

First quarter results 2018

25 April 2018



KVERNER™

First quarter 2018

Highlights

- Robust results
- Investments for increased productivity and capacity
- Contract for Castberg FPSO
- Drilling platform jacket completed
- New CEO starting in May
- After quarter end:
 - Lol for Sverdrup riser platform modification in JV with Aker Solutions
 - Aasta Hansteen sail-away



Johan Sverdrup drilling platform jacket delivered



Investments to increase productivity and flexibility

Strategically important Lol for the RP modifications



Globally recognised for predictable deliveries:
All current projects on track™



Aasta Hansteen completion assistance



Johan Sverdrup P1 jacket



Johan Sverdrup utility and living quarters topside



Valhall Flank West



Njord A upgrade



Johan Sverdrup RP HUC



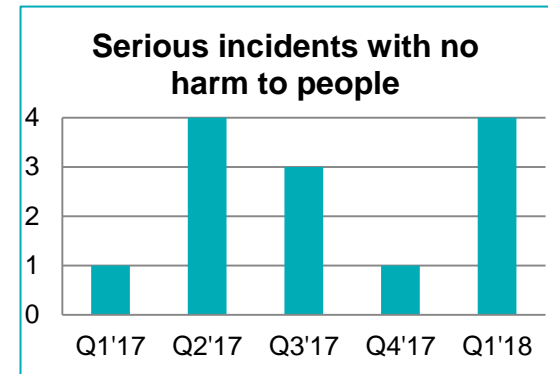
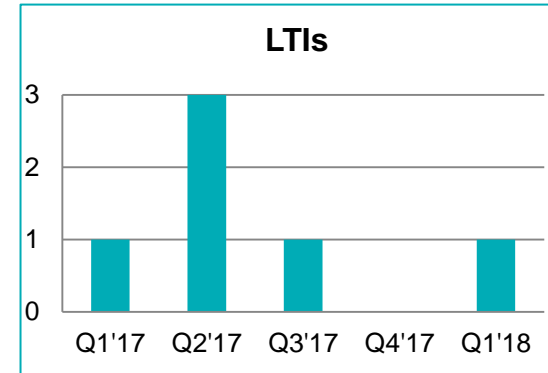
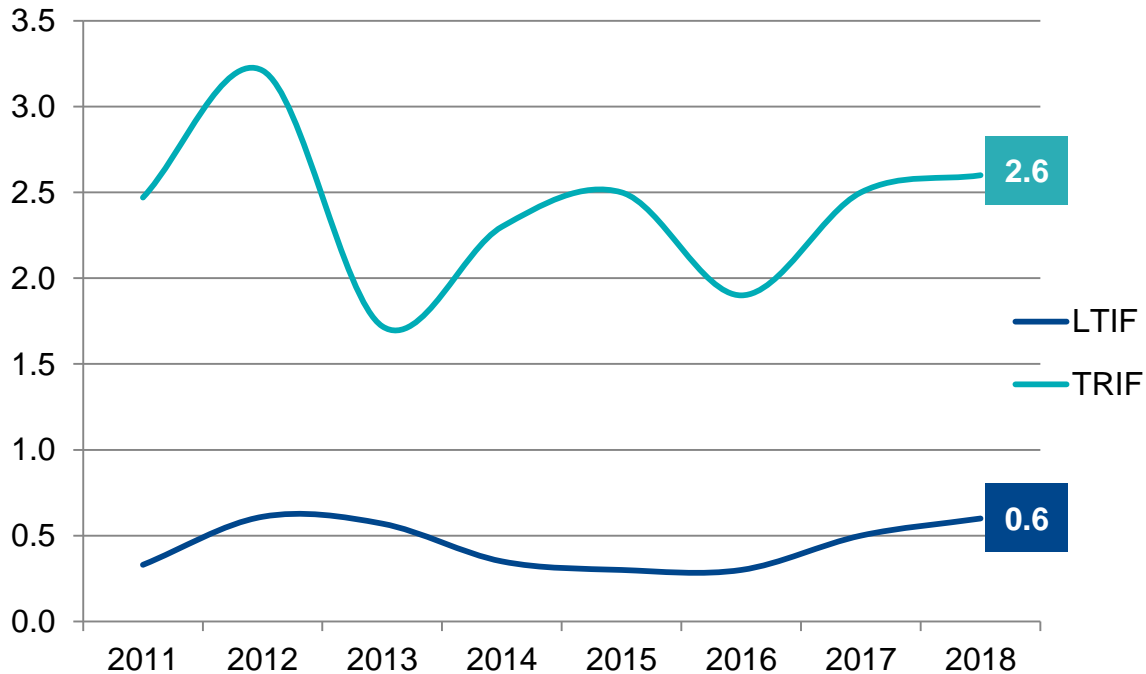
Nord Stream 2



Decommissioning projects

HSSE results

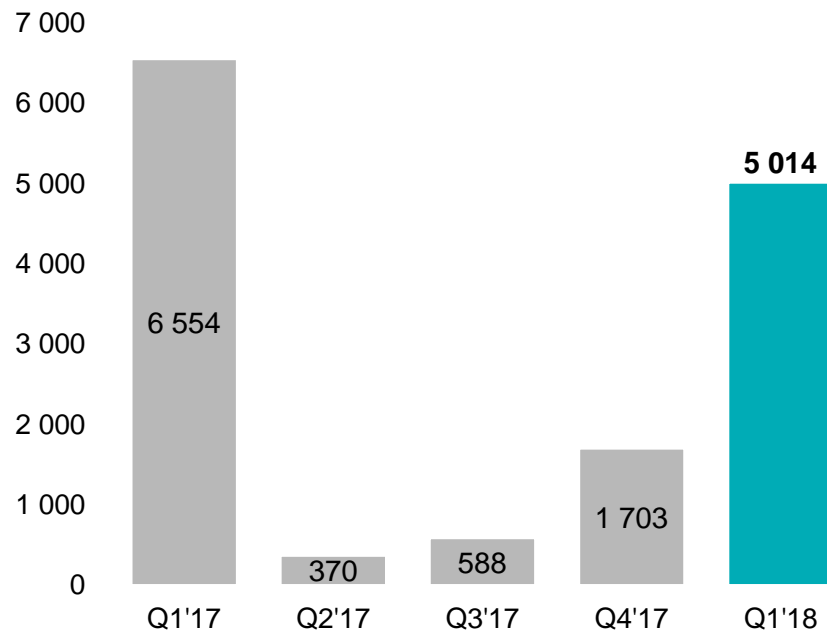
Lost time injury frequency (LTIF) & total recordable injury frequency (TRIF)
Per million worked hours (12 months average)



Order intake and backlog

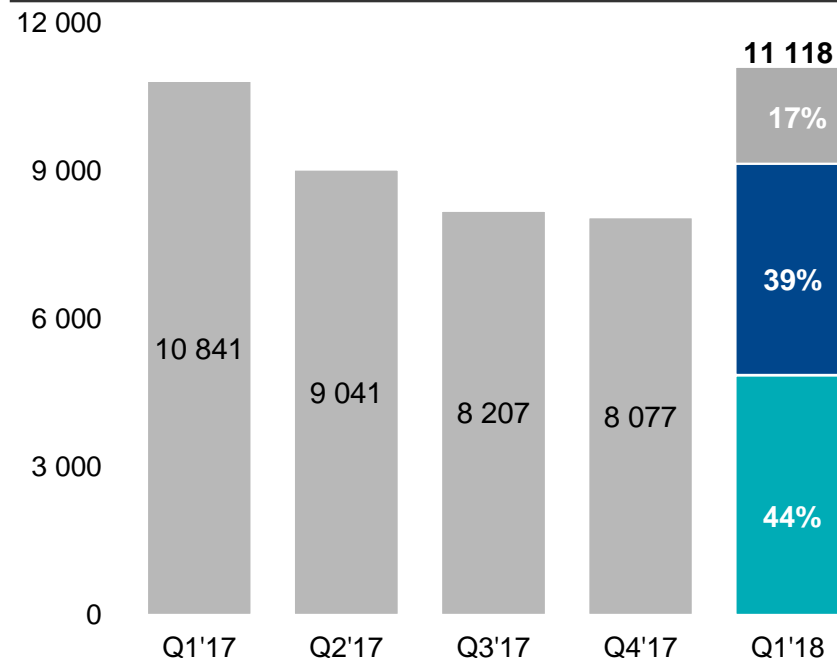
Order intake

NOK million



Order backlog

NOK million



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

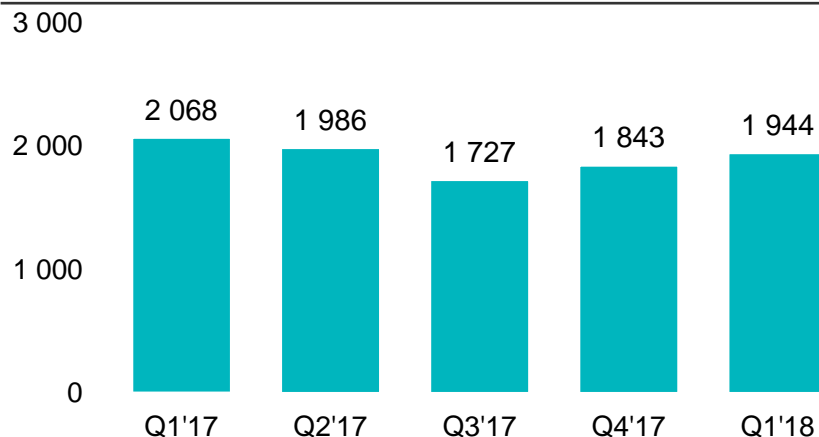
Estimated scheduling as of 31.03.2018:

- For execution in 2018
- For execution in 2019
- For execution in 2020+

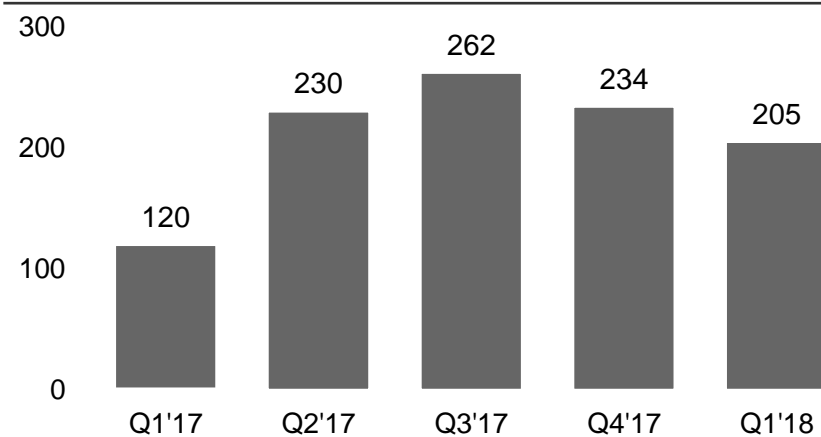
Field Development review

- Results reflect phasing of projects and continued quality performance including achieved incentives
- Full year 2018 revenues expected at more than NOK 7 billion
- 1Q18 had positive effects from projects being delivered and one project starting to recognise margin. There are less such effects expected in the coming quarters. Hence, for full year 2018, margins will be lower than for 2017

Revenues
NOK million



EBITDA
NOK million



EBITDA-%	5.8%	11.6%	15.1%	12.7%	10.6%
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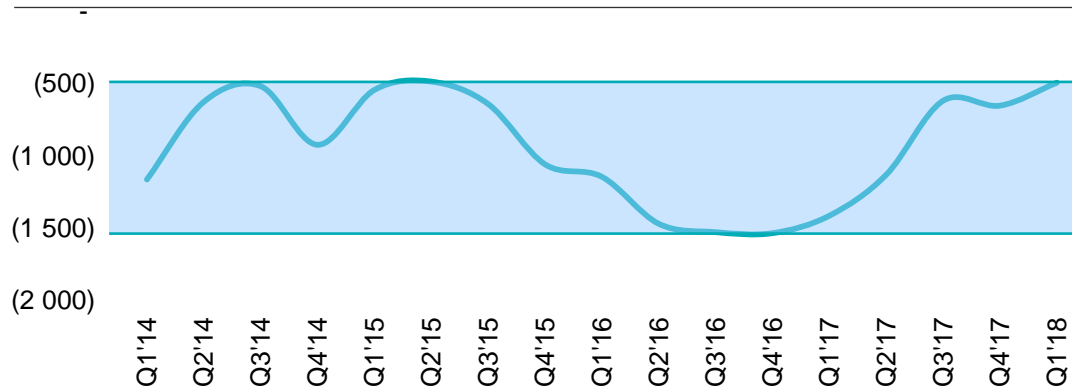
Note: All figures include Kvaerner's scope of work of jointly controlled entities

Cash flow and working capital development

Amounts in NOK million	Q1 2018	Q4 2017	Q1 2017	FY 2017
Cash flow from operating activities	(14)	297	(51)	(113)
Cash flow from investing activities	(26)	(67)	(8)	(93)
Cash flow from financing activities	(2)	(15)	(4)	(27)
Translation adjustments	(5)	2	(1)	(1)
Net increase/(decrease) in cash and bank deposits	(46)	217	(64)	(234)

- › Negative working capital of NOK 491 million
- › Fluctuations in working capital must be expected
- › Capital tied up in the Nordsee Ost project

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



Balance sheet

Amounts in NOK million	31.03.2018	31.12.2017	31.03.2017
Assets			
Total non-current assets	1 492	1 474	1 498
Prepaid company tax	15	6	-
Current operating assets	1 637	1 531	1 286
Total cash and bank	2 766	2 812	2 983
Retained assets of business sold	0	0	46
Total assets	5 911	5 823	5 812
Equity and liabilities			
Total equity	3 289	3 176	2 747
Other non-current liabilities	460	430	297
Current operating liabilities	2 128	2 180	2 699
Current tax liabilities	0	0	35
Retained liabilities of business sold	33	37	34
Total liabilities	2 622	2 647	3 065
Total equity and liabilities	5 911	5 823	5 812
Equity ratio	56 %	55 %	47 %
Net cash	2 766	2 812	2 983

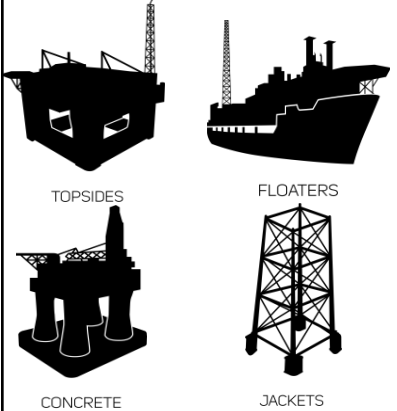

- Credit facilities undrawn as of 31 March 2018
- Net cash of NOK 2.8 billion
- Net cash excluding working capital of NOK 2.3 billion

Outlook



- Order backlog provides good foundation for activity level
- Focus is on winning more contracts

Market

Traditional segments	Growth segments
 <p>TOPSIDES</p> <p>FLOATERS</p> <p>CONCRETE</p> <p>JACKETS</p>	 <p>DECOMMISSIONING & RECYCLING</p> <p>MODIFICATION & UPGRADING</p> <p>ONSHORE</p> <p>MARINE OPERATIONS</p> <p>OFFSHORE WIND</p>

Traditional segments:

- Short term: A few key prospects expected decided in 2018 and 2019
- Longer term: Anticipates several prospects for satellite fields and green field developments in Barents

Growth segments:

- 2018 revenues in growth segments expected to be around NOK 700 million
- A number of prospects are being pursued

Q1 summary

- Strong performance and results
- All projects on track
- A number of small and medium prospects for award 2018/2019
- Robust financial platform

Way forward

- Execute ongoing projects safely and predictably
- Further improve competitiveness
- Maintain home markets, develop growth segments and regions
- Develop products and consider structural growth opportunities

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Appendix first quarter results 2018

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Income statement

Amounts in NOK million	Q1 2018	Q4 2017	Q1 2017	FY 2017
Total revenue and other income ¹	1 913	1 797	1 554	6 536
Operating expenses	(1 721)	(1 570)	(1 446)	(5 737)
EBITDA	193	227	108	799
Adjusted EBITDA ²	190	220	105	786
Depreciation and amortisation	(26)	(28)	(26)	(106)
EBIT	167	199	82	693
Net financial income/(expense)	(8)	13	3	4
Profit/(loss) before tax	159	211	86	697
Income tax expense	(40)	(59)	(27)	(186)
Profit/(loss) from continuing operations	119	152	59	511
Profit/(loss) from discontinued operations	(4)	(3)	37	31
Net profit/(loss)	115	149	95	542
Adjusted EBITDA margin	10.0 %	12.2 %	6.8 %	12.0 %
Earnings per share (NOK)				
Basic and diluted EPS continuing operations	0.44	0.57	0.22	1.92
Basic and diluted EPS discontinued operations	(0.01)	(0.01)	0.14	0.12
Basic and diluted EPS total operations	0.43	0.56	0.36	2.04

¹ Revenues excluding Kvaerner's scope of work of jointly controlled entities.

² Adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

Segment information first quarter

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Total external revenue and other income	1 944	2 041	(30)	(487)	1 913	1 554
Internal revenue	0	27	(0)	(27)	-	-
Total revenue and other income	1 944	2 068	(31)	(514)	1 913	1 554
Adjusted EBITDA ¹	205	120	(15)	(15)	190	105
EBITDA	205	120	(13)	(12)	193	108
Depreciation and amortisation	(26)	(26)	-	-	(26)	(26)
EBIT	179	94	(13)	(12)	167	82
Net current operating assets	(660)	(1 689)	169	276	(491)	(1 413)

¹ Adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

- Following sale of Kvaerner's onshore construction business in North America in 2013, Kvaerner only has one reportable segment; Field Development
- The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's activities

Segment information full year

	Field Development	Group activities and eliminations	Consolidated
<i>Amounts in NOK million</i>	FY 2017	FY 2017	FY 2017
Total external revenue and other income	7 598	(1 062)	6 536
Internal revenue	27	(27)	-
Total revenue and other income	7 625	(1 089)	6 536
Adjusted EBITDA ¹	846	(60)	786
EBITDA	846	(48)	799
Depreciation and amortisation	(106)	-	(106)
EBIT	741	(48)	693
Net current operating assets	(915)	266	(650)

¹ Adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

- Following sale of Kvaerner's onshore construction business in North America in 2013, Kvaerner only has one reportable segment; Field Development
- The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's activities

Discontinued operations

<i>Amounts in NOK million</i>	Q1 2018	Q1 2017	FY 2017
Total revenue and other income	-	1	4
Administrative and legal expenses	(2)	36	11
EBIT	(2)	37	16
Net financial income/(expense)	(2)	1	(1)
Profit/(loss) before tax	(4)	38	15
Income tax income/(expense)	0	(1)	16
Profit/(loss) from discontinued operations	(4)	37	31
Basic and diluted earnings/(losses) per share (NOK)	(0.01)	0.14	0.12
Net assets	(33)	12	(37)

➤ EBIT for Q1 2017 positively impacted by insurance settlement

<i>Amounts in NOK million</i>	Q1 2018	Q1 2017	FY 2017
Cash flow from operating activities	(4)	(25)	20
Cash transferred (to)/from parent	2	5	(22)
Translation adjustments	(2)	(1)	(2)
Net increase/(decrease) in cash and bank deposits	(4)	(21)	(3)
Cash at the beginning of the period	31	35	35
Cash at the end of the period	27	13	31

Financial items

<i>Amounts in NOK million</i>	Q1 2018	Q1 2017	FY 2017
Net interest income/(expense)	1	1	2
Profit/(loss) on foreign currency contracts	0	0	(0)
Foreign currency embedded derivatives impact	(7)	1	(2)
Net foreign exchange gain/(loss)	(0)	1	6
Other financial items, net	(1)	(0)	(2)
Net financial income/(expense)	(8)	3	4

Cash flow

<i>Amounts in NOK million</i>	Q1 2018	Q1 2017	FY 2017
Profit before tax continuing operations	159	86	697
Profit before tax discontinued operations	(4)	38	15
Profit/(loss) before tax total operations	154	123	712
Depreciation, amortisation and impairment	26	26	106
Taxes (paid)/refund	(10)	(30)	(65)
Other cash flow from operating activities	(184)	(171)	(865)
Cash flow from operating activities	(14)	(51)	(113)
Capital expenditure	(26)	(7)	(91)
Other cash flow from investing activities	-	(0)	(2)
Cash flow from investing activities	(26)	(8)	(93)
Other cash flow from financing activities	(2)	(4)	(27)
Cash flow from financing activities	(2)	(4)	(27)
Translation adjustments	(5)	(1)	(1)
Net increase/(decrease) in cash and bank deposits	(46)	(64)	(234)
Cash at the beginning of the period	2 812	3 047	3 047
Cash at the end of the period	2 766	2 983	2 812

Balance sheet - Assets

<i>Amounts in NOK million</i>	31.03.2018	31.12.2017	31.03.2017
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	798	800	781
Intangible assets	651	649	665
Investments in associates and jointly controlled entities	35	17	46
Other non-current assets	7	7	6
Total non-current assets	1 492	1 474	1 498
<i>Current assets</i>			
Trade and other receivables	1 637	1 531	1 286
Prepaid company tax	15	6	-
Total cash and bank	2 766	2 812	2 983
Retained assets of business sold	0	0	46
Total current assets	4 419	4 350	4 314
Total assets	5 911	5 823	5 812

Balance sheet – Equity and liabilities

<i>Amounts in NOK million</i>	31.03.2018	31.12.2017	31.03.2017
Equity and liabilities			
<i>Equity</i>			
Share capital	91	91	91
Share premium	729	729	729
Retained earnings	2 546	2 431	1 976
Other reserves	(76)	(75)	(49)
Total equity	3 289	3 176	2 747
<i>Non-current liabilities</i>			
Deferred tax liabilities	265	225	84
Employee benefit liabilities	195	204	213
Total non-current liabilities	460	430	297
<i>Current liabilities</i>			
Trade and other payables	1 858	2 032	2 603
Tax liabilities	0	0	35
Provisions	270	148	96
Retained liabilities of business sold	33	37	34
Total current liabilities	2 161	2 218	2 768
Total equity and liabilities	5 911	5 823	5 812

Basis for preparation

› *Accounting principles*

- The accounting principles applied in these condensed consolidated interim financial statements are the same as those applied in the Annual accounts 2017 except the implementation of new financial reporting standards as indicated below. Reference is also made to annual accounts 2017 note 2, discussing the new standards and potential impacts to the accounts
- IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments has been effective from 1 January 2018 with no transition adjustment against equity on transition date

Alternative performance measures

Kvaerner discloses alternative performance measures in addition to those normally required by IFRS. Kvaerner believes that the alternative performance measures provide useful supplemental information to management, investors, security analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of Kvaerner's business operations and to improve comparability between periods. Order intake and backlog are indicators of the company's revenues and operations in the future.

Profit measures

- **EBITDA** is short for Earnings before Interest, Taxes, Depreciation and Amortisation and is term commonly used by analysts and investors
- **Adjusted EBITDA** Earnings before Interest, Taxes, Depreciation and Amortisation excluding impact of embedded foreign currency derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities
- **Adjusted EBITDA margin** is used to compare relative profit between periods. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by revenue

Alternative performance measures

Order intake measures

- **Order intake** represents expected revenue from contracts entered into in period or growth in existing contracts
- **Order backlog** represents remaining expected revenue from contracts entered into as per reporting date

Financing measures

- **Net current operation assets (NCOA)** Kvaerner's measure of net working capital, defined as Trade and other receivables less Trade and other payables and Provisions
- **Net interest bearing deposits and loans** Kvaerner's measure of net interest bearing debt, defined as interest bearing receivables and cash and bank less interest bearing liabilities
- **Equity ratio** is calculated as total equity divided by total assets

In the below tables it is shown how certain of the above measures are derived from the IFRS consolidated financial statements:

Amounts in NOK million	Q1 2018	Q1 2017	FY 2017
EBITDA	193	108	799
Adjustment for equity accounted investees ¹	(2)	(3)	(12)
Adjusted EBITDA	190	105	786

¹ Excluding embedded derivatives' impact reported

Amounts in NOK million	31.03.2018	31.03.2017	31.12.2017
Trade and other receivables	1 637	1 286	1 531
Trade and other payables	(1 858)	(2 603)	(2 032)
Provisions	(270)	(96)	(148)
Net current operating assets (NCOA)	(491)	(1 413)	(650)
Total cash and bank	2 766	2 983	2 812
Net interest bearing deposits and loans	2 766	2 983	2 812

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