

# KVÆRNER™

Fourth quarter and preliminary  
annual results 2015

16 February 2016



## KVÆRNER ASA – FOURTH QUARTER AND PRELIMINARY ANNUAL RESULTS 2015

### FOURTH QUARTER HIGHLIGHTS

- Production started on Edvard Grieg as scheduled
- Improvements yielding results
- Order backlog of NOK 14.3<sup>3</sup> billion

### 2015 HIGHLIGHTS

- Final contracts signed for delivery of Sverdrup riser- and drilling platform jackets
- Edvard Grieg topside delivered on time and installed offshore
- Turn around at Nyhamna successfully completed
- Kvaerner-KBR JV awarded contract for delivery of Sverdrup ULQ topside
- Contract for the Sverdrup process platform jacket
- Dividend policy revised
- Capacity and cost reductions
- Refinancing of long term credit facilities concluded
- Longview project arbitration award of USD 74 million

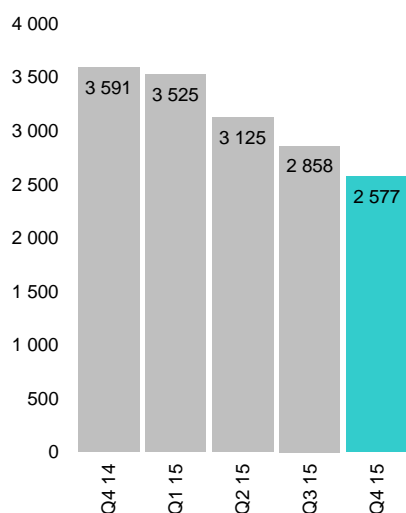
### SUBSEQUENT EVENTS

- Revised operating model implemented
- All Nyhamna modules delivered to site

### FINANCIAL HIGHLIGHTS

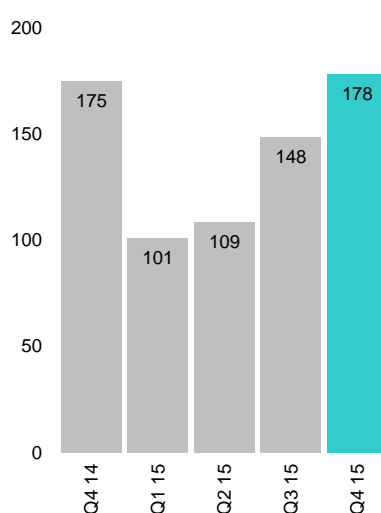
#### Operating revenue<sup>1</sup>

NOK million



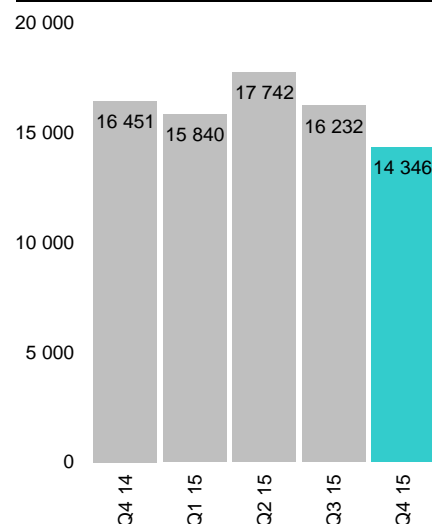
#### Adjusted EBITDA<sup>2</sup>

NOK million



#### Order backlog<sup>3</sup>

NOK million



<sup>1</sup> Excluding Kvaerner's scope of work of jointly controlled entities closely related to Kvaerner's operating activities

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

<sup>3</sup> Including Kvaerner's scope of work of jointly controlled entities closely related to Kvaerner's operating activities

## FINANCIAL KEY FIGURES

Amounts in NOK million	Q4 2015	Q4 2014	FY 2015	FY 2014
Total revenue and other income <sup>1</sup>	2 577	3 591	12 084	13 945
EBITDA <sup>2</sup>	177	175	574	828
Adjusted EBITDA <sup>3</sup>	178	175	536	828
Adjusted EBITDA margin	6.9 %	4.9 %	4.4 %	5.9 %
EBIT	156	(111)	493	492
Net profit - continuing operations	128	(302)	337	27
Basic and diluted earnings per share - continuing operations	0.48	(1.12)	1.26	0.10
Order intake <sup>4</sup>	1 486	1 274	12 798	10 718
Order backlog <sup>4</sup>	14 346	16 451	14 346	16 451
Net current operating assets (NCOA)	(1 057)	(922)	(1 057)	(922)
Net interest bearing deposits and loans	1 562	722	1 562	722

<sup>1</sup> Excluding scope of work of jointly controlled entities closely related to Kvaerner's operating activities

<sup>2</sup> EBITDA definition: Earnings before Interest (net financial items), Taxes, Depreciation, Amortisation and Impairment

<sup>3</sup> Adjusted EBITDA excludes impact of embedded foreign currency derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities

<sup>4</sup> Including Kvaerner's scope of work of jointly controlled entities closely related to Kvaerner's operating activities

## FINANCIAL REVIEW

### Income statement

Operating revenues in fourth quarter 2015 amounted to NOK 2 577 million, compared with NOK 3 591 million for fourth quarter 2014. Lower revenues are mainly due to lower activity within business area Topsides, where larger projects were finalised over the last year. Kvaerner reported operating revenues of NOK 12 084 million for full year 2015, compared with NOK 13 945 million for full year 2014.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the quarter were NOK 178 million, compared to NOK 175 million in the same period last year. Adjusted EBITDA margin for fourth quarter 2015 was 6.9 percent, an increase from 4.9 percent in corresponding period in 2014. The margin improvement mainly reflects phasing of projects, including recognition of accumulated profit in project passing 20 percent progress and release of provisions of NOK 40 million related to a historic completed project. Adjusted EBITDA for full year 2015 was NOK 536 million, compared to NOK 828 million for the year 2014.

Net financial income for the quarter was NOK 25 million, with foreign exchange gain of NOK 11 million, gain on foreign currency contracts of NOK 10 million and other financial income of NOK 8 million, partly offset by net interest expense of NOK 3 million and accounting loss on embedded derivatives of NOK 1 million. Net financial expense for the same period in 2014 was NOK 54 million of which net interest expense amounted to NOK 14 million, foreign exchange loss to NOK 23 million and loss on foreign currency contracts to NOK 17 million. Lower net interest expense year on year is due to increased net interest bearing deposits and loans. Net financial income for the full year was NOK 86 million, compared to an expense of NOK 105 million in 2014. The significant change is mainly due to accounting effect from embedded derivatives, arising from recently awarded contracts.

Net result from associated companies and jointly controlled entities presented below EBITDA was NOK nil million for both fourth quarter and full year 2015. In 2014, the comparative periods were negative at NOK 1 million and negative NOK 59 million respectively, primarily due to impairment charge.

Profit before tax for fourth quarter 2015 of NOK 182 million compared to negative NOK 166 million for the same period last year. For full year 2015, profit before tax of NOK 579 million compared to NOK 329 million for full year 2014. Fourth quarter and full year 2014 results were negatively impacted by goodwill impairment of NOK 266 million.

Total income tax expense in the quarter was NOK 54 million compared to NOK 137 million for the same quarter previous year. Tax expense for the full year amounted to NOK 241 million, compared to NOK 301 million in 2014. The tax expense reflects an effective tax rate of 42 percent for the year 2015 compared to 92 percent in

2014. Compared to the Norwegian statutory tax rate of 27 percent, the effective tax rate reflects final ruling in tax audit in foreign branch with associated tax expense and payments, in addition to tax increasing items related to withholding taxes and deferred tax assets not recognised in some jurisdictions. The nominal tax rate in Norway is 25 percent as from 2016 with minor impacts on 2015 deferred tax charge.

Profit from continuing operations was NOK 128 million and NOK 337 million for fourth quarter and full year 2015 respectively, compared to negative NOK 302 million and NOK 27 million in equivalent periods in 2014. Basic and diluted earnings per share for continuing operations were NOK 0.48 for fourth quarter, compared to negative NOK 1.12 in fourth quarter 2014 and NOK 1.26 for full year 2015 compared to NOK 0.10 for full year 2014.

Profit from discontinued operations was NOK 18 million for fourth quarter 2015, compared to a loss of NOK 25 million in same period last year. The result in the quarter was positively impacted by recovery on claim on a historic project and foreign exchange accounting effect on repayment of capital in the quarter. Full year result from discontinued operations was a profit of NOK 56 million compared to loss of NOK 96 million in 2014. The result for full year 2015 was significantly impacted by a foreign exchange accounting effect of NOK 139 million on repayment of capital, of which NOK 129 million was recognised in first quarter. Basic and diluted earnings per share for discontinued operations were NOK 0.07 for fourth quarter 2015 compared to negative NOK 0.09 for fourth quarter 2014, and NOK 0.21 for full year 2015 compared to negative NOK 0.36 for full year 2014.

Net profit total operations in fourth quarter 2015 was NOK 146 million compared to negative NOK 327 million in the corresponding quarter last year. Basic and diluted earnings per share for total operations for fourth quarter 2015 were NOK 0.55 compared to negative NOK 1.22 in fourth quarter 2014. Net profit for the full year 2015 was NOK 393 million compared to negative NOK 69 million last year. Basic and diluted earnings per share for the full year were NOK 1.47 and negative NOK 0.26 for 2015 and for 2014 respectively.

### **Cash flow**

Net cash inflow from operating activities was NOK 566 million in fourth quarter 2015 compared to cash inflow of NOK 365 million in the same period last year. Customer pre-payments were NOK 137 million at the end of fourth quarter compared to NOK 35 million at the end of the previous quarter. Net cash inflow from operating activities for full year 2015 was NOK 1 183 million, compared to cash inflow of NOK 193 million in 2014.

Net cash inflow from investing activities in fourth quarter 2015 was NOK 3 million compared to an outflow of NOK 36 million in the same quarter last year. For the full year, cash outflow from investing activities amounted to NOK 50 million compared to NOK 171 million in 2014. Capital expenditure in the quarter and full year amounted to nil and NOK 55 million respectively. For the full year, NOK 27 million is capitalised expenses related to intangible assets.

Net cash outflow from financing activities was NOK 51 million in the quarter and NOK 786 million for full year 2015 compared with outflows of NOK 175 million and NOK 370 million for the same periods in 2014. Full year outflow in 2015 mainly relates to instalment of borrowings of NOK 500 million and dividend payments of NOK 220 million. Full year outflow in 2014 is mainly related to dividend payments of NOK 336 million.

Net increase in cash and bank deposits during the quarter amounted to NOK 518 million, resulting in cash and bank deposits at the end of 2015 of NOK 1 560 million. As per 31 December, the group has not drawn on its credit facilities.

### **Balance sheet**

Net current operating assets (NCOA) were negative NOK 1 057 million at 31 December 2015, compared to negative NOK 639 million at the end of previous quarter. Equity ratio at 31 December 2015 was 45.1 percent, up from 42.4 percent at 30 September 2015.

### **Order intake and backlog**

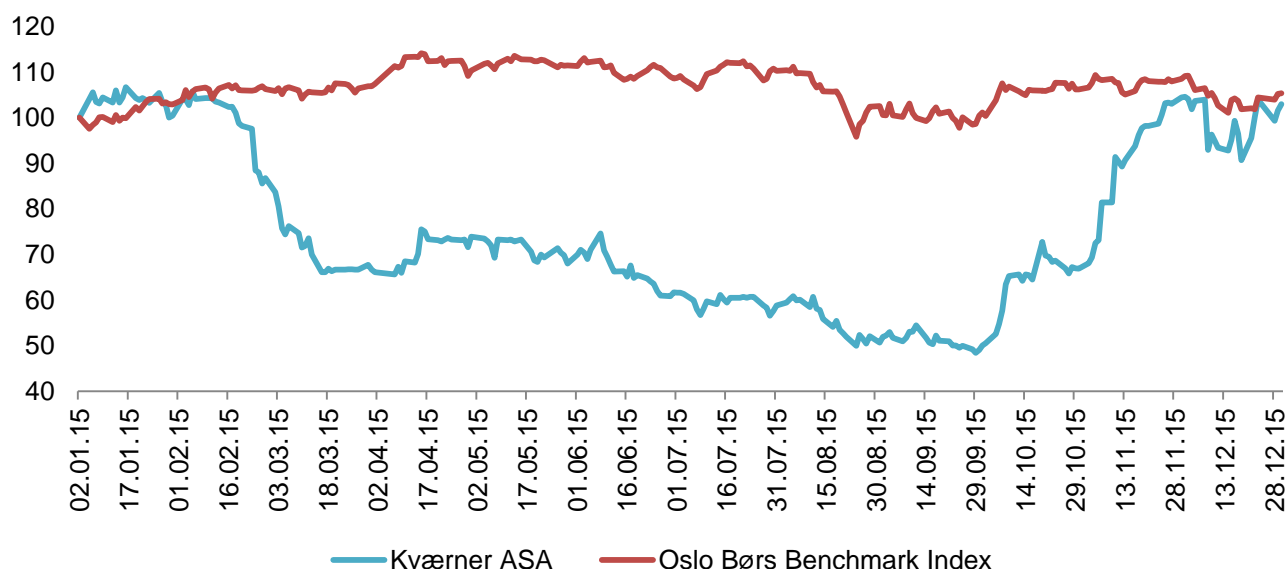
Order intake in fourth quarter totalled NOK 1 486 million, including Kvaerner's scope of work of jointly controlled entities, compared to NOK 1 274 million in the same quarter last year. As of 31 December 2015, order backlog, including Kvaerner's scope of work of jointly controlled entities, amounted to NOK 14 346 million. Estimated scheduling of the order backlog is approximately 60 percent for execution in 2016, with remaining 40 percent for execution in 2017 and later.

### Transactions in treasury shares

In connection with the company's variable pay programme for executives, Kvaerner acquired 1 864 644 shares in the open market during second quarter 2015. During fourth quarter 2015 Kvaerner acquired additional 1 725 000 shares in the open market and sold 1 561 303 shares to management and employees in relation to Kvaerner's share purchase programmes. At 31 December 2015 Kvaerner owned 2 028 341 treasury shares, or 0.75 percent of the 269 000 000 shares issued.

### The Kvaerner share

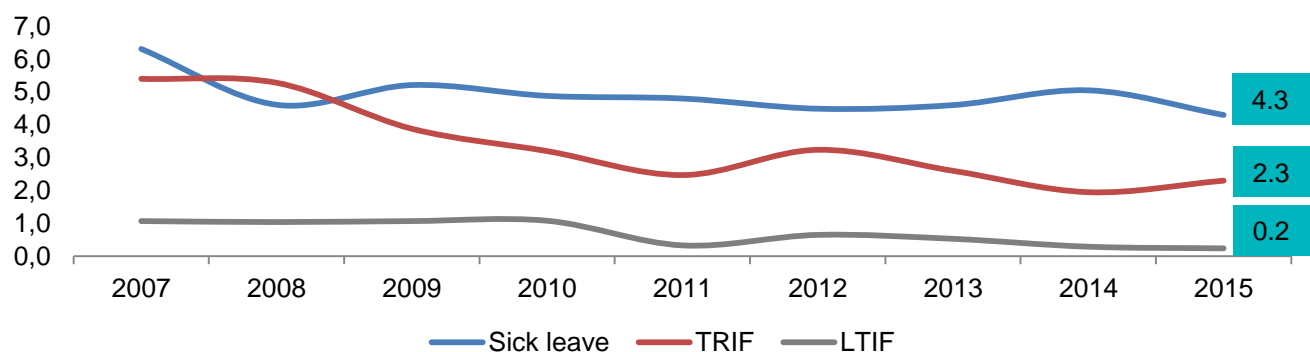
Indexed share price development last 12 months



The share price increased from NOK 3.92 at the end of third quarter 2015 to NOK 8.22 at the end of fourth quarter 2015. The highest traded share price during fourth quarter was NOK 8.49, the lowest traded share price was NOK 3.98 and the average share price during the quarter was NOK 6.71. Average daily turnover during fourth quarter was 1 877 640 shares compared to 712 835 shares during third quarter 2015. The market capitalisation was NOK 2.2 billion at the end of fourth quarter 2015 compared to NOK 1.1 billion at the end of third quarter 2015.

## OPERATIONAL REVIEW

### Health, Safety, Security and Environment (HSSE)



During fourth quarter Kvaerner had zero lost time incidents, but 12 other serious or serious near miss incidents. All serious near misses are being thoroughly analysed to identify the best measure to implement to avoid similar serious incidents in the future. Findings and actions based on these investigations are communicated across Kvaerner as a part of the continuous improvement plan. Sick leave numbers are within target of 4.5 percent. The group performed close to 4 million work hours in the quarter. More than 11 700 risk observations, including

positive observations, were documented in the period, giving a total for the year of more than 66 000 observations.

## Reporting segments

Following sale of Kvaerner's onshore construction business in North America in December 2013, Kvaerner only has one reportable segment; Upstream. Up until year end 2014, the Upstream segment included the business areas Contractors Norway, Jackets, Concrete Solutions and Contractors International.

As from 1 January 2015 a new corporate organisational structure was implemented comprising the business areas Topsides, Onshore, Jackets and Concrete Solutions. Contractors International has mainly been integrated as part of business area Topsides. These changes have not changed the group's segment reporting.

As from 1 January 2016, Kvaerner has changed to a matrix based organisation, removing current business area structure, see Subsequent events section.

## Upstream segment<sup>1</sup>

Amounts in NOK million	Q4 2015	Q4 2014	FY 2015	FY 2014
Total revenue and other income	3 334	4 585	14 917	17 531
EBITDA	202	200	613	911
EBITDA margin	6.1 %	4.4 %	4.1 %	5.2 %
Net current operating assets (NCOA)	(1 106)	(839)	(1 106)	(839)
Order intake	1 472	1 255	12 846	10 727
Order backlog	14 346	16 451	14 346	16 451
Employees	2 769	3 002	2 769	3 002

<sup>1</sup>The Upstream segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's operating activities.

Operating revenue from the Upstream segment totalled NOK 3 334 million in fourth quarter 2015, compared to NOK 4 585 million in fourth quarter 2014. The reduction is mainly explained by lower activity within business area Topsides, where larger projects are finalised over the last year, but activity has also been lower within Concrete Solutions. The reduction within Topsides and Concrete Solutions is partly offset by increasing activity within Jackets compared to recent quarters. EBITDA amounted to NOK 202 million, resulting in an EBITDA margin for the quarter of 6.1 percent, compared to EBITDA of NOK 200 million and 4.4 percent EBITDA margin in fourth quarter 2014. The margin improvement mainly reflects phasing of projects, including recognition of accumulated profit in project passing 20 percent progress and release of provisions of NOK 40 million related to a historic completed project. Recently awarded projects are yet not recognising margin.

NCOA at the end of fourth quarter 2015 was negative NOK 1 106 million, a reduction of NOK 410 million during the quarter. The disputed Nordsee Ost project is still tying up working capital until the arbitration is resolved.

Order intake of NOK 1 472 million in the quarter reflects previously announced award of the drilling platform jacket for Johan Sverdrup, growth in existing contracts as well as small orders. Order backlog was NOK 14 346 million at the end of the quarter, including scope of work of jointly controlled entities.

## Operations

In business area Topsides, the offshore hook-up and commissioning of the Edvard Grieg project has been according to plan and the customer started production on the platform 28 November 2015. Kvaerner will continue to assist Lundin until end of February. The Johan Sverdrup ULQ topside project is proceeding according to plan with several important milestones achieved during December. The first structural steel drawings for the utility module have been issued for construction.

The Nyhamna onshore project is progressing well, and all remaining modules were delivered on site early 2016, including the last modules from Stord. Fabrication and installation at the Nyhamna site will be the main activity going forward.

The Hebron gravity based structure (GBS) project is progressing at the Bull Arm Site. The construction activities at the Bull Arm deep water site are continuing. The last slip-form operation, the center shaft, was successfully completed in December. Installation of mechanical outfitting systems in the center shaft is continuing.

In the Jacket business, the activity level is increasing. Prefabrication for the Johan Sverdrup riser platform jacket is on-going both with sub-suppliers and at the yard in Verdal, and the assembly phase of the project has just started. Both for the production platform- and drilling platform jackets for Johan Sverdrup, engineering and procurement activities are main priorities for the coming period.

#### *Competitiveness and market*

The oil and gas market continues to be dominated by excess supply versus demand. Many analysts predict an improvement in the market balance, but timing remains uncertain. The resulting drop in oil prices is forcing the industry to take drastic measures in order to reduce costs and develop more efficient and robust project execution models. This will dominate the industry in 2016, and Kvaerner is no exception. The successful execution of the Edvard Grieg project is being noticed in the industry and important stakeholders recognise that it is the end cost of the installed platform which is important, more so than the initial bid price.

2016 will be a challenging year with only some few project opportunities expected, most of a moderate size. Contracts in conjunction with upgrade of existing facilities and new contracts related to Johan Sverdrup may be awarded this year. Kvaerner also see an interesting market related to unmanned wellhead platforms or Subsea on a stick®. Longer term, the company is optimistic that the LNG opportunities in Arctic Russia will develop further.

Kvaerner is, alone or with partners, positioning to take part in pre-FEED and FEED studies in conjunction with larger EPC contracts to be awarded post 2016. Kvaerner believes that an EPC contract model in combination with an efficient partnering and execution model will be of interest in today's cost driven market and emphasis is being made to continue to improve the execution model and to promote it in the market.

#### **Downstream & Industrials segment**

In December 2013, Kvaerner sold its onshore construction business in North America. Following the sale, Kvaerner retained the assets and liabilities related to the contract with Longview Power LLC, including any financial effects of the arbitration.

Early January 2015, settlement agreements were reached with Longview Power, LLC and others. Kvaerner received the settlement amount of USD 48 million in February 2015. On 19 October 2015, Kvaerner received the award from the arbitration proceedings against Foster Wheeler North America Corporation. The award has not had any material effect in Kvaerner's accounts, as the award is in line with book value of the claim. The financial effects of the award will be recognised in Kvaerner's accounts when final payment is received. Refer to note 6 for more information on the claim and process and note 8 for Summary of financial data for Discontinued operations.

#### **Unallocated costs**

Unallocated costs, which are net corporate costs not directly attributable to the individual segments, amounted to NOK 24 million in fourth quarter and NOK 77 million for the full year. It is expected that the recurring level of net corporate costs will be approximately NOK 60-70 million annually under the new matrix based organisation effective from 1 January 2016.

#### **OTHER**

##### **Capacity reductions and restructuring costs**

Kvaerner continues to drive cost reductions and measures to strengthen competitiveness. In 2015, restructuring costs of NOK 25 million was expensed. It is expected that further restructuring and capacity reduction costs will be recognised during 2016. The level of these costs will depend on outcome of tender activities and phasing of ongoing projects. For 2015, the reduction in number of permanent employees totaled 121 people. For 2015 and 2016 combined, Kvaerner expects that total reductions in number of employees will be within the interval of 250 to 500 employees already communicated in 2015.

##### **Capex**

Kvaerner will in 2016 invest NOK 135 million in three new cranes at the facility for steel jackets in Verdal, Norway. The new cranes will contribute to increased competitiveness through better planning and utilisation, as well as a more robust execution model for the three steel jackets for Johan Sverdrup. In addition, maintenance capex of NOK 30-50 million is estimated for 2016.

**Revised operating model and executive management changes**

Kvaerner started to operate according to its new matrix based organisation model from 1 January 2016 with enhanced focus on project execution. The business area structure has been removed and the revised operating model will provide clearer roles and accountabilities. The aim is to increase productivity through better internal cooperation and use of common resources. Simultaneously, cost savings can be enabled by fewer man-hours spent on internal processes. As part of the revised model, there has been changes to the executive management team, please visit [www.kvaerner.com/emt](http://www.kvaerner.com/emt) for a complete overview of the executive management team as from 2016.

**SUBSEQUENT EVENTS****The Board proposes zero dividend**

The Board of Directors has proposed no dividend distribution during first half of 2016. A strong balance sheet and cash position is important to maintain the resilience through a challenging cycle. Retaining the solid financial platform may also provide additional opportunities which Kvaerner can leverage in the market.

**Longview project arbitration award**

On 18 October 2015 Kvaerner North American Construction, Inc. (a subsidiary of Kvaerner) was awarded USD 74 million in the arbitration proceedings against Foster Wheeler North America Corporation related to the Longview project delivered in 2011, and informed that the financial effects of the award are subject to the other party not challenging the award and are expected to be recognised in Kvaerner's accounts when final payment is received.

Foster Wheeler North America Corporation has not complied with its obligation to pay within the 30 day deadline stipulated in the arbitration award. Kvaerner has initiated legal proceedings against Foster Wheeler in the courts of New York to enforce the outcome of the award. The court is expected to hear the case within first quarter 2016. Kvaerner's assessment is that the court will confirm the enforcement of the arbitration award.

**PRINCIPAL RISKS AND UNCERTAINTIES**

Operational risk is the ability to deliver existing contracts at the agreed time, quality, functionality and cost. Delivering projects and equipment in accordance with contract terms and anticipated cost framework represents a substantial risk element, and is the most significant factor affecting Kvaerner's financial performance. Results also depend on costs, both Kvaerner's own and those charged by suppliers, and on interest expenses, exchange rates and customers' ability to pay. For an overview of major current legal disputes, see note 6 to the interim accounts.

Kvaerner has established guidelines and systems to manage its exposure in the financial markets. These systems cover currency, interest rate, counterparty and liquidity risks. Kvaerner works systematically with risk management in all its operations, and has extensive systems and procedures in place. Other relevant risk factors are further described in the annual report for 2014.

**OUTLOOK**

Kvaerner's order book maintains a good foundation for Kvaerner and revenue levels of around NOK 10 billion (including revenues from jointly controlled entities) is estimated for 2016. The market continues to be challenging and for 2016 only some few project opportunities are expected. This creates uncertainty for the activity level in 2017 and onwards. Customers may find new projects attractive to develop if the suppliers can offer more value adding concepts or lower costs. Kvaerner is in dialogue with potential customers to further improve interfaces, develop solutions and execution models which contributes to making future projects profitable. In addition, Kvaerner continues to reduce its cost base which will strengthen the position when competing for new contracts.

*Fornebu, 15 February 2016*

*The Board of Directors and President & CEO*

*Kvæerner ASA*

## FURTHER INFORMATION

### Investor Relations

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### About Kvaerner:

Kvaerner is a leading provider of engineering, procurement and construction (EPC) services, and delivers offshore installations and onshore plants for upstream oil and gas production around the world. Kvaerner ASA, through its subsidiaries and affiliates ("Kvaerner"), is an international contractor and preferred partner for oil and gas operators and other engineering and fabrication contractors. Kvaerner and its approximately 2 800 HSSE-focused and experienced employees are recognised for delivering some of the world's most amazing and demanding projects.

In 2015, the Kvaerner group had consolidated annual revenues of approximately NOK 12 billion and the company reported an order backlog at 31 December 2015 of NOK 14.3 billion. Kvaerner is publicly listed with the ticker "KVAER" at the Oslo Stock Exchange. For further information, please visit [www.kvaerner.com](http://www.kvaerner.com).

## FINANCIAL CALENDAR 2016

Annual General Meeting	19 April 2016
First quarter results 2016	3 May 2016
Aker companies' capital markets day	7 June 2016
Second quarter results 2016	14 July 2016
Third quarter results 2016	28 October 2016

*The dates may be subject to change.*

## FINANCIAL STATEMENTS

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

<i>Amounts in NOK million</i>	Q4 2015	Q4 2014	FY 2015	FY 2014
Total revenue and other income	2 577	3 591	12 084	13 945
Operating expenses	(2 400)	(3 416)	(11 511)	(13 117)
<b>EBITDA</b>	<b>177</b>	<b>175</b>	<b>574</b>	<b>828</b>
Depreciation and amortisation	(20)	(20)	(81)	(70)
Goodwill impairment	-	(266)	-	(266)
<b>Operating profit/(loss)</b>	<b>156</b>	<b>(111)</b>	<b>493</b>	<b>492</b>
Net financial income/(expense)	25	(54)	86	(105)
Profit/(loss) from equity accounted investees, including impairments	0	(1)	(0)	(59)
<b>Profit/(loss) before tax</b>	<b>182</b>	<b>(166)</b>	<b>579</b>	<b>329</b>
Income tax expense	(54)	(137)	(241)	(301)
<b>Profit/(loss) from continuing operations</b>	<b>128</b>	<b>(302)</b>	<b>337</b>	<b>27</b>
<b>Profit/(loss) from discontinued operations</b>	<b>18</b>	<b>(25)</b>	<b>56</b>	<b>(96)</b>
<b>Net profit/(loss)</b>	<b>146</b>	<b>(327)</b>	<b>393</b>	<b>(69)</b>
<i>Attributable to:</i>				
Equity holders of the parent company - Kvæerner ASA	146	(327)	393	(69)
<b>Earnings per share (NOK)</b>				
Basic and diluted EPS continuing operations	0.48	(1.12)	1.26	0.10
Basic and diluted EPS discontinued operations	0.07	(0.09)	0.21	(0.36)
<b>Basic and diluted EPS total operations</b>	<b>0.55</b>	<b>(1.22)</b>	<b>1.47</b>	<b>(0.26)</b>

<i>Amounts in NOK million</i>	Q4 2015	Q4 2014	FY 2015	FY 2014
EBITDA	177	175	574	828
Adjustment for equity accounted investees <sup>1</sup>	1	-	(38)	-
<b>Adjusted EBITDA</b>	<b>178</b>	<b>175</b>	<b>536</b>	<b>828</b>

<sup>1</sup> Excluding accounting impact financial items, including embedded foreign currency derivatives

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>Amounts in NOK million</i>	Q4 2015	Q4 2014	FY 2015	FY 2014
<b>Net profit/(loss) for the period</b>	<b>146</b>	<b>(327)</b>	<b>393</b>	<b>(69)</b>
<b>Items that may be reclassified to profit of loss in subsequent periods:</b>				
Cash flow hedges, net of tax				
- Fair value adjustments recognised in equity	10	(3)	10	(2)
- Reclassified to profit or loss	-	(0)	-	(1)
Translation differences, foreign operations	8	203	180	261
Reclassification of translation differences on repayment of capital	(10)	-	(139)	-
Items that may be reclassified to profit of loss in subsequent periods	8	200	51	258
<b>Items not to be reclassified to profit of loss in subsequent periods:</b>				
Actuarial gains/(losses) on defined benefit pension plans, net of tax	3	(26)	3	(27)
Items not to be reclassified to profit of loss in subsequent periods:	3	(26)	3	(27)
<b>Total other comprehensive income/(loss), net of tax</b>	<b>10</b>	<b>173</b>	<b>53</b>	<b>232</b>
<b>Total comprehensive income</b>	<b>156</b>	<b>(154)</b>	<b>446</b>	<b>163</b>
<i>Attributable to:</i>				
Equity holders of the parent company - Kvæerner ASA	156	(154)	446	163

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**

<i>Amounts in NOK million</i>	31.12.2015	31.12.2014
<b>Assets</b>		
<i>Non-current assets</i>		
Property, plant and equipment	687	736
Intangible assets	873	850
Deferred tax asset	1	123
Investments in associates and jointly controlled entities	134	288
Interest-bearing receivables	2	2
Other non-current assets	18	11
<b>Total non-current assets</b>	<b>1 715</b>	<b>2 010</b>
<i>Current assets</i>		
Trade and other receivables	1 740	3 268
Prepaid company tax	-	31
Total cash and bank	1 560	1 208
Retained assets of business sold	633	906
<b>Total current assets</b>	<b>3 934</b>	<b>5 414</b>
<b>Total assets</b>	<b>5 649</b>	<b>7 424</b>
<b>Equity and liabilities</b>		
<i>Equity</i>		
Share capital	91	91
Share premium	729	729
Retained earnings	1 468	1 309
Other reserves	262	208
<b>Total equity</b>	<b>2 550</b>	<b>2 337</b>
<i>Non-current liabilities</i>		
Interest-bearing loans	-	487
Employee benefit liabilities	180	176
<b>Total non-current liabilities</b>	<b>180</b>	<b>664</b>
<i>Current liabilities</i>		
Trade and other payables	2 633	4 109
Tax liabilities	73	182
Provisions	164	81
Retained liabilities of business sold	49	51
<b>Total current liabilities</b>	<b>2 919</b>	<b>4 423</b>
<b>Total equity and liabilities</b>	<b>5 649</b>	<b>7 424</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY**

<i>Amounts in NOK million</i>	Total paid in capital	Retained earnings	Other reserves	Total equity
<b>Equity as of 31 December 2013</b>	<b>820</b>	<b>1 715</b>	<b>(24)</b>	<b>2 511</b>
Profit for the period	-	(69)	-	(69)
Other comprehensive income	-	-	232	232
<b>Total comprehensive income</b>	-	(69)	232	163
Dividend	-	(336)	-	(336)
<b>Equity as of 31 December 2014</b>	<b>820</b>	<b>1 309</b>	<b>208</b>	<b>2 337</b>
Profit for the period	-	393	-	393
Other comprehensive income	-	-	53	53
<b>Total comprehensive income</b>	-	393	53	446
Employee share purchase programme	-	(13)	-	(13)
Dividend	-	(220)	-	(220)
<b>Equity as of 31 December 2015</b>	<b>820</b>	<b>1 468</b>	<b>262</b>	<b>2 550</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>Amounts in NOK million</i>	Q4 2015	Q4 2014	FY 2015	FY 2014
Profit before tax continuing operations	182	(166)	579	329
Profit before tax discontinued operations	18	(25)	57	(117)
<b>Profit/(loss) before tax total operations</b>	<b>200</b>	<b>(191)</b>	<b>635</b>	<b>212</b>
Depreciation, amortisation and impairment	20	286	81	336
Taxes (paid)/refund	(24)	(36)	(203)	(16)
Other cash flow from operating activities	370	306	670	(339)
<b>Cash flow from operating activities</b>	<b>566</b>	<b>365</b>	<b>1 183</b>	<b>193</b>
Capital expenditure	0	(36)	(55)	(157)
Other cash flow from investing activities	3	0	5	(13)
<b>Cash flow from investing activities</b>	<b>3</b>	<b>(36)</b>	<b>(50)</b>	<b>(171)</b>
Instalment borrowings	0	-	(500)	-
Dividends	(40)	(172)	(220)	(336)
Other cash flow from financing activities	(10)	(3)	(66)	(34)
<b>Cash flow from financing activities</b>	<b>(51)</b>	<b>(175)</b>	<b>(786)</b>	<b>(370)</b>
Translation adjustments	(1)	9	6	11
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>518</b>	<b>163</b>	<b>352</b>	<b>(337)</b>
Cash at the beginning of the period	1 043	1 045	1 208	1 545
<b>Cash at the end of the period</b>	<b>1 560</b>	<b>1 208</b>	<b>1 560</b>	<b>1 208</b>

## SEGMENT INFORMATION

Following the sale of Kvaerner's onshore construction business in North America in December 2013, remaining legacies within the segment are presented as discontinued operations in the group's financial statements.

Consequently, Kvaerner only have one reportable segment; Upstream. Up until year-end 2014, the Upstream segment included the business areas Contractors Norway, Jackets, Concrete Solutions and Contractors International. As from 2015, the Upstream segment includes the business areas Topsides, Onshore, Jackets and Concrete Solutions. Previous business area Contractors International has mainly been integrated as part of business area Topsides. The Upstream segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's operating activities.

Amounts in NOK million	Upstream		Group activities and eliminations		Consolidated	
	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014
Total external revenue and other income	3 345	4 598	(768)	(1 007)	2 577	3 591
Internal revenue	(11)	(13)	11	13	-	-
Total revenue and other income	3 334	4 585	(757)	(993)	2 577	3 591
<b>Adjusted EBITDA<sup>1</sup></b>	<b>202</b>	<b>200</b>	<b>(24)</b>	<b>(25)</b>	<b>178</b>	<b>175</b>
<b>EBITDA</b>	<b>202</b>	<b>200</b>	<b>(25)</b>	<b>(25)</b>	<b>177</b>	<b>175</b>
Depreciation, amortisation and impairment	(17)	(286)	(3)	0	(20)	(286)
<b>EBIT</b>	<b>185</b>	<b>(86)</b>	<b>(28)</b>	<b>(25)</b>	<b>156</b>	<b>(111)</b>

Amounts in NOK million	Upstream		Group activities and eliminations		Consolidated	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Total external revenue and other income	14 863	17 522	(2 779)	(3 577)	12 084	13 945
Internal revenue	53	9	(53)	(9)	-	-
Total revenue and other income	14 917	17 531	(2 832)	(3 586)	12 084	13 945
<b>Adjusted EBITDA<sup>1</sup></b>	<b>613</b>	<b>911</b>	<b>(77)</b>	<b>(83)</b>	<b>536</b>	<b>828</b>
<b>EBITDA</b>	<b>613</b>	<b>911</b>	<b>(39)</b>	<b>(83)</b>	<b>574</b>	<b>828</b>
Depreciation, amortisation and impairment	(77)	(336)	(4)	0	(81)	(336)
<b>EBIT</b>	<b>536</b>	<b>575</b>	<b>(43)</b>	<b>(83)</b>	<b>493</b>	<b>492</b>
Net current operating assets	(1 106)	(839)	49	(83)	(1 057)	(922)

<sup>1</sup> Adjusted EBITDA excludes impact of embedded foreign currency derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities

## NOTES

### Note 1 General

Kværner ASA (the company) is a company domiciled in Norway. The Kvaerner group consists of Kværner ASA and its subsidiaries.

### Note 2 Basis for preparation

#### *Statement of compliance*

The condensed consolidated interim financial statements have been prepared in accordance with the International Financing Reporting Standards (IFRS) and IAS 34 Interim Financial Reporting for interim reporting as adopted by the European Union and additional Norwegian regulations.

#### *Accounting principles*

The accounting principles applied in these condensed consolidated interim financial statements are the same as those applied in the Annual accounts 2014.

The interim financial statements are condensed and do not include all the information required by IFRS for a complete set of financial statements and should be read in conjunction with the full year consolidated financial statements for Kværner ASA. The consolidated 2014 financial statements for Kvaerner are available upon request from the company's office at Oksenøyveien 10, Fornebu, Norway or at [www.kvaerner.com](http://www.kvaerner.com).

The interim financial statements have not been subject to audit. The functional currency of the entities within Kvaerner is determined based on the nature of the economic environment in which they operate. The functional currency and presentation currency of Kværner ASA is NOK. Numbers are rounded to the nearest million, unless otherwise stated. As a result of rounding differences, numbers or percentages may not add up to the total.

The condensed consolidated interim financial statements reflect all adjustments, consisting only of normal, recurring adjustments that, in the opinion of Kvaerner's management, are necessary for a fair presentation of the results of operations for the periods presented. Operating results for the periods presented are not necessarily indicative of the results that may be expected for any subsequent interim period or annual accounts.

### Note 3 Judgments, estimates and assumptions

In applying the accounting policies, management makes judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, significant judgements made by management in applying the group's accounting policies and key sources of uncertainty in the estimates were consistent with those applied for the period ended 31 December 2014.

### Note 4 Financial items

<i>Amounts in NOK million</i>	Q4 2015	Q4 2014	FY 2015	FY 2014
Net interest income/(expense)	(3)	(14)	(35)	(46)
Profit/(loss) on foreign currency contracts	10	(17)	(24)	(29)
Foreign currency embedded derivatives impact	(1)	4	133	4
Net foreign exchange gain/(loss)	11	(23)	3	(34)
Other financial items, net	8	(4)	8	0
<b>Net financial income/(expense)</b>	<b>25</b>	<b>(54)</b>	<b>86</b>	<b>(105)</b>

Loss on foreign currency contracts in the quarter and year to date is related to portfolio of hedging instruments not qualifying for hedge accounting.

Foreign currency embedded derivatives impact in the quarter and year to date is reflecting accounting effects of multicurrency contracts, in line with requirements under IFRS.

### Forward foreign currency contracts

The table below presents fair value of the group's derivative financial instruments.

<i>Amounts in NOK million</i>	Assets at fair value	Liabilities at fair value	Net fair value FY 2015
Embedded derivatives	150	(13)	<b>137</b>
Not hedge accounted	-	(45)	<b>(45)</b>
Cash flow hedges	5	(21)	<b>(16)</b>
<b>Total</b>	<b>155</b>	<b>(79)</b>	<b>76</b>

### Note 5 Share capital and equity

Kværner ASA has 269 000 000 shares issued each with a nominal value of NOK 0.34.

Kværner currently has no share-based compensation that results in a dilutive effect on earnings per share. Basic and diluted earnings per share have been calculated based on the following number of average shares:

<i>Numbers in thousands</i>	Q4 2015	Q4 2014	FY 2015	FY 2014
Shares issued	269 000	269 000	269 000	269 000
Effect of own shares held	(2 257)	-	(1 290)	-
<b>Average number of outstanding shares</b>	<b>266 743</b>	<b>269 000</b>	<b>267 710</b>	<b>269 000</b>

### Note 6 Contingent events

Given the scope of the group's worldwide operations, group companies are inevitably involved in legal disputes in the course of their activities. Provisions have been recognised based on expected outcome of any disputes and litigation proceedings in accordance with applicable accounting rules. Such provisions are based on management's best evaluations and estimates of a likely outcome of the dispute. However, the final outcome of such disputes and litigation proceedings will always be subject to uncertainties, and resulting liabilities may exceed recognised provisions. The disputes and litigation proceedings are continuously monitored and reviewed, and recognised provisions are adjusted to reflect management's best assessment of most recent facts and circumstances. Litigation and arbitration costs are recognised as they occur.

#### *Significant, current disputes*

##### *Longview project*

On 18 October 2015, Kværner North American Construction, Inc. received the award from the arbitration proceedings against Foster Wheeler North America Corporation. Under the award, Kværner North American Construction Inc. shall receive USD 74 million in cash from Foster Wheeler North America Corporation. The award is in line with book value of the claim. The financial effects of the award are subject to the other party not challenging the award and are expected to be recognised in Kværner's accounts when final payment is received.

Foster Wheeler North America Corporation has not complied with its obligation to pay within the 30 day deadline stipulated in the arbitration award. Kværner has initiated legal proceedings against Foster Wheeler in the courts of New York to enforce the outcome of the award. The court is expected to hear the case within Q1 2016. Kværner's assessment is that the court will confirm the enforcement of the arbitration award.

### Nordsee Ost project

In 2012, arbitration related to the Nordsee Ost project was filed. The last wind jackets for the project were delivered in October 2013. The arbitration process for the project will take time due to high complexity. It is currently not possible to estimate when the arbitration will be finalised.

There is still substantial uncertainty with respect to the final financial outcome of the Nordsee Ost project, and to avoid prejudicing Kvaerner's position, no estimate of the expected final outcome is disclosed.

### Note 7 Related parties

The largest shareholder of Kvaerner ASA, Aker Kvaerner Holding AS, is controlled by Aker ASA (70 percent) which in turn is controlled by Kjell Inge Røkke and his family through TRG Holding AS and The Resource Group AS. In accordance with IAS 24, all entities controlled by Aker ASA, associated companies and joint ventures of Kvaerner and certain other related parties are reported as related parties to Kvaerner.

Kvaerner believes that all transactions with related parties have been based on arm's length terms. The table below gives an overview of aggregated transactions and balances with related parties.

Amounts in NOK million	FY 2015	FY 2014
Revenue	438	480
Operating expenses, related parties	(1 275)	(2 904)
Interest income/expense	-	(0)
Trade and other receivables	84	79
Trade and other payables	91	302

Transactions and balances include discontinued operations.

### Note 8 Discontinued operations – summary of financial data

Following the sale of Kvaerner's onshore construction business in North America in December 2013, remaining legacies within the segment are presented as discontinued operations in the group's financial statements.

The results for the discontinued business are reported separately under the heading Result from discontinued operations in the group's income statement. In the balance sheet, retained assets and liabilities are presented on separate lines.

Amounts in NOK million	Q4 2015	Q4 2014	FY 2015	FY 2014
Total revenue and other income	(0)	2	(0)	4
Administrative and legal expenses	6	(27)	(85)	(121)
<b>EBIT</b>	<b>5</b>	<b>(25)</b>	<b>(85)</b>	<b>(117)</b>
Net financial income/(expense)	12	(0)	142	(0)
<b>Profit/(loss) before tax</b>	<b>18</b>	<b>(25)</b>	<b>57</b>	<b>(117)</b>
Income tax income/(expense)	0	1	(1)	21
<b>Profit/(loss) from discontinued operations</b>	<b>18</b>	<b>(25)</b>	<b>56</b>	<b>(96)</b>
Basic and diluted earnings/(losses) per share (NOK)	0.07	(0.09)	0.21	(0.36)
<b>Net assets</b>	<b>584</b>	<b>855</b>	<b>584</b>	<b>855</b>

Positive EBIT in the quarter due to recovery on claim on historic project. Financial income is mainly related to foreign exchange accounting effect on repayment of capital with NOK 129 million in first quarter 2015 and NOK 10 million in fourth quarter 2015, with no impact on group equity.

Cash flows from discontinued operations are as follows:

<i>Amounts in NOK million</i>	Q4 2015	Q4 2014	FY 2015	FY 2014
Cash flow from operating activities	32	(40)	321	(154)
Cash flow from financing activities <sup>1</sup>	(51)	40	(319)	117
Translation adjustments	(1)	5	5	6
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>(20)</b>	<b>4</b>	<b>6</b>	<b>(32)</b>
Cash at the beginning of the period	50	20	24	56
<b>Cash at the end of the period</b>	<b>30</b>	<b>24</b>	<b>30</b>	<b>24</b>

<sup>1</sup> Related to movements in intercompany loans and equity

### Note 9 Quarterly historical information – continuing operations

<i>Amounts in NOK million</i>	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
<b>Total revenue and other income</b>	<b>2 577</b>	<b>2 858</b>	<b>3 125</b>	<b>3 525</b>	<b>3 591</b>	<b>4 004</b>
Upstream	3 334	3 615	3 794	4 173	4 585	4 981
<b>Adjusted EBITDA</b>	<b>178</b>	<b>148</b>	<b>109</b>	<b>101</b>	<b>175</b>	<b>194</b>
Upstream	202	166	125	120	200	212
<b>Adjusted EBITDA margin</b>	<b>6.9 %</b>	<b>5.2 %</b>	<b>3.5 %</b>	<b>2.9 %</b>	<b>4.9 %</b>	<b>4.8 %</b>
Upstream	6.1 %	4.6 %	3.3 %	2.9 %	4.4 %	4.3 %
<b>Net profit/(loss) - continuing operations</b>	<b>128</b>	<b>95</b>	<b>62</b>	<b>53</b>	<b>(302)</b>	<b>112</b>
<b>Basic and diluted EPS continuing operations</b>	<b>0.48</b>	<b>0.35</b>	<b>0.23</b>	<b>0.20</b>	<b>(1.12)</b>	<b>0.42</b>
<b>Order intake</b>	<b>1 486</b>	<b>2 027</b>	<b>5 674</b>	<b>3 610</b>	<b>1 274</b>	<b>2 801</b>
Upstream	1 472	2 051	5 703	3 620	1 255	2 809
<b>Order backlog</b>	<b>14 346</b>	<b>16 232</b>	<b>17 742</b>	<b>15 840</b>	<b>16 451</b>	<b>19 353</b>
Upstream	14 346	16 233	17 745	15 845	16 451	19 358
<b>NCOA</b>	<b>(1 057)</b>	<b>(639)</b>	<b>(483)</b>	<b>(541)</b>	<b>(922)</b>	<b>(515)</b>
Upstream	(1 106)	(696)	(335)	(360)	(839)	(416)
<b>Net interest bearing deposits and loans</b>	<b>1 562</b>	<b>1 044</b>	<b>550</b>	<b>796</b>	<b>722</b>	<b>563</b>

<sup>1</sup> Including Kvaerner's scope of work of jointly controlled entities closely related to Kvaerner's operating activities.