

January – June 2004:

## On a steady course

**In the second quarter this year, Aker Kvaerner continued on a steady course towards its stated targets. Profits continued to grow, the order intake was strong and main markets developed positively.**

Good progress on several large projects resulted in a relatively strong first six months this year.

Profits increased in the three-month period, taking earnings before interest, tax, depreciation and amortisation for the first six months of the year to NOK 659 million, up from NOK 403 million in the same period last year.

Order intake was NOK 10.3 billion, and the order reserve at the end of June was a two-year record high NOK 32.4 billion. Generally, all main markets have developed favourably this year. Early phase study work has picked up and bidding activity is high.

Cash flow from operating activities for the first six months this year was negative NOK 104 million, reflecting a NOK 0.7 billion increase in net current operating assets. Cash and bank deposits at the end of June remained at a comfortable NOK 3.3 billion.

In the second quarter, all segments reported earnings in

line with, or better than, the first quarter this year, while year-to-date profits were significantly better than last year. The year-to-date profits for 2003 included special gains of NOK 30 million and NOK 37 million from property sales in MMO and SPT respectively.

This positive development is the result of a general market improvement in addition to a strong focus on improving operational efficiency, project execution, and of various change programmes which have been implemented throughout the Aker Kvaerner group. Competitiveness has been strengthened resulting in a healthy and well-balanced order reserve. The overall predictability and robustness of the group are improving.

Aker Kvaerner continues on its steady course towards its stated financial targets: An EBITDA in the first part of 2005 of approximately NOK 1.5 billion on an annualised basis, and 2006-EBITDA of NOK 1.75 billion.

### Consolidated key figures

(in NOK million)	2Q03	3Q03	4Q03	1Q04	2Q04	YTD03	YTD04	2003
Operating revenues	7,563	7,459	9,066	7,715	<b>8,857</b>	14,802	<b>16,572</b>	31,327
<b>EBITDA</b>	<b>194</b>	<b>257</b>	<b>343</b>	<b>324</b>	<b>335</b>	<b>403</b>	<b>659</b>	<b>1,003</b>
Depreciation	-87	-81	-91	-74	<b>-79</b>	-161	<b>-153</b>	-333
Earnings before interest, tax and amortisation (EBITA)	107	176	252	250	<b>256</b>	242	<b>506</b>	670
Amortisation	-76	-77	-86	-89	<b>-78</b>	-152	<b>-167</b>	-315
Earnings before interest and exceptionals	31	99	166	161	<b>178</b>	90	<b>339</b>	355
Exceptional items	-87	0	-365	0	<b>0</b>	-87	<b>0</b>	-452
<b>Earnings before interest and tax (EBIT)</b>	<b>-56</b>	<b>99</b>	<b>-199</b>	<b>161</b>	<b>178</b>	<b>3</b>	<b>339</b>	<b>-97</b>
Profit after financial items	-123	115	-173	91	<b>69</b>	-280	<b>160</b>	-338
Net profit	-117	69	-159	66	<b>48</b>	-258	<b>114</b>	-348
Total assets	18,789	18,372	18,773	19,559	<b>20,155</b>			
Equity	2,110	1,971	2,031	2,143	<b>2,145</b>			
Equity ratio (%)	11.2	10.7	10.8	11.0	<b>10.6</b>			
Combined ratio including subordinated debt (%)	32.9	32.6	31.9	31.6	<b>31.0</b>			
Net interest-bearing liabilities (-)/receivables (+)	-219	-220	454	488	<b>203</b>			
Cash and short-term interest-bearing receivables	2,834	2,878	3,558	3,701	<b>3,277</b>			
Total net current operating assets	436	411	-192	29	<b>534</b>			
Order intake	9,671	7,212	9,633	7,323	<b>10,301</b>	20,057	<b>17,624</b>	36,902
Order reserve	31,569	30,798	31,491	31,105	<b>32,442</b>			

# Aker Kvaerner

## Status operations

The lost time incidents frequency (incidents per million man-hours) for the Aker Kvaerner group was slightly above one in the second quarter of 2004. As previously reported, the group has committed to a step change improvement programme within this area, the details of which are currently being laid out.

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

Several units with high sick leave historically, have engaged in different programmes to reduce absence with positive results.

## Field Development (FD)

(in NOK million)	2Q03	2Q04	YTD03	YTD04	2003
Op revenues	1,908	2,467	3,985	4,501	8,244
EBITDA	7	94	29	188	158
Order intake	1,003	2,864	3,546	4,207	8,516
Order reserve	6,892	7,135	6,892	7,135	7,701
Employees	5,633	4,679	5,633	4,679	5,200

FD reported growing activity in the second quarter. Profits are in line with the first quarter, and significantly stronger than last year. EBITDA for the first six months this year was 19 per cent higher than for the full 2003 year.

In Norway, Aker Kvaerner secured the first major engineering, procurement and construction (EPC) contract on the Ormen Lange project. Progress on other ongoing projects was satisfactory, and Aker Kvaerner sees a potential for increased scope on several of these.

With its unique gravity base offshore terminal solutions, Aker Kvaerner has a competitive edge in the LNG market segment. Planning and engineering for three offshore LNG regasification terminals under contract continued to progress as planned. Additionally, Aker Kvaerner has become involved in the early stages of conceptual development for another three potential onshore and offshore terminals in the USA.

In August, Aker Kvaerner received a letter of intent to provide seven barges for development of the Kashagan field in Kazakhstan. This positions the group well for further work in the region.

## Maintenance, Modifications and Operations (MMO)

(in NOK million)	2Q03	2Q04	YTD03	YTD04	2003
Op revenues	1,533	1,594	3,003	3,119	6,311
EBITDA	69	57	139	111	241
Order intake	1,323	1,039	3,612	2,104	6,510
Order reserve	8,691	7,304	8,691	7,304	8,283
Employees	5,503	5,171	5,503	5,171	5,224

Good progress and financial performance on modification projects resulted in another relatively strong quarter. The EBITDA so far this year was in line with last year, which included a special gain of NOK 30 million from property sales.

In April, Aker Kvaerner secured a strategically important first contract as duty holder on the UK shelf, and in Norway, the group will be involved in the Ormen Lange EPC contract which is mentioned above. The order intake overall was satisfactory, but there were few big contracts up for bid in the quarter.

Entering the second half of the year, bidding activity has picked up. Aker Kvaerner expects that a number of major modification projects will be sanctioned in the next 12-18 months.

In the UK, Aker Kvaerner entered into a pre-bid agreement for onshore disposal of the Frigg field installations, with local partners on Shetland.

## Subsea, Products & Technologies (SPT)

(in NOK million)	2Q03	2Q04	YTD03	YTD04	2003
Op revenues	1,779	1,779	3,293	3,393	6,741
EBITDA	93	102	187	196	399
Order intake	2,809	2,458	4,401	4,366	7,436
Order reserve	5,101	5,790	5,101	5,790	4,897
Employees	3,697	3,348	3,697	3,348	3,468

In the second quarter, the operational and financial performance improved in all main business units. EBITDA year-to-date last year included a special gain of NOK 37 million related to property sales.

The order intake was strong, only slightly less than the record second quarter last year when the Dalia subsea project was awarded. The order intake in the second quarter this year includes several new contracts, as well as growth on existing projects.

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## Process (PRO)

(in NOK million)	2Q03	2Q04	YTD03	YTD04	2003
Op revenues	1,626	2,053	3,392	3,660	7,163
EBITDA	21	52	37	102	129
Order intake	2,638	2,581	5,781	4,984	9,190
Order reserve	8,460	8,691	8,460	8,691	7,310
Employees	5,513	5,266	5,513	5,266	5,528

EBITDA in the second quarter this year was in line with the previous quarters, and significantly stronger than in the corresponding period last year. Good progress and earned performance bonus on projects nearing completion were the main reasons for the improvement.

The order intake was strong, and the bidding activity is currently high. Chemetics recently secured major contracts for delivery of sulphur acid projects in Chile, Pakistan and Australia.

One petrochemical project in China was announced in the third quarter 2003. The contract was confirmed in August this year and the remaining NOK 1.1 billion scope will be booked as order intake in the third quarter this year.

Aker Kvaerner's construction businesses in the USA continue to be involved in a series of power plant projects. The emerging market for construction of LNG regasification terminals represents an important new opportunity for these business streams, and several onshore and offshore EPC LNG regasification terminals projects are currently in the tendering phase.

## Pulping & Power (P&P)

(in NOK million)	2Q03	2Q04	YTD03	YTD04	2003
Op revenues	918	1,192	1,539	2,340	3,682
EBITDA	34	69	68	142	209
Order intake	2,138	1,485	3,237	2,359	6,230
Order reserve	3,340	4,166	3,340	4,166	4,178
Employees	1,877	1,975	1,877	1,975	1,938

P&P reported a comfortable NOK 69 million EBITDA in the second quarter 2004, with major projects developing favourably. Profits were in line with previous quarters, and significantly up from last year.

The order intake in April-June was strong, and the high bidding activity has continued into the third quarter.

**Unallocated corporate costs** in the second quarter amounted to NOK 38 million. The corporate cost level was at about the same level as in the previous quarter. Both in the first and second quarter, the costs were impacted by the corporate restructuring and refinancing which took place earlier this year.

## Group financials

The second quarter consolidated revenues amounted to NOK 8,857 million. This is higher than the previous quarter, reflecting increased activity in all reporting segments.

Profits were in line with the previous quarter. The year-to-date earnings are significantly better than last year. EBITDA for the first six months this year was NOK 659 million compared with NOK 403 million in the same period last year.

In the first six months, net financial items amounted to negative NOK 179 million. The interest expenses in the second quarter include interest expenses on new loans arranged in the beginning of the second quarter. The accounting practice of accruing the interest costs on the subordinated debt over its duration (10 years), although it is interest free for the five first years, until 30 October 2006, is still being followed. Net financial items were also affected by write-downs of investments in certain associated companies, and swap costs in connection with hedging.

Profit after financial items for the first six months was NOK 160 million, compared with a loss of NOK 280 million last year, and net profit per share for the first six months this year was NOK 2.05.

Following completion of the refinancing in the first quarter, Aker Kvaerner has a sound financial platform. Long-term interest-bearing borrowings amounted to NOK 3.1 billion at the end of June. In addition, the subordinated bond, which is interest free until fourth quarter 2006, is included in the balance sheet at nominal value of NOK 4.1 billion. The subordinated debt and equity yielded a combined ratio of 31.0 per cent at the end of June.

Oslo, 20 August 2004  
The Board of Directors

## AKER KVAERNER GROUP IN FIGURES

Group summary: Amounts in NOK millions	PROFIT AND LOSS ACCOUNT					
	Q1 2004	Q2 2004	Q2 2003	1.1 - 30.6 2004 2003		1.1 - 31.12 2003
Operating revenues	7 715	8 857	7 563	16 572	14 802	31 327
Operating expenses	-7 391	-8 522	-7 369	-15 913	-14 399	-30 324
<b>EBITDA</b>	324	335	194	659	403	1 003
Depreciation	-74	-79	-87	-153	-161	-333
Amortisation	-89	-78	-76	-167	-152	-315
<b>Operating profit before exceptional items</b>	161	178	31	339	90	355
Exceptional items	-	-	- 87	-	-87	-452
<b>Operating profit</b>	161	178	-56	339	3	-97
Financial items	-70	-109	-67	-179	-283	-241
<b>Profit/loss before tax</b>	91	69	-123	160	-280	-338
Taxation	-25	-21	6	-46	22	-10
<b>Net profit/loss</b>	66	48	-117	114	-258	-348
Minority interests	-2	3	4	1	2	5
Majority share	68	45	-121	113	-260	-353
<b>Earnings per share (NOK)</b>	1,24	0,82	-2,20	2,05	-4,72	-6,41

Amounts in NOK millions	BALANCE SHEET				
	31.3 2004	30.6 2004		30.6 2003	31.12 2003
Deferred tax asset	236	254		224	241
Goodwill, patents etc	4 347	4 269		4 593	4 386
Tangible fixed assets	1 395	1 346		1 577	1 422
Other long-term operating assets	82	68		120	106
Long-term investments	113	96		118	106
Interest-bearing long-term receivables	29	38		91	30
Current operating assets	9 654	10 805		9 232	8 922
Short-term share investments	2	2		2	2
Interest-bearing receivables	1	2		-	-
Cash and bank deposits	3 700	3 275		2 832	3 558
<b>Total assets</b>	19 559	20 155		18 789	18 773
Equity	2 084	2 084		2 050	1 971
Minority interests	59	61		60	60
Deferred tax	7	4		4	7
10-year subordinated debt	4 044	4 093		4 075	3 946
Other long-term liabilities	445	474		576	454
Interest-bearing long-term debt	3 116	3 089		3 138	3 133
Taxes payable	50	56		80	82
Other current operating liabilities	9 625	10 271		8 797	9 114
Interest-bearing current liabilities	129	23		9	6
<b>Total liabilities and equity</b>	19 559	20 155		18 789	18 773

Amounts in NOK millions	CASHFLOW					
	Q1 2004	Q2 2004	Q2 2003	1.1 - 30.6 2004 2003		31.12 2003
Net cashflow from operating activities	98	-202	627	-104	209	791
Net cashflow from investing activities	-3	-98	75	-101	-140	-81
Net cashflow from financing activities	-21	-48	-877	-69	-730	-757
Translation adjustments	68	-77	4	-9	122	238
<b>Net decrease (-) / increase (+) in cash and bank deposits</b>	142	-425	-171	-283	-539	191
Cash and bank deposits as at start of period	3 558	3 700	2 999	3 558	3 367	3 367
<b>Cash and bank deposits as at end of period</b>	3 700	3 275	2 828	3 275	2 828	3 558

Amounts in NOK millions	EQUITY RECONCILIATION					
	Q1 2004	Q2 2004	Q2 2003	1.1 - 30.6 2004 2003		31.12 2003
Equity at the beginning of the period	1 971	2 084	2 021	1 971	1 893	1 893
Net profit/loss	68	45	-260	113	-260	-353
Translation differences	45	-45	289	0	417	431
<b>Equity at the end of the period</b>	<b>2 084</b>	<b>2 084</b>	<b>2 050</b>	<b>2 084</b>	<b>2 050</b>	<b>1 971</b>

# Aker Kvaerner

## Segments:

### TURNOVER BY SEGMENT

Amounts in NOK millions	Q1	Q2	Q2	1.1 - 30.6		1.1 - 31.12
	2004	2004	2003	2004	2003	2003
Field Development	2 034	2 467	1 908	4 501	3 985	8 244
MMO	1 525	1 594	1 533	3 119	3 003	6 311
Subsea, Products & Technologies	1 614	1 779	1 779	3 393	3 293	6 741
Pulping & Power	1 148	1 192	918	2 340	1 539	3 682
Process	1 607	2 053	1 626	3 660	3 392	7 163
Other	-213	-228	-201	-441	-410	-814
<b>Total Group</b>	<b>7 715</b>	<b>8 857</b>	<b>7 563</b>	<b>16 572</b>	<b>14 802</b>	<b>31 327</b>

### EBITDA BY SEGMENT

Amounts in NOK millions	Q1	Q2	Q2	1.1 - 30.6		1.1 - 31.12
	2004	2004	2003	2004	2003	2003
Field Development	94	94	7	188	29	158
MMO	54	57	69	111	139	241
Subsea, Products & Technologies	94	102	93	196	187	399
Pulping & Power	73	69	34	142	68	209
Process	50	52	21	102	37	129
Other	-41	-39	-30	-80	-57	-133
<b>Total Group</b>	<b>324</b>	<b>335</b>	<b>194</b>	<b>659</b>	<b>403</b>	<b>1 003</b>

### EBIT BY SEGMENT

Amounts in NOK millions	Q1	Q2	Q2	1.1 - 30.6		1.1 - 31.12
	2004	2004	2003	2004	2003	2003
Field Development	62	60	-35	122	-50	-1
MMO	29	33	43	62	87	132
Subsea, Products & Technologies	42	61	50	103	105	224
Pulping & Power	54	51	17	105	34	140
Process	28	33	-8	61	-18	21
Other	-54	-60	-36	-114	-68	-161
<b>Total Group</b>	<b>161</b>	<b>178</b>	<b>31</b>	<b>339</b>	<b>90</b>	<b>355</b>

### NET CURRENT OPERATING ASSETS BY SEGMENT

Amounts in NOK millions	31.3	30.6	30.6		31.12
	2004	2004	2003	2003	2003
Field Development	-114	-80		-715	-462
MMO	286	346		540	396
Subsea, Products & Technologies	785	856		1 035	679
Pulping & Power	-723	-777		-132	-314
Process	-334	-119		-255	-404
Other	129	308		-37	-87
<b>Total Group</b>	<b>29</b>	<b>534</b>		<b>436</b>	<b>-192</b>

### NET OPERATING ASSETS BY SEGMENT

Amounts in NOK millions	31.3	30.6	30.6		31.12
	2004	2004	2003	2003	2003
Field Development	1 326	1 317		738	1 012
MMO	1 650	1 684		1 976	1 783
Subsea, Products & Technologies	2 002	2 002		2 349	1 964
Pulping & Power	106	-480		132	-116
Process	42	737		916	631
Other	282	483		38	-6
<b>Total Group</b>	<b>5 408</b>	<b>5 743</b>		<b>6 149</b>	<b>5 268</b>

The quarterly report is prepared in accordance with the same accounting principles as the annual accounts and is presented in conformity with the Norwegian Accounting Standard 11, Interim Financial Reporting.