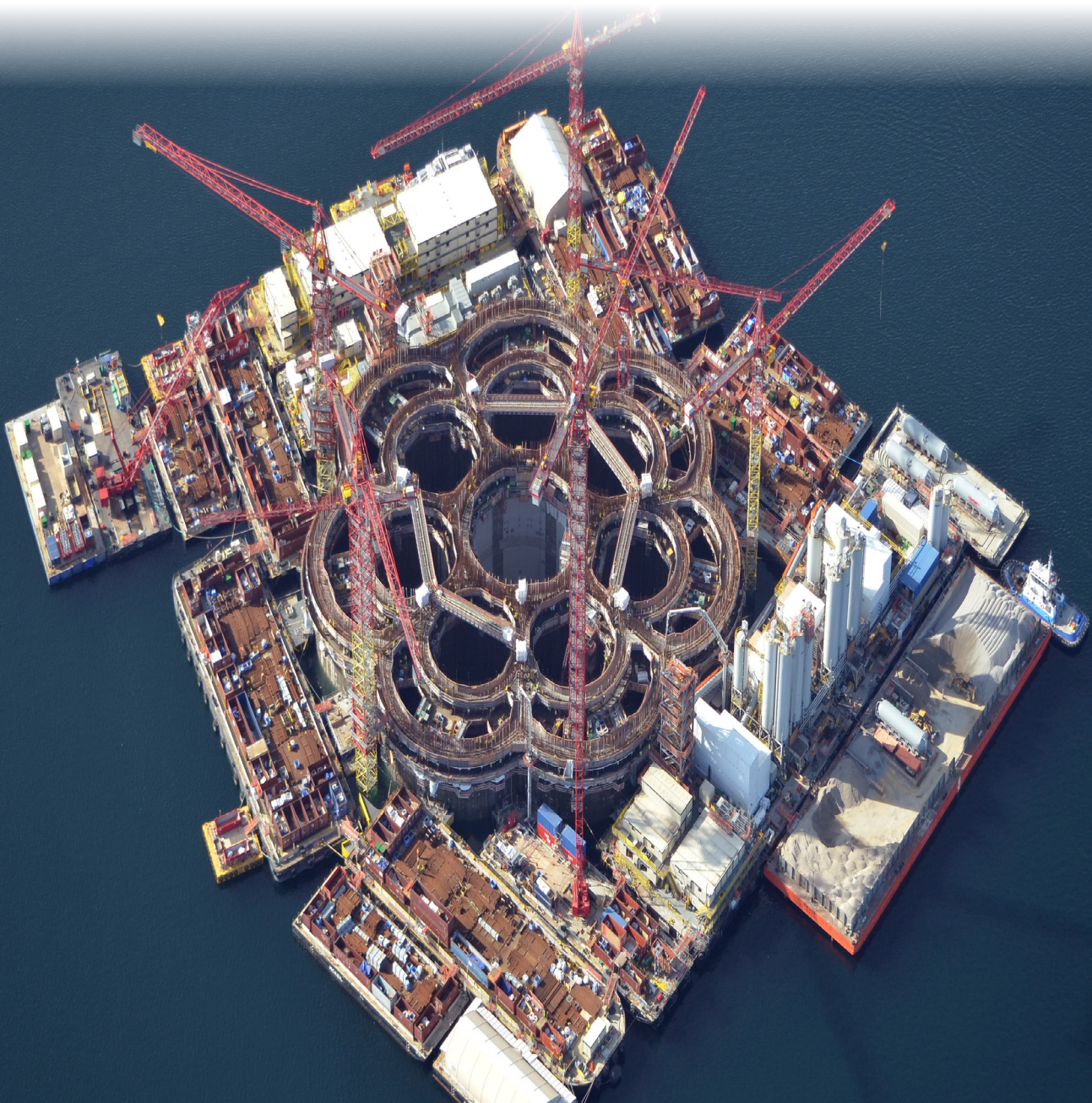




# Fourth quarter and preliminary annual results 2014

11 February 2015



## KVÆRNER ASA – FOURTH QUARTER AND PRELIMINARY ANNUAL RESULTS 2014

### FOURTH QUARTER HIGHLIGHTS

- Production started on Eldfisk , offshore hook-up work being completed
- Major milestone reached at the Nyhamna onshore project
- New corporate organisational structure
- Impairment on goodwill

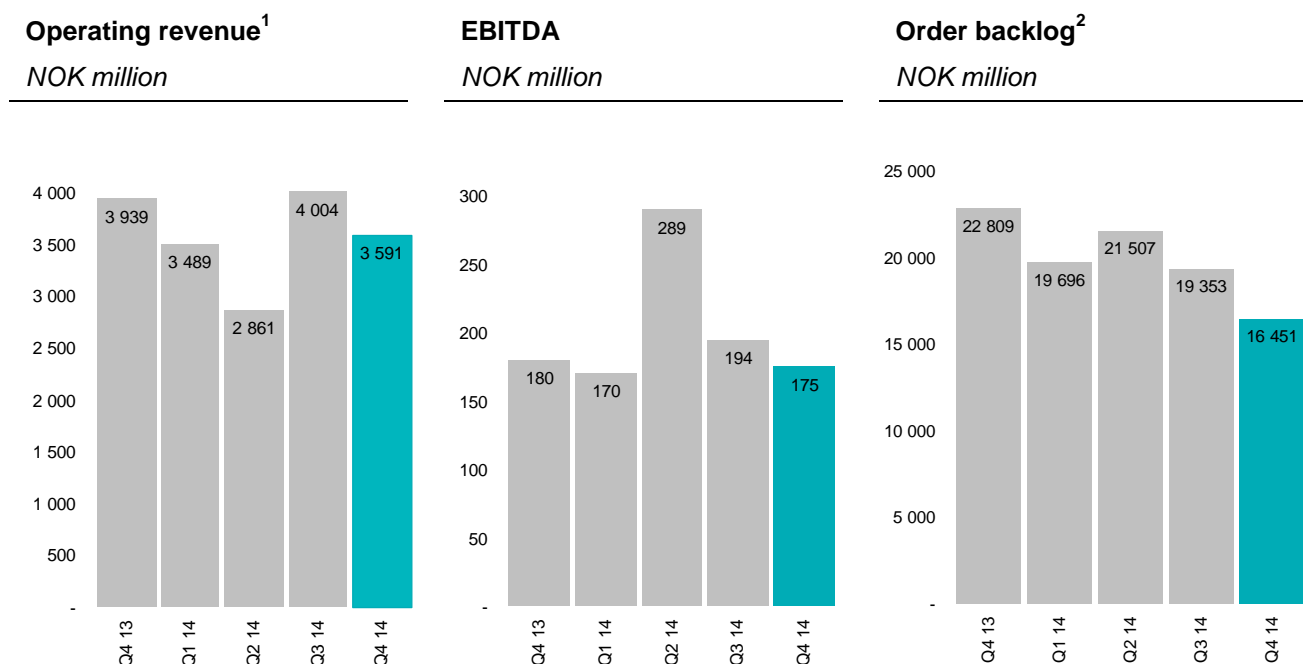
### 2014 HIGHLIGHTS

- Record high operational activity
- Negative cost developments putting pressure on margins
- Edvard Grieg and Martin Linge jackets successfully delivered
- Eldfisk topside for ConocoPhillips completed and installed at field
- Frame agreement and Letter of Intent with Statoil for two Sverdrup jackets
- Completion contracts for Aasta Hansteen won
- Transocean Barents classification, upgrade and modification work completed ahead of schedule
- Cooperation with KBR to bid for Johan Sverdrup topside contracts
- New strategic opportunities being explored to further strengthen Kvaerner's business
- Decline in oil price cause significant uncertainty for estimating how the markets will develop

### SUBSEQUENT EVENTS

- Dividend of NOK 0.67 per share proposed by the Board of Directors
- Contract signed with Statoil for delivery of jacket for Sverdrup riser platform
- Settlement agreements reached with Longview Power, LLC and others

### FINANCIAL HIGHLIGHTS



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

<sup>2</sup> Including scope of work of jointly controlled entities closely related to Kvaerner's operating activities.

## FINANCIAL KEY FIGURES

Amounts in NOK million	Q4 2014	Q4 2013	FY 2014	FY 2013
Total revenue and other income <sup>1</sup>	3 591	3 939	13 945	12 960
EBITDA <sup>2</sup>	175	180	828	636
EBITDA margin	4.9 %	4.6 %	5.9 %	4.9 %
EBIT	(111)	162	492	573
Net profit/(loss) - continuing operations	(302)	11	27	239
Basic and diluted earnings per share - continuing operations	(1.12)	0.04	0.10	0.89
Order intake <sup>3</sup>	1 274	1 925	10 718	18 615
Order backlog <sup>3</sup>	16 451	22 809	16 451	22 809
Net current operating assets (NCOA)	(922)	(1 266)	(922)	(1 266)
Net interest bearing deposits and loans	722	1 069	722	1 069

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

Please refer to note 8 for details related to discontinued operations.

## FINANCIAL REVIEW

### Income statement

Operating revenues in fourth quarter 2014 amounted to NOK 3 591 million, compared with NOK 3 939 million for fourth quarter 2013. The decrease from last year is mainly due to reduced activity within the jackets business. Kvaerner reported operating revenues of NOK 13 945 million for full year 2014, compared with NOK 12 960 million for full year 2013.

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the quarter were NOK 175 million, compared with NOK 180 million in the same period last year. EBITDA margin for fourth quarter 2014 was 4.9 percent, up from 4.6 percent in corresponding period in 2013. EBITDA for full year 2014 was NOK 828 million, compared with NOK 636 million last year.

Goodwill impairment of NOK 266 million in the quarter and full year related to business area Contractors International. The impairment is based on the company's impairment test in accordance with International Financial Reporting Standard (IFRS) IAS 36 Impairment of Assets, reflecting accounting judgements following market developments.

Net financial expense for the quarter was NOK 54 million, including net interest expense of NOK 14 million, loss on foreign currency forward contracts of NOK 13 million, foreign exchange loss of NOK 23 million and other financial expenses of NOK 4 million. Net financial expense for the same period in 2013 was NOK 54 million of which net interest expense amounted to NOK 15 million. Net financial expense for the full year was NOK 105 million, compared to NOK 96 million in 2013.

Net result from associated companies and jointly controlled entities presented below EBITDA amounted to negative NOK 1 million for the quarter and negative NOK 59 million for full year 2014, compared to negative NOK 53 million and negative NOK 78 million in the respective periods in 2013. The full year 2014 result was impacted by impairment charges related to investment in associated company.

Loss before tax for fourth quarter 2014 of NOK 166 million compared to NOK 54 million for the same period last year. For the full year 2014, profit before tax was NOK 329 million compared to NOK 399 million for the full year 2013.

Total income tax expense in the period was NOK 137 million compared to NOK 43 million for the same quarter previous year. Tax expense for the full year amounted to NOK 301 million, compared to NOK 160 million in 2013. The tax expense reflects an effective tax rate of 92 percent in 2014 compared to 40 percent in 2013. The relatively high rate compared to the Norwegian statutory tax rate of 27 percent is mainly due to goodwill impairment not being tax deductible, tax provisions related to tax audits, provisions for certain tax credits, deferred tax assets not recognised and paid withholding taxes.

Profit from continuing operations was a loss of NOK 302 million and profit of NOK 27 million for fourth quarter and full year 2014 respectively, compared to NOK 11 million and NOK 239 million in same periods in 2013. Basic and diluted earnings per share (EPS) for continuing operations were negative NOK 1.12 for fourth quarter,

compared to NOK 0.04 for fourth quarter 2013. Basic and diluted EPS per share were NOK 0.10 for full year 2014 compared to NOK 0.89 for full year 2013.

Net loss from discontinued operations was NOK 25 million for fourth quarter 2014, compared to a profit of NOK 237 million, including gain on sale of assets and operations of NOK 272 million, in same period last year. For the full year, loss from discontinued operations was NOK 96 million compared to profit of NOK 206 million in 2013. There are no operations related to the retained assets following the sale of the onshore construction business in fourth quarter 2013. Remaining activity and costs are related to legacy issues. Basic and diluted earnings per share for discontinued operations were negative NOK 0.09 for fourth quarter 2014, compared to NOK 0.88 for fourth quarter 2013, and negative NOK 0.36 for full year 2014 compared to NOK 0.77 for full year 2013.

Net profit total operations in fourth quarter 2014 was negative NOK 327 million compared to NOK 248 million in the corresponding quarter last year. Basic and diluted earnings per share for total operations for fourth quarter 2014 were negative NOK 1.22 compared to NOK 0.92 in fourth quarter 2013. Net profit for the full year 2014 was negative NOK 69 million compared to a profit of NOK 445 million last year. Basic and diluted earnings per share for total operations for the full year were negative NOK 0.26 and NOK 1.66 for 2014 and for 2013 respectively.

### Cash flow

Net cash inflow from operating activities was NOK 365 million in fourth quarter 2014 compared to cash inflow of NOK 694 million in the same period last year. Customer pre-payments<sup>1</sup> were NOK 54 million at the end of fourth quarter compared to NOK 153 million at the end of the previous quarter. Net cash inflow from operating activities for full year 2014, was NOK 193 million, compared to cash inflow of NOK 606 million in 2013.

Net cash outflow from investing activities in fourth quarter 2014 was NOK 36 million compared to an inflow of NOK 341 million, including net cash inflow of NOK 376 million from the sale of the North American construction business, in the same quarter last year. For the full year, cash outflow from investing activities amounted to NOK 171 million compared to NOK 208 million in 2013. Capital expenditure in the quarter and full year amounted to NOK 36 million and NOK 157 million respectively, and is mainly related to the facility upgrades at the Stord yard.

Net cash outflow from financing activities was NOK 175 million in the quarter and NOK 370 million for the full year compared with an outflow of NOK 168 million and NOK 356 million for the same periods in 2013. Full year outflow mainly relates to dividend payments of NOK 336 million and interest payments.

Net increase in cash and bank deposits during the quarter amounted to NOK 163 million, resulting in cash and bank deposits at the end of the quarter at NOK 1 208 million. The group has undrawn, committed long-term credit facilities of NOK 2.5 billion. This provides access to capital totalling NOK 3.7 billion.

### Balance sheet

Total cash and bank was NOK 1 208 million at the end of fourth quarter, compared to NOK 1 045 million reported at the end of third quarter 2014. Net current operating assets (NCOA) were negative NOK 922 million at quarter end, compared to negative NOK 515 million at the end of previous quarter. Equity ratio at 31 December 2014 was 31.5 percent, down from 31.6 percent at 30 September 2014.

### Order intake and backlog

Order intake in fourth quarter totalled NOK 1 274 million, including scope of work of jointly controlled entities, compared to NOK 1 925 million in the same quarter last year. As of 31 December 2014, the order backlog, including scope of work of jointly controlled entities, amounted to NOK 16 451 million. Estimated scheduling for the order backlog is approximately 50 percent for execution in 2015, with remaining 50 percent for execution in 2016 and later.

### Transactions in treasury shares

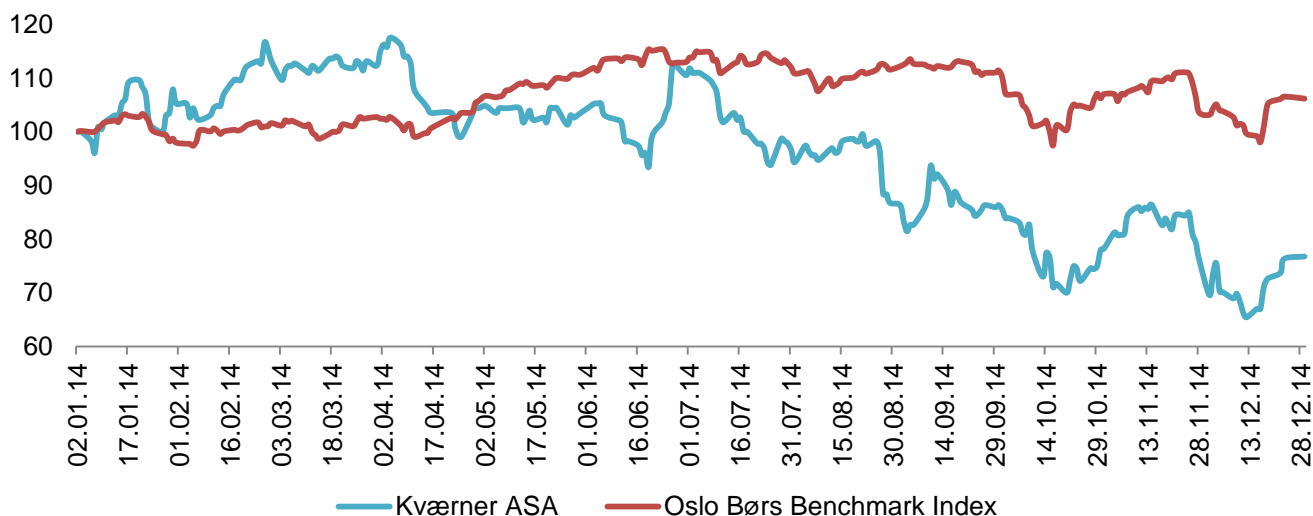
There were no transactions in treasury shares in fourth quarter 2014 and Kværner ASA holds no treasury shares at the end of the quarter.

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<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).

## The Kvaerner share

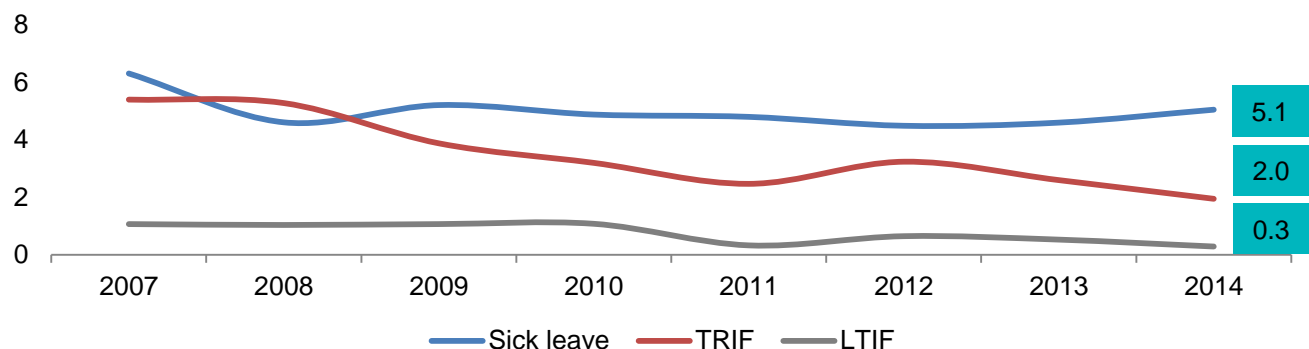
Indexed share price development last 12 months



The share price decreased from NOK 10.60 at the end of third quarter 2014 to NOK 8.89 at the end of fourth quarter 2014. The highest traded share price during fourth quarter was NOK 10.50 and the lowest traded share price was NOK 7.46. Average daily turnover during fourth quarter was 616 460 shares compared to 415 431 shares during third quarter 2014. The market capitalisation was NOK 2.39 billion at the end of fourth quarter 2014 compared to NOK 2.85 billion at the end of third quarter 2014.

## OPERATIONAL REVIEW

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



### Status

During fourth quarter 2014 Kvaerner had a total of 15 recordable Incidents, of which three were lost time incidents and two serious or serious near miss incidents. In the quarter the group performed more than 5.8 million work hours. A total of 19 223 risk observations, including positive observations, were documented, in line with number of observations in the previous quarter.

### Initiatives

The main HSSE targets for 2015 have been set. Strengthen sharing of best practice and experience, utilising resources and competence across the organisation and ensuring the use of existing programs and tools through development and standardisation are some of the initiatives to reach the goal of zero incidents.

## Segments

Following sale of Kvaerner's onshore construction business in North America in December 2013, Kvaerner does not have any remaining operations in the US within the Downstream & Industrials segment, and remaining legacies within the segment are presented as discontinued operations in the group's financial statements as from fourth quarter 2013. Consequently, Kvaerner only has one reportable segment; Upstream. The Upstream segment includes the business areas Contractors Norway, Jackets, Concrete Solutions and Contractors International.

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

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

Amounts in NOK million	Q4 2014	Q4 2013	FY 2014	FY 2013
Total revenue and other income	4 585	4 667	17 531	16 091
EBITDA	200	197	911	708
EBITDA margin	4.4 %	4.2 %	5.2 %	4.4 %
Net current operating assets	(839)	(1 257)	(839)	(1 257)
Order intake	1 255	1 925	10 727	18 662
Order backlog	16 451	22 809	16 451	22 809
Employees	3 002	2 789	3 002	2 789

<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 4 585 million in fourth quarter 2014, compared to NOK 4 667 million in fourth quarter 2013. Compared to same quarter last year, higher revenue from Concrete Solutions was offset by reduced activity within Jackets. EBITDA amounted to NOK 200 million, resulting in an EBITDA margin for the quarter of 4.4 percent, compared to NOK 197 million and 4.2 percent EBITDA margin in fourth quarter 2013. EBITDA in the quarter reflects projects with a relatively wide margin range. Negative cost developments in some projects as communicated in previous quarters, is putting pressure on margins.

Goodwill impairment charge of NOK 266 million in the quarter and full year related to business area Contractors International. The write down does not change Kvaerner's current international strategy and target markets.

NCOA at the end of fourth quarter 2014 was negative NOK 839 million, a reduction of NOK 423 million during the quarter. The disputed Nordsee Ost project is still tying up working capital until the arbitration is resolved.

Order intake of NOK 1 255 million in the quarter reflects growth in existing contracts as well as small orders. Order backlog was NOK 16 451 million at the end of the quarter, including scope of work of jointly controlled entities.

### Operations

Activity level in Contractors Norway remained high, and more than 5 800 people were on rotation for the on-going projects at year end. The Eldfisk project reached a major milestone when first oil was achieved 3 January 2015, with corresponding start of production the following day. The Edvard Grieg topside is about to enter the final phase of the project with planned delivery 15 April 2015. Main focus in this phase is mechanical completion and handover process to commissioning. The Nyhamna onshore project is still ramping up as planned and the civil construction work is progressing with several activities. Fabrication of modules is ongoing at all six sites with the first modules completed and arrived at Nyhamna before Christmas.

The Hebron gravity based structure (GBS) project is progressing in Newfoundland and Labrador, Canada, with engineering in St. John's and construction at the Bull Arm fabrication site. The major slip form operation was successfully completed in October. This is the second largest GBS slip form operation for the industry. The detailed design is completed and engineering has moved on to the follow-on phase. Construction activities at the deep water site are continuing.

In the Jacket business the assembly of Nyhamna compressor modules is progressing in pre-fabrication areas. The engineering for the Johan Sverdrup riser platform jacket has started and the project team has been mobilised.

#### *Market*

The volatility in the oil price and the customers' investment plans create significant uncertainty for estimating how the markets will develop. Based on a close dialogue with key customers, Kvaerner's assessment is that there are short term prospects which will proceed to contract award and execution also with the market situation at the start of 2015. One example of such immediate opportunities is the Johan Sverdrup project, which will be Norway's largest industrial development in decades. Kvaerner share the view of external market analysts' of a long term demand for new projects well fit for Kvaerner's expertise. Kvaerner continues to see opportunities for studies and hook-up projects as well as interesting prospects in other target regions. However, timing of these prospects is uncertain.

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

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

As discussed in the Subsequent events section below, in early January 2015, settlement agreements were reached with Longview Power, LLC and others. Refer to note 6 for more information on the remaining claim and note 8 for Summary of financial data.

#### **Unallocated costs**

Unallocated costs, which are net corporate costs not directly attributable to the individual segments, amounted to NOK 25 million in fourth quarter and NOK 83 million for the full year. It is expected that the recurring level of net corporate costs will be approximately NOK 70-80 million annually.

#### **OTHER**

##### **New corporate organisational structure**

Kvaerner has from 1 January 2015 implemented a new corporate organisational structure comprising the business areas Topsides, Onshore, Jackets and Concrete Solutions. Contractors International will as from 1 January 2015 mainly be integrated as part of the business area Topsides. The change is part of the process aimed at increasing the company's competitiveness. The new corporate structure will facilitate more effective internal cooperation and work processes. With the new structure in place, the management team have clear roles for driving the process for increased competitive power.

#### **SUBSEQUENT EVENTS**

##### **Settlement agreements with Longview Power, LLC and others**

In January 2015, Kvaerner North American Construction Inc. (a subsidiary of Kvaerner) executed agreements with each of Longview Power, LLC, Siemens Energy Inc. and others regarding the disputes between them in both the arbitration proceedings concerning the Longview Project and the subsequent bankruptcy cases of Longview Power, LLC. Under the agreements, Kvaerner North American Construction Inc. will receive an aggregate amount of USD 48 million from various parties. In consideration, Kvaerner North American Construction Inc. will settle certain claims and release the mechanics' liens filed against the Longview power plant properties in Maidsville, West Virginia, and will waive all objections in the ongoing Longview Power, LLC bankruptcy proceedings. The settlement has been approved in the bankruptcy proceedings with expected receipt of the above-referenced amounts anticipated to occur in February 2015. The settlement will not impact Kvaerner's overall accounting position on the remaining claim. Kvaerner North American Construction Inc. will continue the arbitration proceedings against Amec Foster Wheeler North America Corp. This process is expected to continue until third quarter 2015.

### **Contract for delivery of steel jacket substructure for Johan Sverdrup riser platform**

In January 2015, Kvaerner signed the final contract for delivery of the steel jacket substructure for the riser platform at the Johan Sverdrup field. Since the letter of intent for the delivery was signed in June 2014, Kvaerner has detailed out and confirmed a range of improvements to cost levels and productivity which will be implemented during project execution. For Kvaerner, the contract signing marks a milestone for the company's strategy to increase its competitiveness. Contract value for the riser platform jacket is close to NOK 2 billion.

### **The Board propose dividend of NOK 0.67 per share**

The Board of Directors has in line with the dividend policy proposed to pay a dividend of NOK 0.67 per share in April 2015. Subject to approval by the Annual General Meeting (AGM), the dividend payment will take place on or about 24 April 2015 to shareholders of record as per the date of the AGM scheduled for 9 April 2015. The shares will be traded exclusive dividend from and including 10 April 2015.

### **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 business areas, and has extensive systems and procedures in place. Other relevant risk factors are further described in the annual report for 2013.

### **OUTLOOK**

The company's first priority is to execute and deliver the existing projects according to plans and expectations. Kvaerner's order book provides a good foundation and a positive momentum for further improvement processes both internally as well as in cooperation with customers, and cost reduction measures have been implemented in new tenders. However, volatility in the oil price and the customers' investment plans create significant uncertainty for estimating how the company's markets will develop.

The revenues for 2014 were exceptionally high. For 2015, Kvaerner aims at activity levels of NOK 10-11 billion, including revenues from jointly controlled entities. The first half of 2015 is expected to be challenging with results temporarily on the low side of what has been delivered historically. This is due to phasing of the current project portfolio and timing of new contract awards. Contract awards in 2015 will have limited margin contribution in the year. All in all, this reflects that the EPC business is lumpy and fluctuations will have to be expected from quarter to quarter.

*Oslo, 10 February 2015*

*The Board of Directors and President & CEO*

*Kvaerner ASA*

## FURTHER INFORMATION

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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 3 000 HSSE-focused and experienced employees are recognised for delivering some of the world's most amazing and demanding projects.

In 2014, the Kvaerner group had consolidated annual revenues of approximately NOK 14 billion and the company reported an order backlog at 31 December 2014 of NOK 16.5 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 2015

Investor day, London	17 March 2015
Annual General Meeting 2015	9 April 2015
First quarter results 2015	8 May 2015
Second quarter results 2015	16 July 2015
Third quarter results 2015	6 November 2015

The dates may be subject to change.

## FINANCIAL STATEMENTS

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Amounts in NOK million	Q4 2014	Q4 2013	FY 2014	FY 2013
Total revenue and other income	3 591	3 939	13 945	12 960
Operating expenses	(3 416)	(3 759)	(13 117)	(12 324)
<b>EBITDA</b>	<b>175</b>	<b>180</b>	<b>828</b>	<b>636</b>
Depreciation and amortisation	(20)	(18)	(70)	(63)
Impairment charges	(266)	-	(266)	-
<b>Operating profit/(loss)</b>	<b>(111)</b>	<b>162</b>	<b>492</b>	<b>573</b>
Net financial income/(expense)	(54)	(54)	(105)	(96)
Profit/(loss) from equity accounted investees, incl. impairments	(1)	(53)	(59)	(78)
<b>Profit/(loss) before tax</b>	<b>(166)</b>	<b>54</b>	<b>329</b>	<b>399</b>
Income tax expense	(137)	(43)	(301)	(160)
<b>Profit/(loss) from continuing operations</b>	<b>(302)</b>	<b>11</b>	<b>27</b>	<b>239</b>
<b>Profit/(loss) from discontinued operations</b>	<b>(25)</b>	<b>237</b>	<b>(96)</b>	<b>206</b>
<b>Net profit/(loss)</b>	<b>(327)</b>	<b>248</b>	<b>(69)</b>	<b>445</b>
<i>Attributable to:</i>				
Equity holders of the parent company - Kværner ASA	(327)	248	(69)	445
<b>Earnings per share (NOK)</b>				
Basic and diluted EPS continuing operations	(1.12)	0.04	0.10	0.89
Basic and diluted EPS discontinued operations	(0.09)	0.88	(0.36)	0.77
<b>Basic and diluted EPS total operations</b>	<b>(1.22)</b>	<b>0.92</b>	<b>(0.26)</b>	<b>1.66</b>

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK million	Q4 2014	Q4 2013	FY 2014	FY 2013
<b>Net profit/(loss) for the period</b>	<b>(327)</b>	<b>248</b>	<b>(69)</b>	<b>445</b>
<b>Items that may be reclassified to profit or loss in subsequent periods:</b>				
Cash flow hedges, net of tax				
- Fair value adjustment recognised in equity	(3)	(4)	(2)	12
- Reclassified to profit or loss	(0)	3	(1)	12
Translation differences, foreign operations	203	76	261	160
Items that may be reclassified to profit or loss in subsequent periods	200	75	258	185
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>				
Actuarial gains/(losses) on defined benefit pension plans, net of tax	(26)	(5)	(27)	(5)
Items not to be reclassified to profit or loss in subsequent periods	(26)	(5)	(27)	(5)
<b>Total other comprehensive income, net of tax</b>	<b>173</b>	<b>70</b>	<b>232</b>	<b>179</b>
<b>Total comprehensive income</b>	<b>(154)</b>	<b>318</b>	<b>163</b>	<b>624</b>
<i>Attributable to</i>				
Equity holders of the parent company - Kværner ASA	(154)	318	163	624

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**

<i>Amounts in NOK million</i>	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Assets</b>		
<i>Non-current assets</i>		
Property plant and equipment	736	713
Intangible assets	850	1 080
Deferred tax assets	123	193
Investments in associates and jointly controlled entities	288	132
Interest bearing receivables	2	3
Other non-current assets	11	28
<b>Total non-current assets</b>	<b>2 010</b>	<b>2 150</b>
<i>Current assets</i>		
Trade and other receivables	3 268	3 121
Prepaid company tax	31	93
Total cash and bank	1 208	1 545
Retained assets of business sold	906	916
<b>Total current assets</b>	<b>5 414</b>	<b>5 676</b>
<b>Total assets</b>	<b>7 424</b>	<b>7 825</b>
<b>Equity and liabilities</b>		
<i>Equity</i>		
Share capital	91	91
Share premium	729	729
Retained earnings	1 309	1 715
Other reserves	208	(24)
<b>Total equity</b>	<b>2 337</b>	<b>2 511</b>
<i>Non-current liabilities</i>		
Interest-bearing loans	487	479
Employee benefit liabilities	176	170
<b>Total non-current liabilities</b>	<b>664</b>	<b>649</b>
<i>Current liabilities</i>		
Trade and other payables	4 109	4 057
Tax liabilities	182	56
Provisions	81	330
Retained liabilities of business sold	51	223
<b>Total current liabilities</b>	<b>4 423</b>	<b>4 666</b>
<b>Total equity and liabilities</b>	<b>7 424</b>	<b>7 825</b>

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

<i>Amounts in NOK million</i>	<b>Total paid in capital</b>	<b>Retained earnings</b>	<b>Other reserves</b>	<b>Total equity</b>
<b>Equity as of 31 December 2012</b>	<b>820</b>	<b>1 578</b>	<b>(204)</b>	<b>2 195</b>
Profit for the period	-	445	-	445
Other comprehensive income	-	-	179	179
<b>Total comprehensive income</b>	<b>-</b>	<b>445</b>	<b>179</b>	<b>624</b>
Change in treasury shares	-	(1)	-	(1)
Employee share purchase programme	-	(3)	-	(3)
Dividend	-	(304)	-	(304)
<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>	<b>-</b>	<b>(69)</b>	<b>232</b>	<b>163</b>
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>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>Amounts in NOK million</i>	<b>Q4 2014</b>	<b>Q4 2013</b>	<b>FY 2014</b>	<b>FY 2013</b>
Net profit	(327)	248	(69)	445
Adjusted for:				
Income tax expense, including discontinued operations	136	72	280	190
Net financial expense	54	54	105	96
Depreciation, amortisation and impairment	20	20	70	70
Sales (gains)/losses	-	(272)	-	(272)
Taxes (paid)/refund	(36)	(21)	(16)	(110)
Changes in other operating assets and liabilities	517	593	(178)	187
<b>Cash flow from operating activities</b>	<b>365</b>	<b>694</b>	<b>193</b>	<b>606</b>
Capital expenditure	(36)	(34)	(157)	(164)
Proceeds from sale of assets and operations	(0)	376	0	376
Cash flow from other investing activities	0	(0)	(13)	(4)
<b>Cash flow from investing activities</b>	<b>(36)</b>	<b>341</b>	<b>(171)</b>	<b>208</b>
Dividends	(172)	(156)	(336)	(304)
Cash flow from other financing activities	(3)	(12)	(34)	(52)
<b>Cash flow from financing activities</b>	<b>(175)</b>	<b>(168)</b>	<b>(370)</b>	<b>(356)</b>
Translation adjustments	9	(4)	11	19
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>163</b>	<b>864</b>	<b>(337)</b>	<b>476</b>
Cash at the beginning of the period	1 045	681	1 545	1 069
<b>Cash at the end of the period</b>	<b>1 208</b>	<b>1 545</b>	<b>1 208</b>	<b>1 545</b>

## SEGMENT INFORMATION

Following the sale of Kvaerner's onshore construction business in North America in December 2013, Kvaerner will not have any remaining operations in the US within the Downstream & Industrials segment, and remaining legacies within the segment are presented as discontinued operations in the group's financial statements.

Consequently, Kvaerner only have one reportable segment as from fourth quarter 2013; Upstream. In the years presented, the Upstream segment includes the business areas Contractors Norway, Jackets, Concrete Solutions and Contractors International. The Upstream segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's operating activities.

	Upstream		Group activities and eliminations		Consolidated	
<i>Amounts in NOK million</i>	Q4 2014	Q4 2013	Q4 2014	Q4 2013	Q4 2014	Q4 2013
External revenue and other income	4 598	4 658	(1 007)	(719)	3 591	3 939
Internal revenue	(13)	9	13	(9)	-	-
<b>Total revenue and other income</b>	<b>4 585</b>	<b>4 667</b>	<b>(993)</b>	<b>(728)</b>	<b>3 591</b>	<b>3 939</b>
<b>EBITDA</b>	<b>200</b>	<b>197</b>	<b>(25)</b>	<b>(17)</b>	<b>175</b>	<b>180</b>
Depreciation, amortisation and impairment	(286)	(18)	0	0	(286)	(18)
<b>EBIT</b>	<b>(86)</b>	<b>179</b>	<b>(25)</b>	<b>(17)</b>	<b>(111)</b>	<b>162</b>
Net current operating assets	(839)	(1 257)	(83)	(9)	(922)	(1 266)

	Upstream		Group activities and eliminations		Consolidated	
<i>Amounts in NOK million</i>	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
External revenue and other income	17 522	16 040	(3 577)	(3 080)	13 945	12 960
Internal revenue	9	51	(9)	(51)	-	-
<b>Total revenue and other income</b>	<b>17 531</b>	<b>16 091</b>	<b>(3 586)</b>	<b>(3 131)</b>	<b>13 945</b>	<b>12 960</b>
<b>EBITDA</b>	<b>911</b>	<b>708</b>	<b>(83)</b>	<b>(72)</b>	<b>828</b>	<b>636</b>
Depreciation, amortisation and impairment	(336)	(63)	0	0	(336)	(63)
<b>EBIT</b>	<b>575</b>	<b>645</b>	<b>(83)</b>	<b>(72)</b>	<b>492</b>	<b>573</b>

## 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 Standard (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 2013, except for adoption of new standards and interpretations effective as of 1 January 2014. The most relevant new standards adopted by Kvaerner are:

IFRS 11 Joint Arrangements, replacing IAS 31 Interests in joint ventures and removes the choice of equity or proportionate consolidation accounting for jointly controlled entities. Adoption of this IFRS has not affected the group financial statements, as the group's joint arrangements comprise joint venture activities which were also equity accounted under IAS 31.

IFRS 10 Consolidated Financial Statements introduced a new control model. Adoption of this IFRS has not affected the group's financial statements directly and have not involved any judgemental assessments. Following Aker ASA's revised assessment of control under IFRS 10, Aker Solutions ASA and Akastor ASA are reported as related parties of Kvaerner as from 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 2013 financial statements for Kvaerner are available upon request from the company's registered office at Drammensveien 264, 0283 Oslo, 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 2013.

## Note 4 Financial items

Amounts in NOK million	Q4 2014	Q4 2013	FY 2014	FY 2013
Net interest income/(expense)	(14)	(15)	(46)	(57)
Profit/(loss) on foreign currency contracts	(13)	(7)	(25)	(7)
Net foreign exchange gain/(loss)	(23)	(30)	(34)	(31)
Other financial items, net	(4)	(2)	0	(1)
<b>Net financial income/(expense)</b>	<b>(54)</b>	<b>(54)</b>	<b>(105)</b>	<b>(96)</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.

## Note 5 Share capital and equity

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

Kvaerner 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 average number of outstanding shares:

NOK thousand	Q4 2014	Q4 2013	FY 2014	FY 2013
Shares issued	269 000	269 000	269 000	269 000
Effect of own shares held	-	-	-	(389)
<b>Average number of outstanding shares</b>	<b>269 000</b>	<b>269 000</b>	<b>269 000</b>	<b>268 611</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

In 2011, arbitration was initiated against Longview and Foster Wheeler North America Corp. related to the Longview project delivered in 2011. Kvaerner's claim is substantial and intended to recover excess construction costs and other damages incurred by Kvaerner North American Construction, Inc. in execution of the project. In January 2015, Kvaerner North American Construction Inc. (a subsidiary of Kvaerner) executed agreements with each of Longview Power, LLC, Siemens Energy Inc. and others regarding the disputes between them in both the arbitration proceedings concerning the Longview Project and the subsequent bankruptcy cases of Longview Power, LLC. Under the agreements, Kvaerner North American Construction Inc. will receive USD 48 million from various parties. In consideration, Kvaerner North American Construction Inc. will settle certain claims and release the mechanics' liens filed against the Longview power plant properties in Maidsville, West Virginia, and will waive all objections in the ongoing Longview Power, LLC bankruptcy proceedings. Kvaerner North American Construction Inc. will continue the arbitration proceedings against Amec Foster Wheeler North America Corp. This process is expected to continue until third quarter 2015.

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 more time than earlier anticipated due to high complexity and resolution has been delayed. It is currently not possible to estimate when the arbitration will be finalised.

Due to uncertainties related to these events and to avoid prejudicing Kvaerner's position, no estimate of the expected final outcome is disclosed.

## Note 7 Related parties

The largest shareholder of Kværner ASA, Aker Kværner 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.

Following Aker ASA's revised assessment that they have control of Kværner ASA, Aker Solutions ASA and Akastor ASA under IFRS 10, Aker Solutions and Akastor are reported as related parties of Kvaerner as from 2014. Comparative period disclosures include transactions with Aker Solutions and Akastor.

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 2014	FY 2013
Revenue	480	438
Operating expenses	(2 904)	(2 227)
Net interest income/(expense)	(0)	3
Interest bearing loans	-	1
Trade and other receivables	79	52
Trade and other payables	302	177

Transactions and balances include discontinued operations.

## Note 8 Discontinued operations – summary of financial data

In December 2013, Kvaerner sold its onshore construction business in North America to Matrix Service Company. Following the sale, Kvaerner will not have any remaining operations in the US within the Downstream & Industrials segment, and remaining legacies within the segment are presented as discontinued operations in the group's financial statements as from fourth quarter 2013. 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 2014	Q4 2013	FY 2014	FY 2013
Total revenue and other income	2	782	4	1 666
Operating expenses	(27)	(484)	(121)	(1 398)
<b>EBIT</b>	<b>(25)</b>	<b>298</b>	<b>(117)</b>	<b>268</b>
Net financial income/(expense)	(0)	(33)	(0)	(32)
<b>Profit/(loss) before tax</b>	<b>(25)</b>	<b>265</b>	<b>(117)</b>	<b>236</b>
Income tax income/(expense)	1	(29)	21	(29)
<b>Net profit/(loss) from discontinued operations</b>	<b>(25)</b>	<b>237</b>	<b>(96)</b>	<b>206</b>
Of which:				
Operations	(25)	(36)	(96)	(66)
Gain on sale of discontinued operations	-	272	-	272
Basic and diluted earnings/(losses) per share (NOK)	(0.09)	0.88	(0.36)	0.77
<b>Net assets</b>	<b>855</b>	<b>693</b>	<b>855</b>	<b>693</b>

Cash flows from discontinued operations are as follows:

<i>Amounts in NOK million</i>	Q4 2014	Q4 2013	FY 2014	FY 2013
Cash flow from operating activities	(40)	(29)	(154)	45
Cash flow from investing activities	(0)	277	-	271
Cash flow from financing activities	40	(390)	117	(604)
Translation adjustments	5	(2)	6	16
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>4</b>	<b>(144)</b>	<b>(32)</b>	<b>(272)</b>
Cash at the beginning of the period	20	200	56	328
<b>Cash at the end of the period</b>	<b>24</b>	<b>56</b>	<b>24</b>	<b>56</b>

#### Note 9 Quarterly historical information – continuing operations

<i>Amounts in NOK million</i>	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>Total revenue and other income</b>	<b>3 591</b>	<b>4 004</b>	<b>2 861</b>	<b>3 489</b>	<b>3 939</b>	<b>3 080</b>
Upstream	4 585	4 981	3 812	4 153	4 667	4 100
<b>EBITDA</b>	<b>175</b>	<b>194</b>	<b>289</b>	<b>170</b>	<b>180</b>	<b>180</b>
Upstream	200	212	312	187	197	197
<b>EBITDA margin</b>	<b>4.9 %</b>	<b>4.8 %</b>	<b>10.1 %</b>	<b>4.9 %</b>	<b>4.6 %</b>	<b>5.9 %</b>
Upstream	4.4 %	4.3 %	8.2 %	4.5 %	4.2 %	4.8 %
<b>Net profit/(loss) - continuing operations</b>	<b>(302)</b>	<b>112</b>	<b>123</b>	<b>95</b>	<b>11</b>	<b>101</b>
<b>Basic and diluted EPS continuing operations</b>	<b>(1.12)</b>	<b>0.42</b>	<b>0.46</b>	<b>0.35</b>	<b>0.04</b>	<b>0.38</b>
<b>Order intake <sup>1</sup></b>	<b>1 274</b>	<b>2 801</b>	<b>5 360</b>	<b>1 283</b>	<b>1 925</b>	<b>1 594</b>
Upstream	1 255	2 809	5 372	1 291	1 925	1 603
<b>Order backlog <sup>1</sup></b>	<b>16 451</b>	<b>19 353</b>	<b>21 507</b>	<b>19 696</b>	<b>22 809</b>	<b>25 647</b>
Upstream	16 451	19 358	21 512	19 698	22 809	25 657
<b>NCOA</b>	<b>(922)</b>	<b>(515)</b>	<b>(624)</b>	<b>(1 162)</b>	<b>(1 266)</b>	<b>(30)</b>
Upstream	(839)	(416)	(613)	(1 078)	(1 257)	(539)
<b>Net interest bearing deposits and loans</b>	<b>722</b>	<b>563</b>	<b>493</b>	<b>953</b>	<b>1 069</b>	<b>256</b>

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