

January – September 2004

Record backlog, steady course confirmed

In the third quarter this year, profits continued to grow, confirming Aker Kvaerner's steady course towards its stated targets. EBITDA in the first nine months this year was 55 per cent higher than in the corresponding nine-month period last year. Main markets developed positively, and several large orders were secured by the group, resulting in a record high order reserve.

Good progress on several large projects resulted in a relatively strong third quarter and first nine months this year.

Profits increased in the three-month period, taking EBITDA for the first nine months of the year to NOK 1,023 million, up from NOK 660 million in the same period last year.

Order intake was NOK 12.6 billion, and the order reserve at the end of September was a record high NOK 35.6 billion. Generally, 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 nine months this year was negative NOK 105 million, reflecting a NOK 0.9 billion increase in net current operating assets. Cash and bank deposits at the end of September remained at a comfortable NOK 2.9 billion after a NOK 200 million down-payment of

bank debt in the quarter.

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)	3Q03	4Q03	1Q04	2Q04	3Q04	YTD03	YTD04	2003
Operating revenues	7,459	9,066	7,715	8,857	8,921	22,261	25,493	31,327
EBITDA	257	343	324	335	364	660	1,023	1,003
Depreciation	-81	-91	-74	-79	-72	-242	-225	-333
Earnings before interest, tax and amort. (EBITA)	176	252	250	256	292	418	798	670
Amortisation	-77	-86	-89	-78	-75	-229	-242	-315
Earnings before interest and exceptionals	99	166	161	178	217	189	556	355
Exceptional items	0	-365	0	0	0	-87	0	-452
Earnings before interest and tax (EBIT)	99	-199	161	178	217	102	556	-97
Profit after financial items	115	-173	91	69	125	-165	285	-338
Net profit	69	-159	66	48	47	-189	161	-348
Total assets	18,372	18,773	19,559	20,155	19,533			
Equity	1,971	2,031	2,143	2,145	2,110			
Equity ratio (%)	10.7	10.8	11.0	10.6	10.8			
Combined ratio including subordinated debt (%)	32.6	31.9	31.6	31.0	31.6			
Net interest-bearing liabilities (-)/receivables (+)	-220	454	488	203	52			
Cash and short-term interest-bearing receivables	2,878	3,558	3,701	3,277	2,901			
Total net current operating assets	411	-192	29	534	726			
Order intake	7,212	9,633	7,323	10,301	12,637	27,269	30,261	36,902
Order reserve	30,798	31,491	31,105	32,442	35,562			

Numbers for 2003 and 1st quarter 2004 are proforma

Status operations

The lost time injury frequency (injuries per million man-hours) for the Aker Kvaerner group was slightly above one in the third quarter of 2004. The HSE step change improvement programme is under development, and includes elements such as a group-wide HSE operating system, mandatory HSE training, common HSE standards, and a shift in focus from lagging to leading indicators. Also, the focus on HSE as a personal responsibility and core value is key to the step change programme and in the new HSE policy.

The total recordable injury frequency (lost time injuries and non-lost time injuries per million man-hours) was 5.3 in the third quarter this year compared to 7.0 for the year 2003. Sick leave for the group as a whole maintains the good trend from the previous quarters, down from 4 percent for 2003 to 2.85 percent for the 3rd quarter this year.

Field Development (FD)

(in NOK million)	3Q03	3Q04	YTD03	YTD04	2003
Op revenues	2,064	2,414	6,049	6,915	8,244
EBITDA	33	84	62	272	158
Order intake	2,406	5,098	5,952	9,305	8,516
Order backlog	7,187	9,859	7,187	9,859	7,701
Employees	5,507	4,640	5,507	4,640	5,200

In the third quarter this year, FD reported operating revenues and profits in line with previous quarters. The profit is significantly stronger than last year. EBITDA for the first nine months this year was 72 percent higher than for the full year 2003.

Two major contracts were awarded to FD in the third quarter, the main installation contract for the Ormen Lange onshore plant, and to provide seven barges for development of the Kashagan field in Kazakhstan. The main installation contract for Ormen Lange is Aker Kvaerner's third large contract for the Ormen Lange project.

The order intake was high in the third quarter, giving an increase in the order reserve of 38 per cent compared to the second quarter.

Maintenance, Modifications and Operations (MMO)

(in NOK million)	3Q03	3Q04	YTD03	YTD04	2003
Op revenues	1,547	1,636	4,550	4,755	6,311
EBITDA	52	83	191	194	241
Order intake	1,169	3,131	4,781	5,235	6,510
Order backlog	8,302	8,758	8,302	8,758	8,283
Employees	5,490	4,999	5,490	4,999	5,224

MMO reported stable operating revenues in the third quarter this year compared to previous quarters, while good performance on projects, particularly on projects nearing completion, resulted in a relatively strong profit. The EBITDA for the third quarter was 46 percent higher than for the second quarter, and the EBITDA so far this year was in line with last year. In 2003 a special gain of NOK 30 million from property sales was included.

In October, MMO was awarded a NOK 3.0 billion contract for engineering, preparation, removal and disposal of the Frigg field installations. This contract is not included in the third quarter order backlog stated above.

The Frigg contract confirms that Aker Kvaerner is recognised for its competence, technology and facilities for decommissioning of offshore installations. The MMO companies will also be involved in the Ormen Lange projects and the Kashagan project as mentioned above.

The order intake has been good in the third quarter, giving an increase in order reserve of 20 percent compared with the second quarter.

Subsea, Products & Technologies (SPT)

(in NOK million)	3Q03	3Q04	YTD03	YTD04	2003
Op revenues	1,507	1,900	4,800	5,293	6,741
EBITDA	111	168	298	364	399
Order intake	1,528	1,645	5,929	6,011	7,436
Order backlog	5,149	5,543	5,149	5,543	4,897
Employees	3,599	3,381	3,599	3,381	3,468

In the third quarter this year, SPT has had a high activity level compared to previous quarters. The operational and financial performance have been good.

EBITDA for the third quarter was 65 percent higher than in the second quarter and 22 percent higher so far this year compared to the same period last year. The strong third quarter profit is partly a result of strong performance on key projects. EBITDA year-

Aker Kvaerner

to-date last year included a special gain of NOK 37 million related to property sale.

While no new large orders were booked in the third quarter, the order intake remained satisfactory due to many smaller contracts, and the order reserve is strong.

Process (PRO)

(in NOK million)	3Q03	3Q04	YTD03	YTD04	2003
Op revenues	1,637	2,155	5,029	5,815	7,163
EBITDA	45	3	82	105	129
Order intake	1,249	1,961	7,030	6,945	9,190
Order backlog	7,632	7,896	7,632	7,896	7,310
Employees	5,621	6,231	5,621	6,231	5,528

The activity level was higher in the third quarter this year compared to the second quarter, and significantly up from same period last year. The process onshore business benefits from the growth in China and large capex projects in Europe and the Middle East.

The profit levels remained stable in most business streams in the third quarter, but the total business area EBITDA is significantly down due to a reversal of profit, restructuring and downsizing costs in the Engineering Services business.

The investment level on existing plants in the chemical and pharmaceutical industries in Europe has been low due to ongoing restructuring, and the impact of low product prices.

The new-build process business is enjoying high workload and is performing well.

The order intake in the third quarter was satisfactory, although the order reserve was slightly down compared to previous quarters. Amendment of one frame agreement has resulted in a reduction of order backlog by NOK 600 million.

Pulping & Power (P&P)

(in NOK million)	3Q03	3Q04	YTD03	YTD04	2003
Op revenues	892	1,064	2,431	3,404	3,682
EBITDA	50	58	118	200	209
Order intake	1,043	932	4,280	3,291	6,230
Order backlog	3,421	4,064	3,421	4,064	4,178
Employees	1,905	1,997	1,905	1,997	1,938

In the third quarter this year, P&P reported slightly lower revenues and EBITDA than in the previous quarters. This seasonal variation is result of the summer holiday shut-down period in the Nordic

countries. EBITDA was still at a comfortable level, and in line with last year.

EBITDA for the first nine months this year was 69 percent higher than for the same period last year, due to Power's significantly improved performance.

Order intake in the first nine months was comfortable. The bidding activity remains high, as the pulping industry is continuing its relatively high new capacity investment programme. The service market also continues to grow.

Unallocated corporate costs in the third quarter amounted to NOK 32 million. The corporate cost level was reduced from NOK 41 million and NOK 39 million in the two previous quarters that were impacted by the corporate restructuring and refinancing that took place earlier this year.

Group financials

The third quarter consolidated revenues amounted to NOK 8,921 million. This is in line with the previous quarter, reflecting sustained activity level in all reporting segments.

Profits increased compared with the previous quarter. The year-to-date earnings are significantly better than last year. EBITDA for the first nine months this year was NOK 1,023 million compared with NOK 660 million for the same period last year.

In the first nine months, net financial items are negative NOK 271 million and negative NOK 92 million in the third quarter. The interest expenses in the third 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.

Profit after financial items for the first nine months was NOK 285 million, compared with a loss of NOK 165 million in the same period last year. Net profit per share for the first nine months this year was NOK 2.80.

Aker Kværner ASA and Kværner ASA have agreed on a post-restructuring pro and contra settlement which concludes all outstanding issues after the demerger in spring 2004. This has resulted in that Aker Kvaerner has absorbed translation currency effects in the first quarter 2004 related to the 10 year subordinated loan. This is charged to equity.

Aker Kvaerner

As part of the settlement, the parties have agreed to transfer Kvaerner Metals, Pittsburgh, valued at NOK 50 million, to Aker Kvaerner in the fourth quarter 2004, and are also discussing similar transfer of other activities with operations within Aker Kvaerner's core businesses.

Long-term interest-bearing debt amounted to NOK 2.9 billion at the end of September this year. In addition, the subordinated bond, which is interest free until fourth quarter 2006, is included in the balance sheet at a nominal value of NOK 4.1 billion.

The equity ratio at the end of September was 10.8 percent, in line with previous quarters, despite recalculation of currency effects in conjunction with the refinancing of the group earlier this year. The subordinated debt and equity yielded a combined ratio of 31.6 percent at the end of September.

Oslo, 12 November 2004
The Board of Directors

AKER KVAERNER GROUP IN FIGURES

Group summary:

Amounts in NOK millions	PROFIT AND LOSS ACCOUNT						
	Q1 2004	Q2 2004	Q3 2004	Q3 2003	1.1 - 30.9 2004 2003		1.1 - 31.12 2003
Operating revenues	7 715	8 857	8 921	7 459	25 493	22 261	31 327
Operating expenses	-7 391	-8 522	-8 557	-7 202	-24 470	-21 601	-30 324
EBITDA	324	335	364	257	1 023	660	1 003
Depreciation	-74	-79	-72	-81	-225	-242	-333
Amortisation	-89	-78	-75	-77	-242	-229	-315
Operating profit before exceptional items	161	178	217	99	556	189	355
Exceptional items	-	-	-	-	-	-87	-452
Operating profit	161	178	217	99	556	102	-97
Financial items	-70	-109	-92	16	-271	-267	-241
Profit/loss before tax	91	69	125	115	285	-165	-338
Taxation	-25	-21	-78	-46	-124	-24	-10
Net profit/loss	66	48	47	69	161	-189	-348
Minority interests	-2	3	6	2	7	6	5
Majority share	68	45	41	67	154	-195	-353
Earnings per share (NOK)	1,24	0,82	0,75	1,22	2,80	-3,54	-6,41

BALANCE SHEET

Amounts in NOK millions	31.3	30.6	30.9	30.9		31.12
	2004	2004	2004	2003	2003	2003
Deferred tax asset	236	254	258	200		241
Goodwill, patents etc	4 347	4 269	4 164	4 474		4 386
Tangible fixed assets	1 395	1 346	1 370	1 556		1 422
Other long-term operating assets	82	68	46	112		106
Long-term investments	113	96	92	111		106
Interest-bearing long-term receivables	29	38	21	41		30
Current operating assets	9 654	10 805	10 679	8 998		8 922
Short-term share investments	2	2	2	2		2
Interest-bearing receivables	1	2	2	4		-
Cash and bank deposits	3 700	3 275	2 899	2 874		3 558
Total assets	19 559	20 155	19 533	18 372		18 773
Equity	2 084	2 084	2 043	1 907		1 971
Minority interests	59	61	67	64		60
Deferred tax	7	4	53	1		7
10-year subordinated debt	4 044	4 093	4 068	4 023		3 946
Other long-term liabilities	445	474	428	579		454
Interest-bearing long-term debt	3 116	3 089	2 859	3 133		3 133
Taxes payable	50	56	51	68		82
Other current operating liabilities	9 625	10 271	9 953	8 588		9 114
Interest-bearing current liabilities	129	23	11	9		6
Total liabilities and equity	19 559	20 155	19 533	18 372		18 773

CASHFLOW

Amounts in NOK millions	Q1	Q2	Q3	Q3	1.1 - 30.9		31.12
	2004	2004	2004	2003	2004	2003	2003
Net cashflow from operating activities	98	-202	-1	47	-105	256	791
Net cashflow from investing activities	-3	-98	-35	23	-136	-117	-81
Net cashflow from financing activities	-21	-48	-204	-27	-273	-757	-757
Translation adjustments	68	-77	-136	3	-145	125	238
Net decrease (-) / increase (+) in cash and bank deposits	142	-425	-376	46	-659	-493	191
Cash and bank deposits as at start of period	3 558	3 700	3 275	2 828	3 558	3 367	3 367
Cash and bank deposits as at end of period	3 700	3 275	2 899	2 874	2 899	2 874	3 558

EQUITY RECONCILIATION

Amounts in NOK millions	Q1	Q2	Q3	Q3	1.1 - 30.9		31.12
	2004	2004	2004	2003	2004	2003	2003
Equity at the beginning of the period	1 971	2 084	2 084	2 050	1 971	1 893	1 893
Net profit/loss	68	45	41	67	154	-195	-353
Translation differences	45	-45	-82	-210	-82	209	431
Equity at the end of the period	2 084	2 084	2 043	1 907	2 043	1 907	1 971

Segments:

TURNOVER BY SEGMENT

Amounts in NOK millions	Q1	Q2	Q3	Q3	1.1 - 30.9		1.1 - 31.12
	2004	2004	2004	2003	2004	2003	2003
Field Development	2 034	2 467	2 414	2 064	6 915	6 049	8 244
MMO	1 525	1 594	1 636	1 547	4 755	4 550	6 311
Subsea, Products & Technologies	1 614	1 779	1 900	1 507	5 293	4 800	6 741
Pulping & Power	1 148	1 192	1 064	892	3 404	2 431	3 682
Process	1 607	2 053	2 155	1 637	5 815	5 029	7 163
Other	-213	-228	-248	-188	-689	-598	-814
Total Group	7 715	8 857	8 921	7 459	25 493	22 261	31 327

EBITDA BY SEGMENT

Amounts in NOK millions	Q1	Q2	Q3	Q3	1.1 - 30.9		1.1 - 31.12
	2004	2004	2004	2003	2004	2003	2003
Field Development	94	94	84	33	272	62	158
MMO	54	57	83	52	194	191	241
Subsea, Products & Technologies	94	102	168	111	364	298	399
Pulping & Power	73	69	58	50	200	118	209
Process	50	52	3	45	105	82	129
Other	-41	-39	-32	-34	-112	-91	-133
Total Group	324	335	364	257	1 023	660	1 003

EBIT BY SEGMENT

Amounts in NOK millions	Q1	Q2	Q3	Q3	1.1 - 30.9		1.1 - 31.12
	2004	2004	2004	2003	2004	2003	2003
Field Development	62	60	50	-5	172	-55	-1
MMO	29	33	59	26	121	113	132
Subsea, Products & Technologies	42	61	133	67	236	172	224
Pulping & Power	54	51	40	32	145	66	140
Process	28	33	-20	18	41	0	21
Other	-54	-60	-45	-39	-159	-107	-161
Total Group	161	178	217	99	556	189	355

NET CURRENT OPERATING ASSETS BY SEGMENT

Amounts in NOK millions	31.3	30.6	30.9		30.9	31.12
	2004	2004	2004		2003	2003
Field Development	-114	-80	44		-374	-462
MMO	286	346	328		558	396
Subsea, Products & Technologies	785	856	880		999	679
Pulping & Power	-723	-777	-666		-330	-314
Process	-334	-119	34		-392	-404
Other	129	308	106		-50	-87
Total Group	29	534	726		411	-192

NET OPERATING ASSETS BY SEGMENT

Amounts in NOK millions	31.3	30.6	30.9		30.9	31.12
	2004	2004	2004		2003	2003
Field Development	1 326	1 317	1 409		1 023	1 012
MMO	1 650	1 684	1 644		1 970	1 783
Subsea, Products & Technologies	2 002	2 002	2 016		2 304	1 964
Pulping & Power	106	-480	-385		-65	-116
Process	42	737	895		724	631
Other	282	483	299		19	-6
Total Group	5 408	5 743	5 878		5 975	5 268

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.