Translation differences	45	267	431
Equity at the end of the period	2 087	2 024	1 974

Segments:

TURNOVER BY SEGMENT

Amounts in NOK millions	31.3 2004	31.3 2003	31.12 2003
Field Development	2 034	2 077	8 244
MMO	1 525	1 470	6 311
Subsea, Products & Technologies	1 614	1 514	6 741
Pulping & Power	1 148	621	3 682
Process	1 607	1 766	7 163
Other	-213	-209	-814
Total Group	7 715	7 239	31 327

EBITDA BY SEGMENT

Amounts in NOK millions	31.3 2004	31.3 2003	31.12 2003
Field Development	94	22	158
MMO	54	70	241
Subsea, Products & Technologies	94	94	399
Pulping & Power	73	34	209
Process	50	16	129
Other	-41	-27	-133
Total Group	324	209	1 003

EBIT BY SEGMENT

	31.3	31.3	31.12
Amounts in NOK millions	2004	2003	2003
Field Development	62	-15	-1
MMO	29	44	132
Subsea, Products & Technologies	42	55	224
Pulping & Power	54	17	140
Process	28	-10	21
Other	-54	-32	-161
Total Group	161	59	355

NET CURRENT OPERATING ASSETS BY SEGMENT

	31.3	31.3	31.12
Amounts in NOK millions	2004	2003	2003
Field Development	-114	-637	-462
MMO	286	443	396
Subsea, Products & Technologies	785	1 061	679
Pulping & Power	-723	-71	-314
Process	-334	216	-404
Other	129	-78	-87
Total Group	29	934	-192

CAPITAL EMPLOYED BY SEGMENT

	31.3	31.3	31.12
Amounts in NOK millions	2004	2003	2003
Field Development	1 326	1 107	1 012
MMO	1 650	1 905	1 783
Subsea, Products & Technologies	2 002	2 380	1 964
Pulping & Power	106	178	-116
Process	42	1 378	631
Other	282	-2	-6
Total Group	5 408	6 946	5 268