

# Second quarter results 2016



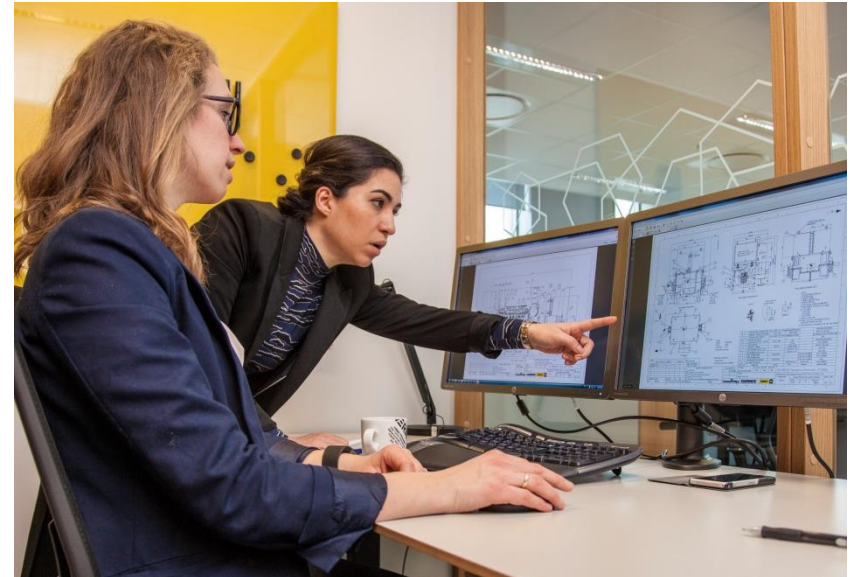
# Highlights

## Second quarter 2016

- › Nyhamna Turnaround 2016 successfully completed
- › Construction of Johan Sverdrup DP and P1 jackets started as planned
- › Call-off for Njord A yard stay
- › Improvements yielding results

## Subsequent events

- › No dividend payment in 2H16

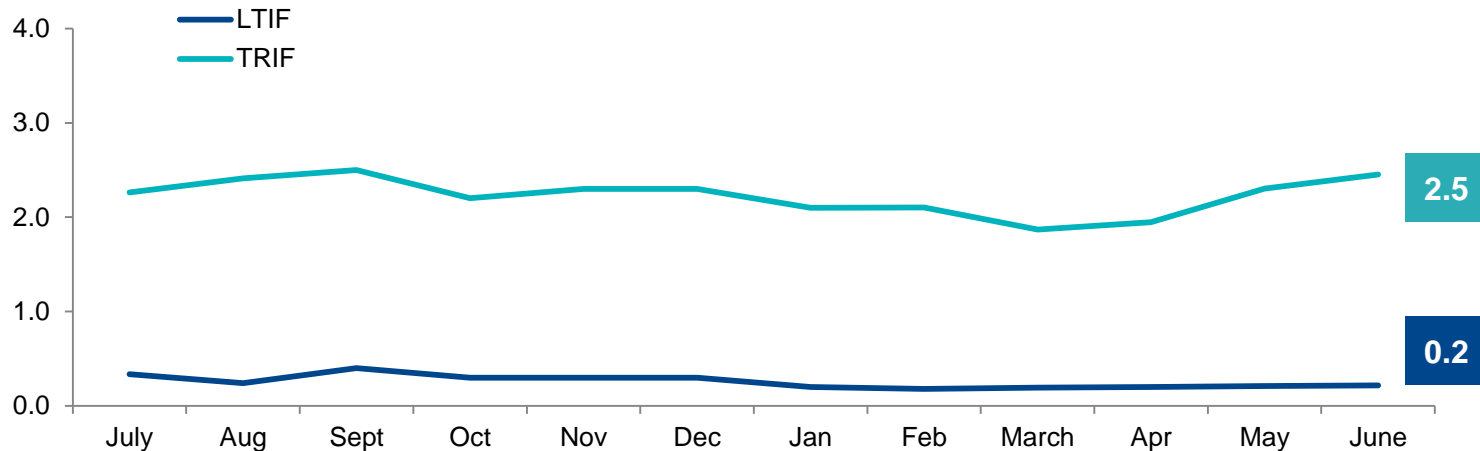


Organisation is simplified and optimized through 1H16

# HSSE results

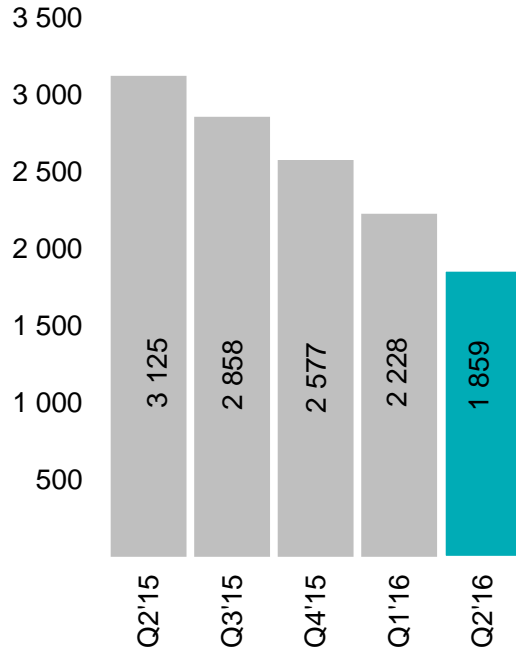
- > No lost time injury
- > Three serious incidents
- > 3 million worked hours in the quarter

**Lost time incident frequency (LTIF) and Total recorded incident frequency (TRIF)**  
Per million work hours and 12 months rolling averages

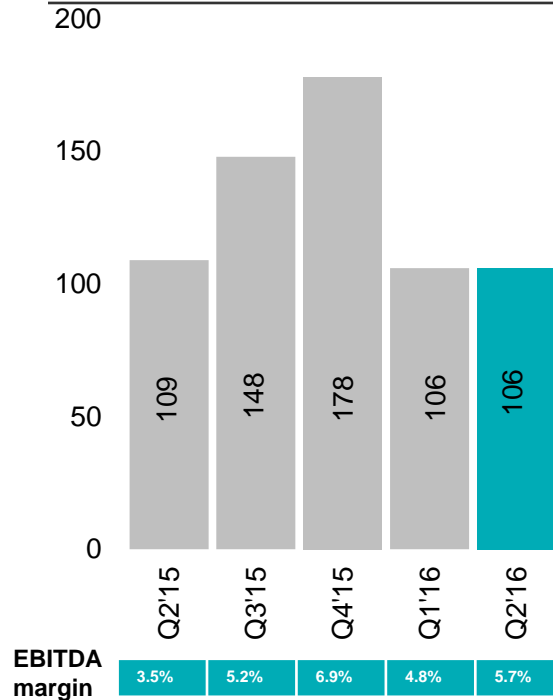


# Key financials

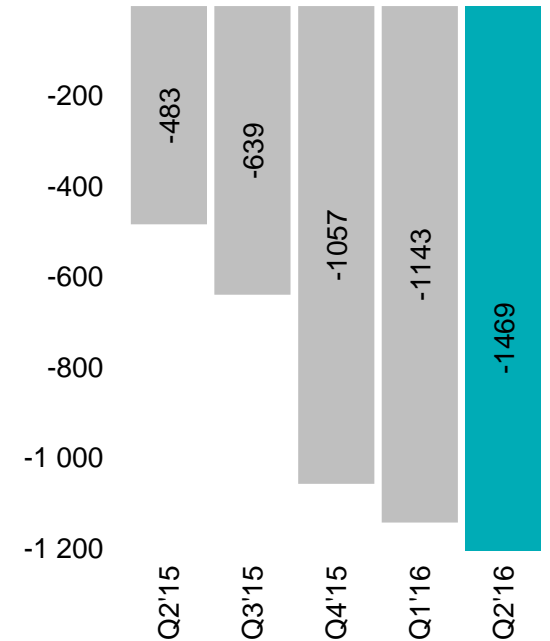
## Revenues NOK million



## Adjusted EBITDA<sup>1</sup> NOK million



## Net current operating assets NOK million

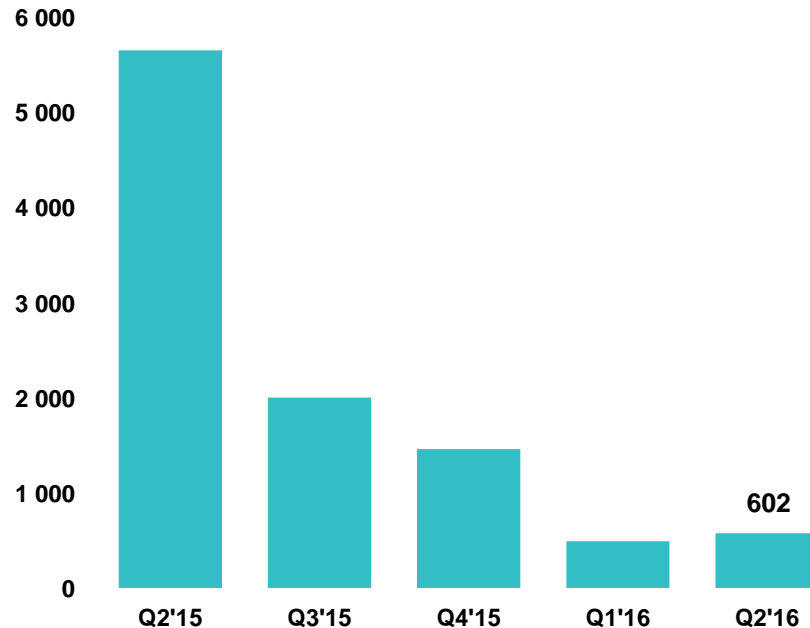


<sup>1</sup> As from Q3 2015, adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

# Order intake and backlog

## Order intake

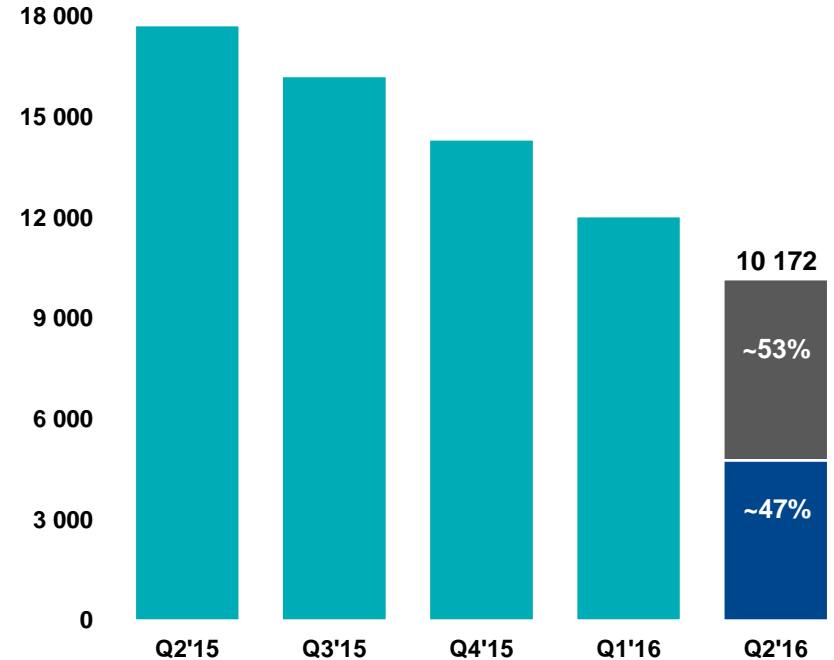
NOK million



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

## Order backlog

NOK million



# Operational highlights



Nyhamna – Installation and completion phase



Sverdrup riser platform jacket roll-up



Prefabrication at Dubai Drydocks is complete and ready for sail-away



Hebron – Mechanical outfitting

Effects of improvements communicated over the last years:

# Predictable performance yields improved financial results

## Productivity & Quality

### Kvaerner's PEM

Project Execution Model

Project management

E

P

C

HUC

## Cost reduction initiatives

Joint initiatives  
with clients

Streamlined org.

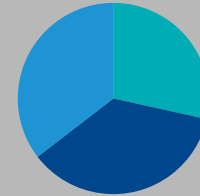
Internal costs

Project cost base

## Portfolio mix \*

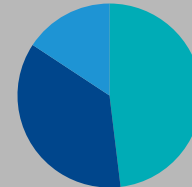
Project example:

**Topside EPC new builds**



Project example:

**Modification or HUC**



# Second quarter financials

Idar Eikrem, Chief Financial Officer

**KVERNER™**

# Income statement

<i>Amounts in NOK million</i>	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
Total revenue and other income <sup>1</sup>	1 859	2 228	3 125	4 087	6 650	12 084
<b>Adjusted EBITDA <sup>2</sup></b>	<b>106</b>	<b>106</b>	<b>109</b>	<b>212</b>	<b>210</b>	<b>536</b>
<b>EBITDA</b>	<b>96</b>	<b>81</b>	<b>109</b>	<b>177</b>	<b>210</b>	<b>574</b>
Depreciation and amortisation	(26)	(21)	(19)	(48)	(37)	(81)
<b>EBIT</b>	<b>69</b>	<b>60</b>	<b>90</b>	<b>129</b>	<b>173</b>	<b>493</b>
Net financial income/(expense)	(41)	(34)	(2)	(75)	(7)	86
<b>Profit before tax</b>	<b>28</b>	<b>26</b>	<b>88</b>	<b>54</b>	<b>165</b>	<b>579</b>
Income tax expense	(13)	(10)	(25)	(24)	(50)	(241)
<b>Profit from continuing operations</b>	<b>15</b>	<b>16</b>	<b>62</b>	<b>30</b>	<b>115</b>	<b>337</b>
<b>Profit/(loss) from discontinued operations</b>	<b>29</b>	<b>202</b>	<b>(26)</b>	<b>230</b>	<b>58</b>	<b>56</b>
<b>Net profit</b>	<b>44</b>	<b>217</b>	<b>36</b>	<b>261</b>	<b>173</b>	<b>393</b>
Adjusted EBITDA margin	5.7 %	4.8 %	3.5 %	5.2 %	3.2 %	4.4 %
Earnings per share (NOK)						
Basic and diluted EPS continuing operations	0.06	0.06	0.23	0.11	0.43	1.26
Basic and diluted EPS total operations	0.16	0.81	0.13	0.98	0.64	1.47

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

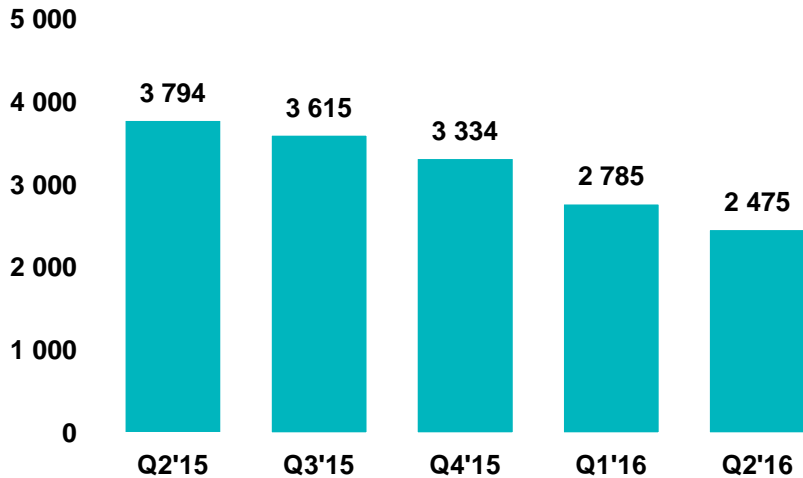
<sup>2</sup> As from Q3 2015, adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

# Field Development review

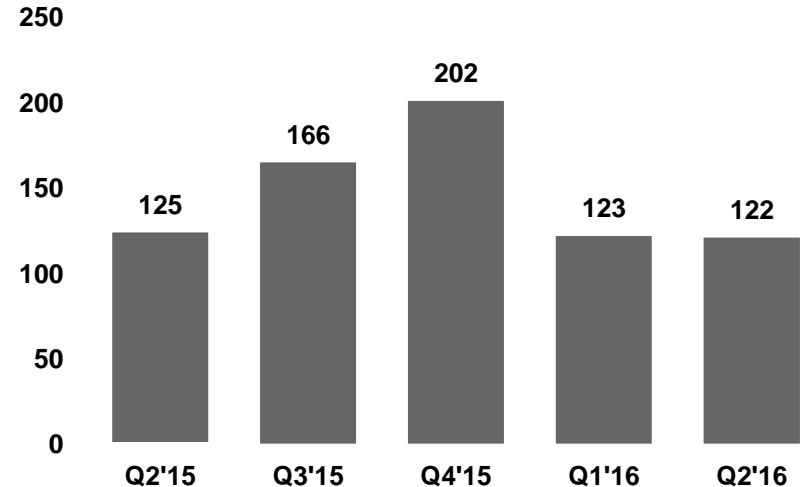
## > Financials

- EPC projects awarded after Q1 2015 not yet recognising margins
  - Projects will start recognising margins during 2H 2016

**Revenues**  
NOK million



**EBITDA**  
NOK million



EBITDA-%	3.3%	4.6%	6.1%	4.4%	4.9%

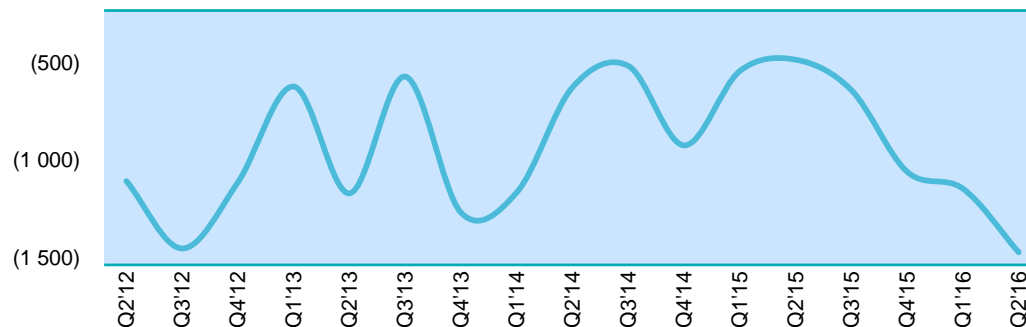
Note: All figures include Kvaerner's scope of work of jointly controlled entities

# Cash flow and working capital development

Amounts in NOK million	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
Cash flow from operating activities <sup>1</sup>	367	700	(12)	1 067	86	1 183
Cash flow from investing activities	(25)	(138)	(21)	(164)	(35)	(50)
Cash flow from financing activities	(17)	(4)	(202)	(21)	(212)	(786)
Translation adjustments	(0)	(1)	(1)	(1)	2	6
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>325</b>	<b>557</b>	<b>(236)</b>	<b>882</b>	<b>(160)</b>	<b>352</b>

- Fluctuations in working capital must be expected
- Capital tied up in the Nordsee Ost project

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



<sup>1</sup> Cash flow from operating activities YTD includes Longview settlement, USD 70 million, cash received in first quarter 2016.

# Balance sheet

<i>Amounts in NOK million</i>	30.06.2016	31.03.2016	30.06.2015	31.12.2015
<b>Assets</b>				
Total non-current assets	1 727	1 748	1 888	1 715
Prepaid company tax	-	-	84	-
Current operating assets	1 344	1 477	2 819	1 740
Total cash and bank	2 442	2 117	1 048	1 560
Retained assets of business sold	36	-	565	633
<b>Total assets</b>	<b>5 550</b>	<b>5 342</b>	<b>6 403</b>	<b>5 649</b>
<b>Equity and liabilities</b>				
<b>Total equity</b>	<b>2 488</b>	<b>2 465</b>	<b>2 272</b>	<b>2 550</b>
Other non-current liabilities	193	173	201	180
Current operating liabilities	2 813	2 620	3 302	2 797
Current tax liabilities	27	26	92	73
Current interest-bearing liabilities	-	-	500	-
Retained liabilities of business sold	29	58	36	49
<b>Total liabilities</b>	<b>3 061</b>	<b>2 877</b>	<b>4 131</b>	<b>3 099</b>
<b>Total equity and liabilities</b>	<b>5 550</b>	<b>5 342</b>	<b>6 403</b>	<b>5 649</b>
<b>Equity ratio</b>	<b>45 %</b>	<b>46 %</b>	<b>35 %</b>	<b>45 %</b>
<b>Net cash</b>	<b>2 444</b>	<b>2 119</b>	<b>550</b>	<b>1 562</b>

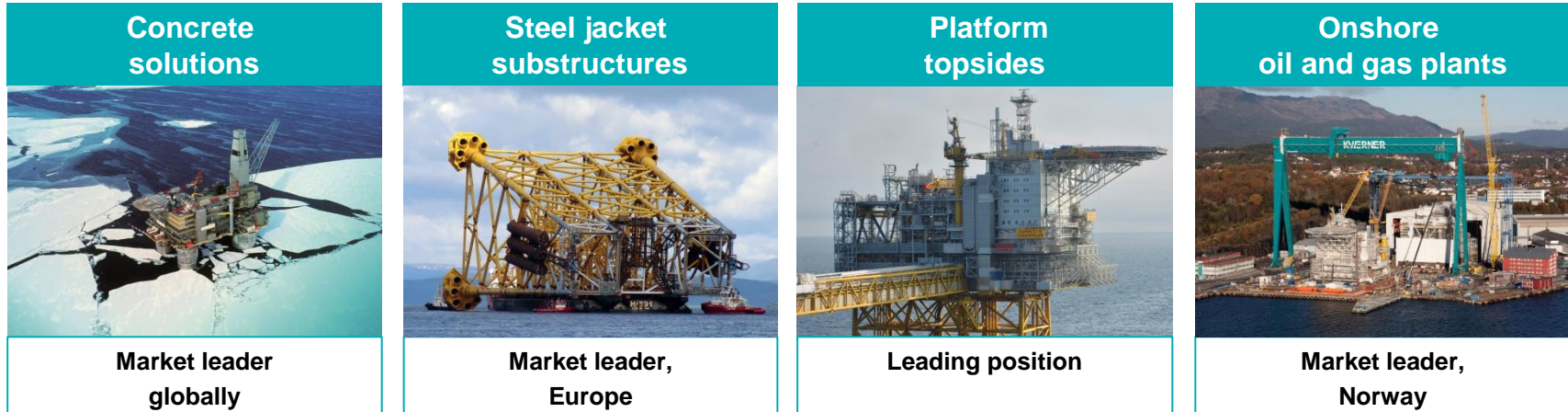
# Market and outlook



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- Customers start to consider new projects based on lower cost
- Kvaerner is attractive based on improved cost & proven predictability

# Pursuing selected prospects, leveraging strengths

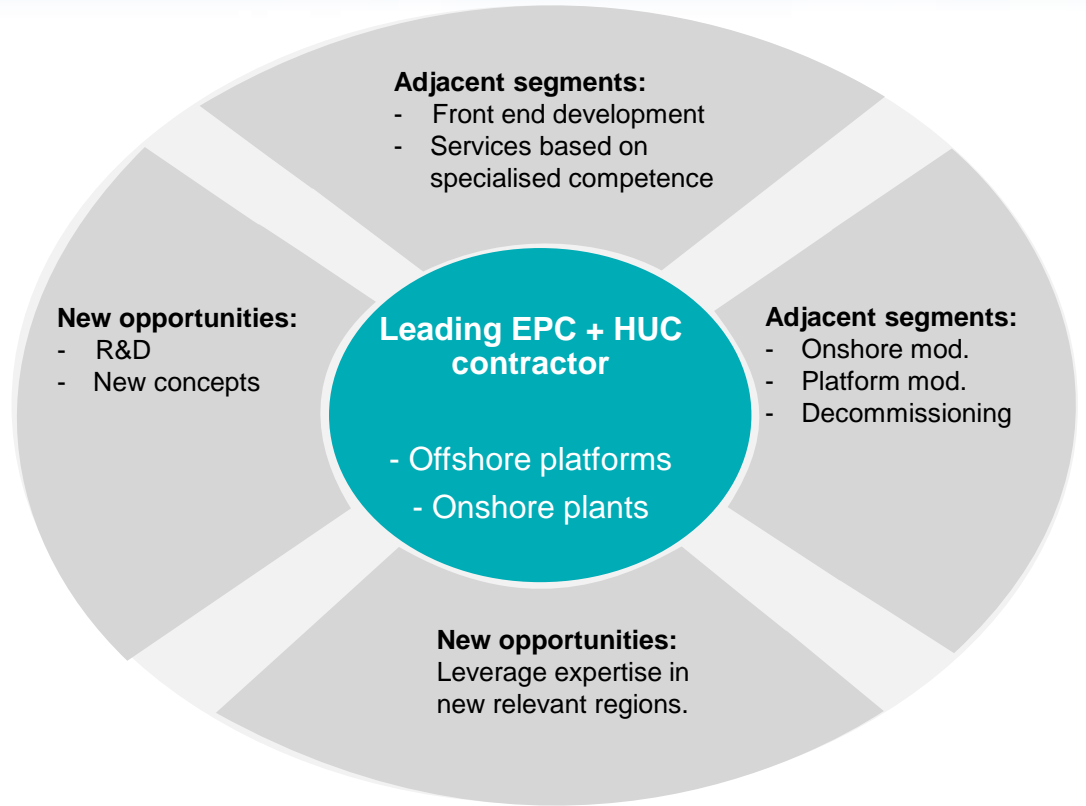


Expect to see outcome of contract awards through 2016, 2017 and 2018

- > Some few but important prospects of moderate size:
  - Completion, HUC, Decommissioning
  - Greenfield / brownfield EPC for offshore platforms and onshore facilities
  - Arctic projects, including demand for engineering and project management
- > Selected prospects in new markets are being considered
- > Kvaerner relevant for customers based on reduced costs and value-adding solutions

Based on the core competence, strong financial platform and credibility in the market

# Focus and strategic development



## Concluding remarks

- › Safe, predictable execution
- › EBITDA margin increase in 2016 vs 2015
- › Continue to strengthen competitiveness
- › Use financial platform to develop business
- › Pursue specific prospects selectively



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