

# Third quarter results 2015



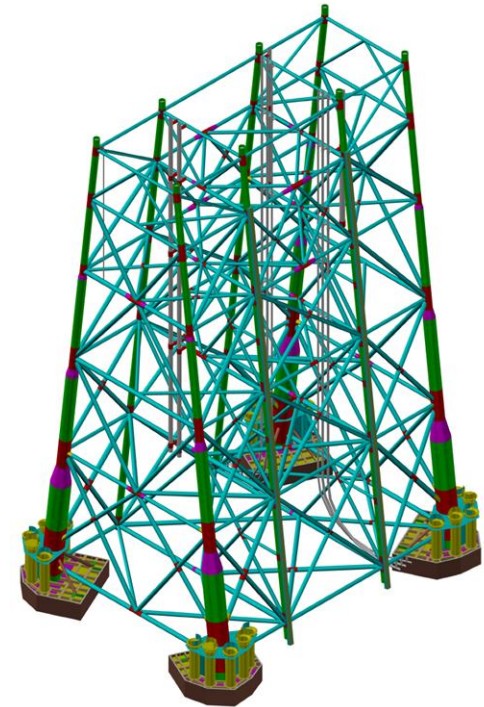
# Highlights

## Third quarter 2015

- All projects on track
- Order backlog of NOK 16.2\* billion
  - Final contract for Sverdrup drilling platform jacket
- Dividend policy revised

## Subsequent events

- Revised operating model
- Sverdrup process platform jacket won
- Longview arbitration award of USD 74 million
- Dividend of NOK 0.15 per share paid



*Johan Sverdrup process platform jacket*

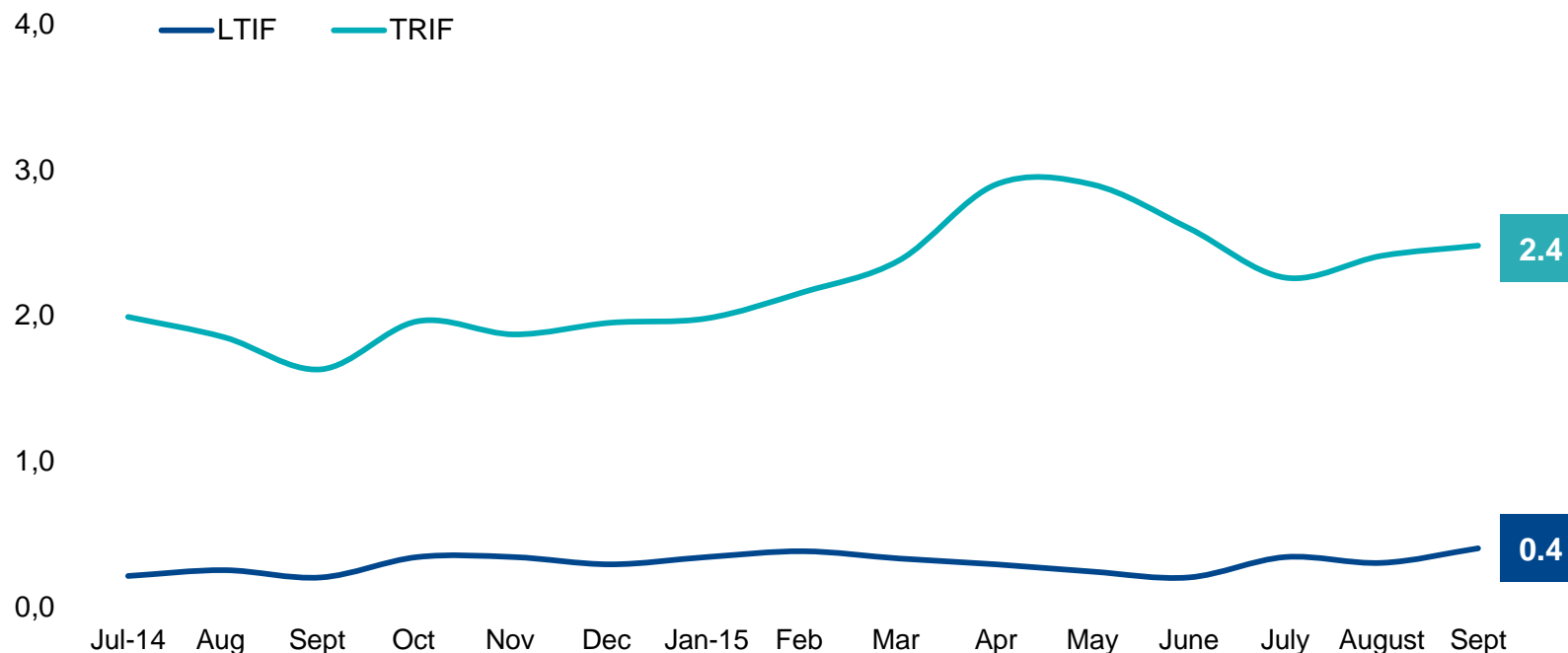
\* Including scope of work of jointly controlled entities.

# HSSE results

- > Two Lost time Injury
- > Fourteen serious incidents, including the two LTIs
- > More than four million worked hours in the quarter

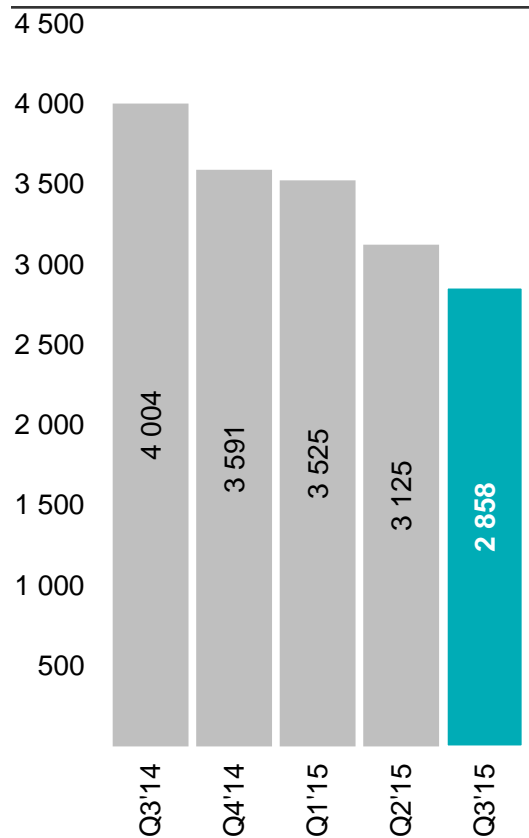
## Lost time incident frequency (LTIF) and Total recorded incident frequency (TRIF)

Per million work hours and 12 months rolling averages

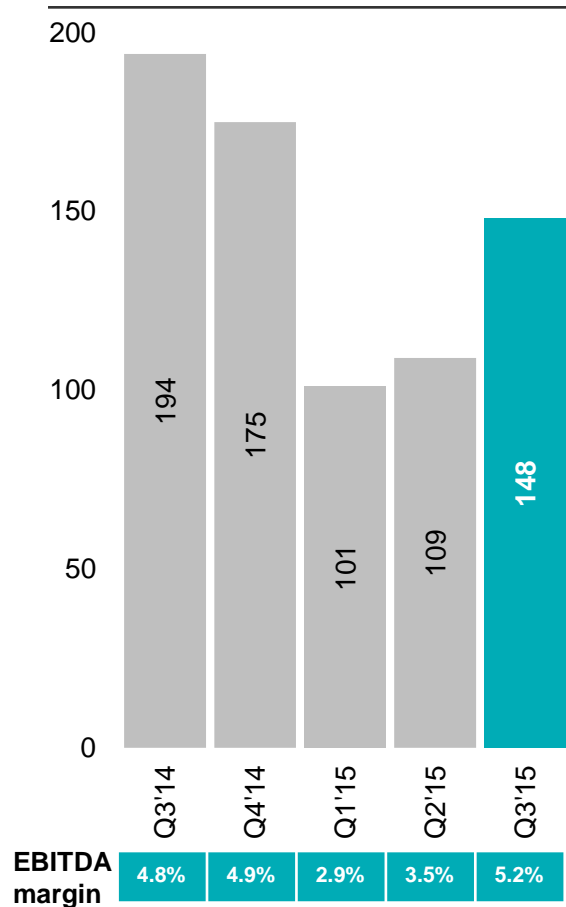


# Key financials

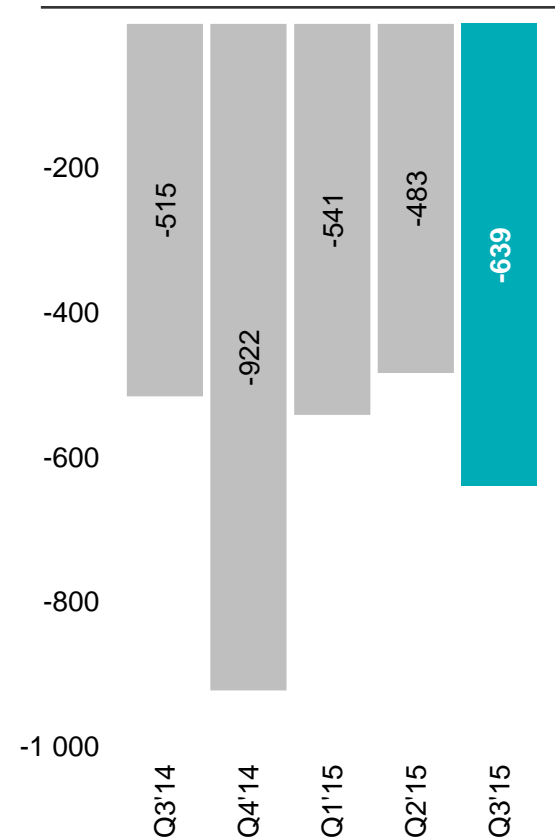
**Revenues**  
NOK million



**EBITDA adjusted<sup>1</sup>**  
NOK million



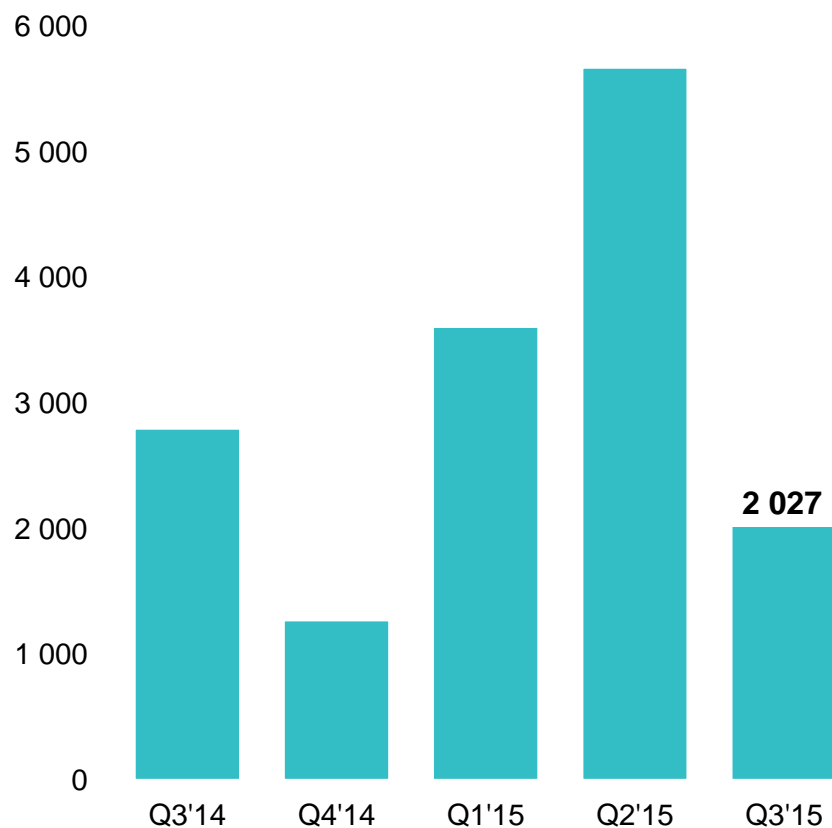
**Net current operating assets**  
NOK million



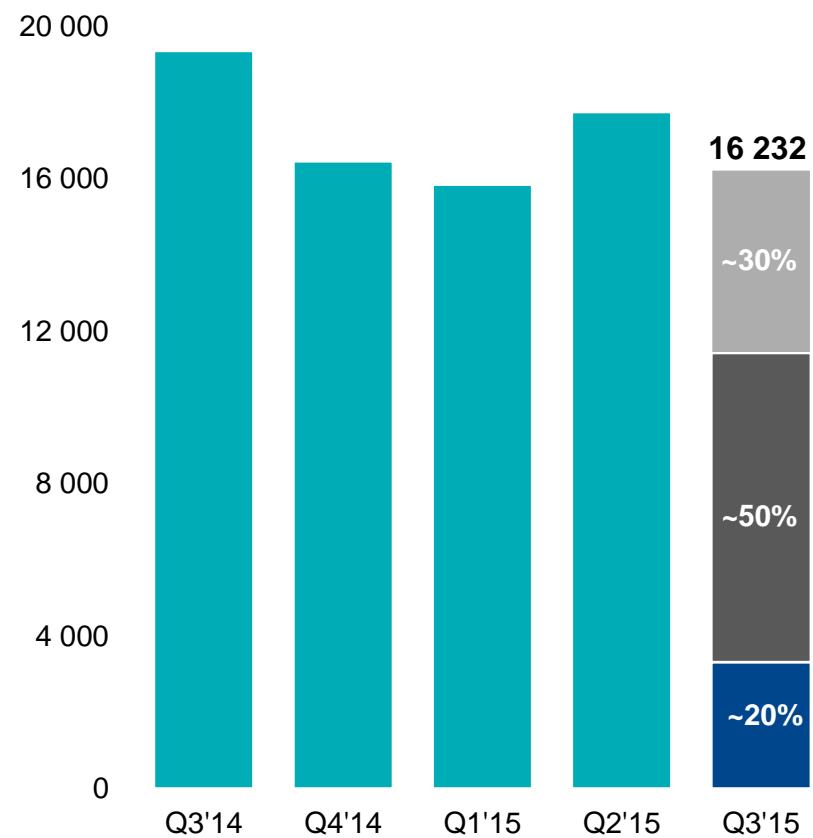
<sup>1</sup> As from Q3 2015, adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

# Order intake and backlog

**Order intake**  
NOK million



**Order backlog**  
NOK million



*Note: All figures include scope of work of jointly controlled entities.*



# Operational highlights



**Edvard Grieg topside** – Assistance for start-up



**Nyhamna** – Bringing the pieces together



**Hebron** - completion of roof slab pour



**Johan Sverdrup topsides and jackets**



# Demonstrating expertise for upgrades and modifications



Copyright: Norske Shell  
Photo: Relevant Film

# Third quarter financials

Eiliv Gjesdal, Chief Financial Officer

**KVÆRNER**<sup>TM</sup>



# Income statement

<i>Amounts in NOK million</i>	Q3 2015	Q2 2015	Q3 2014	YTD 2015	YTD 2014	FY 2014
Total revenue and other income <sup>1</sup>	2 858	3 125	4 004	9 508	10 354	13 945
<b>EBITDA</b>	<b>187</b>	<b>109</b>	<b>194</b>	<b>397</b>	<b>653</b>	<b>828</b>
<b>EBITDA adjusted <sup>2</sup></b>	<b>148</b>	<b>109</b>	<b>194</b>	<b>358</b>	<b>653</b>	<b>828</b>
Depreciation and amortisation	(23)	(19)	(18)	(60)	(50)	(70)
Goodwill impairment	-	-	-	-	-	(266)
<b>EBIT</b>	<b>164</b>	<b>90</b>	<b>176</b>	<b>337</b>	<b>603</b>	<b>492</b>
Net financial income/(expense)	68	(2)	(15)	60	(50)	(105)
Equity accounted investees, incl. impairments	-	(0)	0	(0)	(58)	(59)
<b>Profit before tax</b>	<b>232</b>	<b>88</b>	<b>161</b>	<b>397</b>	<b>494</b>	<b>329</b>
Income tax expense	(137)	(25)	(49)	(187)	(165)	(301)
<b>Profit from continuing operations</b>	<b>95</b>	<b>62</b>	<b>112</b>	<b>210</b>	<b>330</b>	<b>27</b>
<b>Profit/(loss) from discontinued operations</b>	<b>(20)</b>	<b>(26)</b>	<b>(12)</b>	<b>38</b>	<b>(72)</b>	<b>(96)</b>
<b>Net profit/(loss)</b>	<b>74</b>	<b>36</b>	<b>100</b>	<b>247</b>	<b>258</b>	<b>(69)</b>
EBITDA adjusted margin	5.2 %	3.5 %	4.8 %	3.8 %	6.3 %	5.9 %
Earnings per share (NOK)						
Basic and diluted EPS continuing operations	0.35	0.23	0.42	0.78	1.23	0.10
Basic and diluted EPS total operations	0.28	0.13	0.37	0.92	0.96	(0.26)

<sup>1</sup> Revenues excluding Kvaerner's scope of work of jointly controlled entities.

<sup>2</sup> As from Q3 2015, adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

# Upstream review

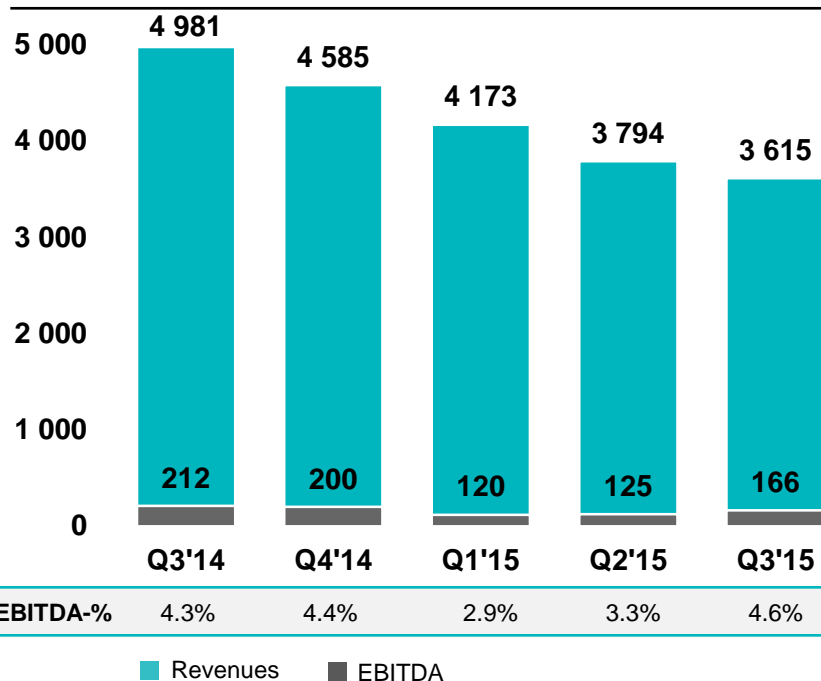
## > Financials

- High activity in Onshore
- Expected revenues of NOK 15 billion in 2015

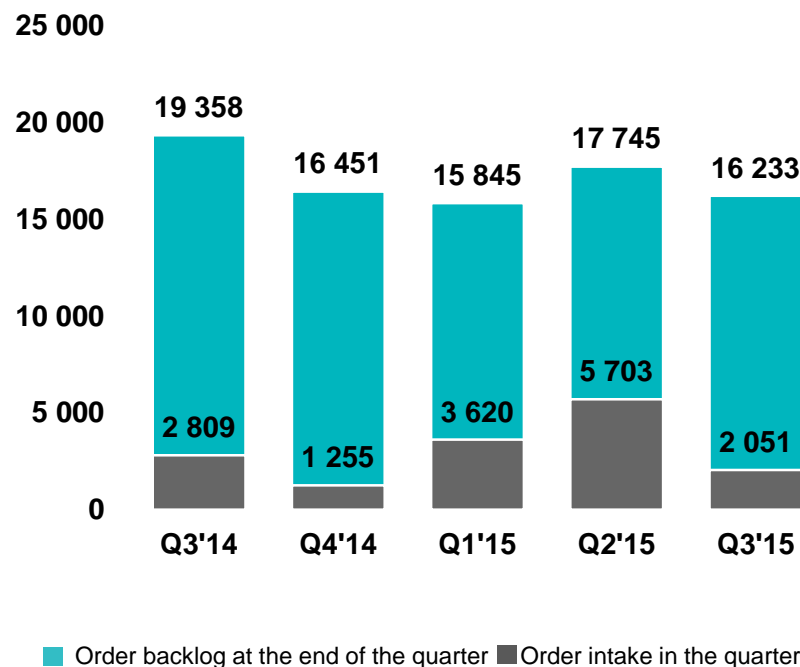
## > Orders

- Final contract for Sverdrup drilling jacket
- Growth in existing contracts

**Revenues, EBITDA and EBITDA margin**  
NOK million



**Order backlog and order intake**  
NOK million



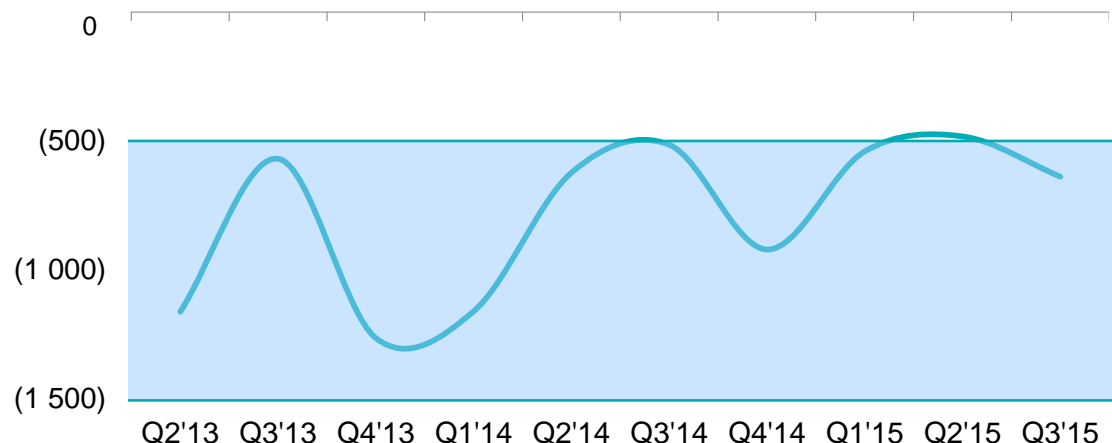
*Note: All figures include Kvaerner's scope of work of jointly controlled entities.*

# Cash flow and working capital development

Amounts in NOK million	Q3 2015	Q2 2015	Q3 2014	YTD 2015	YTD 2014	FY 2014
Cash flow from operating activities	531	(12)	102	617	(172)	193
Cash flow from investing activities	(18)	(21)	(17)	(54)	(135)	(171)
Cash flow from financing activities	(523)	(202)	(14)	(736)	(195)	(370)
Translation adjustments	5	(1)	2	7	2	11
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>(6)</b>	<b>(236)</b>	<b>73</b>	<b>(165)</b>	<b>(500)</b>	<b>(337)</b>

- > Customer pre-payments<sup>1</sup> of NOK 35 million
- > Fluctuations in working capital must be expected
- > Capital tied up in the Nordsee Ost project
- > Capex for new cranes of NOK 135 million in 2016

## Net current operating assets (NCOA) – Continuing operations (NOK million)



<sup>1</sup> Invoicing in excess of cost and estimated earnings less amounts billed in advance but not received (on a project by project basis).

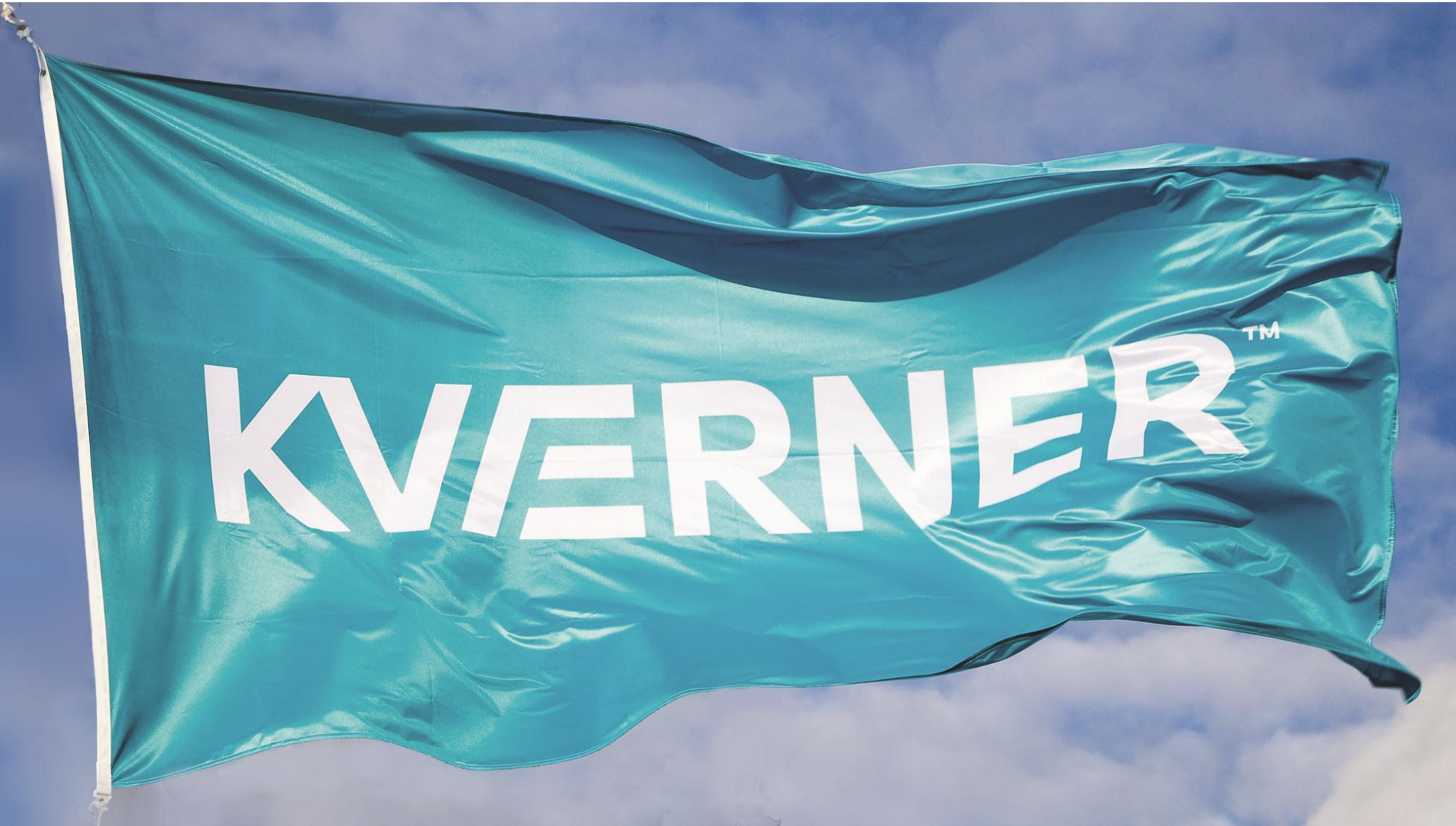


# Balance sheet

<i>Amounts in NOK million</i>	30.09.2015	30.06.2015	30.09.2014	31.12.2014
<b>Assets</b>				
Total non-current assets	1 724	1 888	2 088	2 010
Prepaid company tax	31	84	95	31
Current operating assets	2 332	2 819	4 422	3 268
Total cash and bank	1 043	1 048	1 045	1 208
Retained assets of business sold	618	565	769	906
<b>Total assets</b>	<b>5 748</b>	<b>6 403</b>	<b>8 420</b>	<b>7 424</b>
<b>Equity and liabilities</b>				
<b>Total equity</b>	<b>2 436</b>	<b>2 272</b>	<b>2 663</b>	<b>2 337</b>
Non-current interest-bearing liabilities	0	(0)	485	487
Other non-current liabilities	210	201	184	176
Current operating liabilities	2 971	3 302	4 937	4 190
Current tax liabilities	85	92	110	182
Current interest-bearing liabilities	0	500	(0)	(0)
Retained liabilities of business sold	45	36	40	51
<b>Total liabilities</b>	<b>3 311</b>	<b>4 131</b>	<b>5 757</b>	<b>5 087</b>
<b>Total equity and liabilities</b>	<b>5 748</b>	<b>6 403</b>	<b>8 420</b>	<b>7 424</b>
<b>Equity ratio</b>	<b>42 %</b>	<b>35 %</b>	<b>32 %</b>	<b>31 %</b>
<b>Net cash</b>	<b>1 044</b>	<b>550</b>	<b>563</b>	<b>722</b>

Longview arbitration award: The award does not have any material effect in Kvaerner's third quarter 2015 accounts as the award is in line with the book value of the claim.

# Market and outlook



# Pursuing selected prospects, leveraging strengths

## CONCRETE SOLUTIONS



Market leader globally

## STEEL JACKET SUBSTRUCTURES



Market leader, Europe

## PLATFORM TOPSIDES



Leading position,  
Norway + international

## ONSHORE OIL AND GAS PLANTS



Market leader, Norway

## Near term outlook:

- > Some few prospects in 2016 for EPC contracts, but most of a moderate size:
  - Subsea on a stick®
- > Some prospects for other contracts where Kvaerner can leverage competitiveness
  - Completion, HUC, Decommissioning
  - Modification and upgrade projects
  - Arctic projects, including demand for engineering and project management
- > Selected prospects in new markets are being considered



# Concluding remarks

- **Backlog visibility maintained at sound level**
- **Improvements of costs and competitiveness**
- **Predictable execution and results**

- **HSSE – core value and licence to operate**
- **Maintain and develop home markets**
- **Develop global delivery model for Norway and abroad**
- **Hands-on management**



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