

KVÆRNER™

Second quarter and half year results 2016

14 July 2016

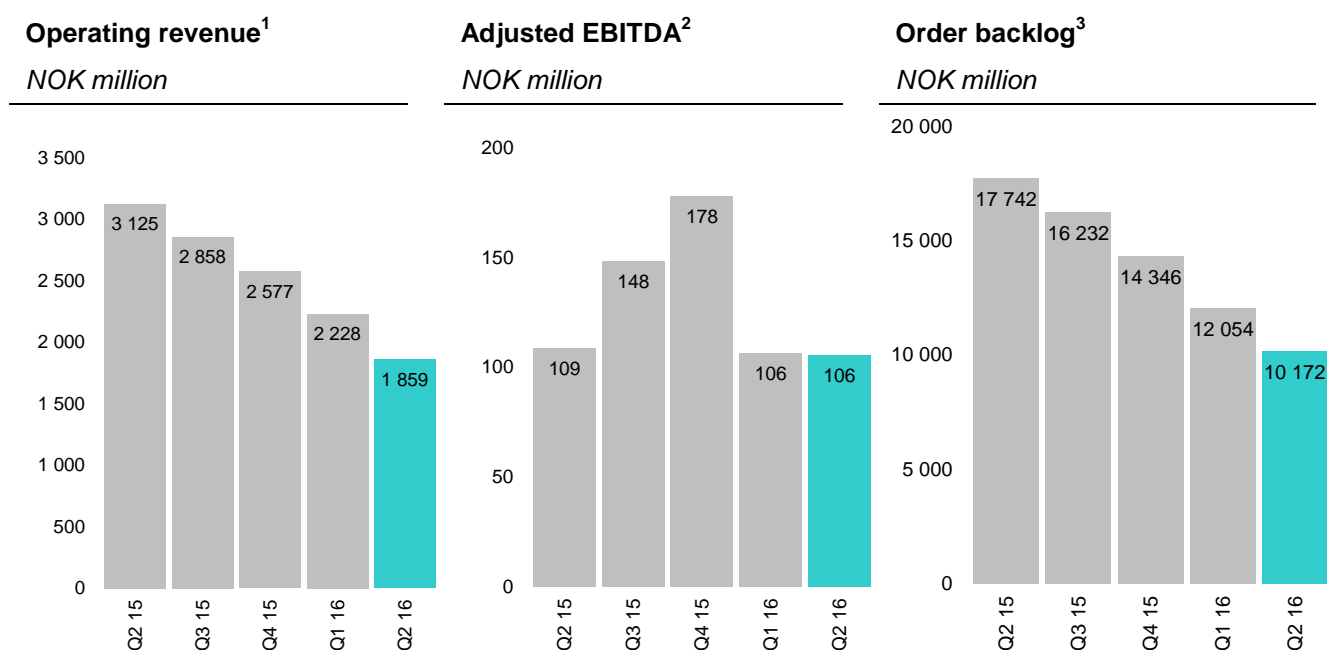


KVÆRNER ASA – SECOND QUARTER AND HALF YEAR RESULTS 2016

SECOND QUARTER HIGHLIGHTS

- Turn Around 2016 at Nyhamna successfully completed
- Construction of Sverdrup drilling and process platform jackets started as planned
- Call-off from frame agreement for Njord A platform for yard stay
- Improvements yielding results

FINANCIAL HIGHLIGHTS



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

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

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

FINANCIAL KEY FIGURES

Amounts in NOK million	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
Total revenue and other income ¹	1 859	3 125	4 087	6 650	12 084
EBITDA ²	96	109	177	210	574
Adjusted EBITDA ³	106	109	212	210	536
Adjusted EBITDA margin	5.7 %	3.5 %	5.2 %	3.2 %	4.4 %
EBIT	69	90	129	173	493
Net profit - continuing operations	15	62	30	115	337
Basic and diluted earnings per share - continuing operations	0.06	0.23	0.11	0.43	1.26
Order intake ⁴	602	5 674	1 121	9 284	12 798
Order backlog ⁴	10 172	17 742	10 172	17 742	14 346
Net current operating assets (NCOA)	(1 469)	(483)	(1 469)	(483)	(1 057)
Net interest bearing deposits and loans	2 444	550	2 444	550	1 562

¹ Excluding revenues for scope of work of jointly controlled entities closely related to Kvaerner's operating activities

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

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

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

FINANCIAL REVIEW

Kvaerner discloses alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. In compliance with the guidelines from the European Security and Markets Authority, the alternative performance measures are defined and explained in note 10 in this report.

Income statement

Operating revenues in second quarter 2016 amounted to NOK 1 859 million, compared with NOK 3 125 million for second quarter 2015. Kvaerner reported operating revenues of NOK 4 087 for the first six months of 2016, compared with NOK 6 650 million for the same period in 2015. Lower revenues are mainly due to lower activity within operational area Process Solutions.

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the quarter were NOK 96 million, compared to NOK 109 million in the same period last year. Adjusted Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the quarter were NOK 106 million, compared to NOK 109 million in the same period last year. Adjusted EBITDA margin for second quarter 2016 was 5.7 percent, an increase from 3.5 percent in corresponding period in 2015. The positive margin development mainly reflects improvements in the project portfolio mix and better performance.

Net financial expense for the quarter was NOK 41 million, mainly related to loss on embedded derivatives of NOK 41 million. Net interest expense of NOK 1 million, loss on foreign currency contracts of NOK 3 million and other financial expenses of NOK 1 million are offset by foreign exchange gain of NOK 5 million. Net financial expense for the same period in 2015 was NOK 2 million and mainly consisted of net interest expense of NOK 16 million and gain on embedded derivatives of NOK 12 million. Lower net interest expense year on year is due to increased cash balances and no interest bearing debt since refinancing in July 2015. Net financial expense for the first six months of 2016 was NOK 75 million, compared to NOK 7 million in 2015.

Profit before tax for second quarter 2016 of NOK 28 million compared to NOK 88 million for the same period last year. For the first six months of 2016, profit before tax was NOK 54 million compared to NOK 165 million for the same period in 2015.

Total income tax expense in the quarter was NOK 13 million compared to NOK 25 million for the same quarter previous year. First half year tax expense amounted to NOK 24 million, compared to NOK 50 million in 2015. The tax expense reflects an effective tax rate of 44 percent for first half year 2016 compared to 30 percent in 2015. Compared to the Norwegian statutory tax rate of 25 percent, the effective tax rate reflects tax increasing

items related to withholding taxes, deferred tax assets not recognised in some jurisdictions and higher tax rate in some jurisdictions in which the group operates.

Profit from continuing operations was NOK 15 million and NOK 30 million for second quarter and first half year 2016 respectively, compared to NOK 62 million and NOK 115 million in equivalent periods in 2015. Basic and diluted earnings per share for continuing operations were NOK 0.06 for second quarter 2016, compared to NOK 0.23 for second quarter 2015 and NOK 0.11 for the first six months of 2016 compared to NOK 0.43 for the first six months of 2015.

Profit from discontinued operations was NOK 29 million for second quarter 2016, compared to a loss of NOK 26 million in same period last year. The positive result reflects recognition of insurance recovery for a historic project. First half year result from discontinued operations was a profit of NOK 230 million compared to a profit of NOK 58 million in 2015. The year to date result for 2016 and 2015 were both positively impacted by foreign exchange accounting effect on repayment of capital in first quarter of NOK 284 million and NOK 129 million respectively. Basic and diluted earnings per share for discontinued operations were NOK 0.11 for second quarter 2016 compared to negative NOK 0.10 for second quarter 2015, and NOK 0.86 for first half year 2016 compared to NOK 0.22 for first half year 2015.

Net profit total operations in second quarter 2016 was NOK 44 million compared to NOK 36 million in the corresponding quarter last year. Basic and diluted earnings per share for total operations for second quarter 2016 were NOK 0.16 compared to NOK 0.13 in second quarter 2015. Net profit for the first six months of 2016 was NOK 261 million compared to NOK 173 million last year. Basic and diluted earnings per share for total operations for the first half year were NOK 0.98 and NOK 0.64 for 2016 for 2015 respectively.

Cash flow

Net cash inflow from operating activities was NOK 367 million in second quarter 2016 compared to cash outflow of NOK 12 million in the same period last year. Customer pre-payments were NOK 239 million at the end of second quarter compared to NOK 117 million at the end of the previous quarter. Net cash inflow from operating activities in first half year 2016 was NOK 1 067 million, compared to cash inflow of NOK 86 million in first half of 2015. Cash inflow year to date is positively impacted by settlement on the Longview Power project of USD 70 million in first quarter 2016.

Net cash outflow from investing activities in second quarter 2016 was NOK 25 million compared to an outflow of NOK 21 million in the same quarter last year. Year to date cash outflow from investing activities amounted to NOK 164 million compared to NOK 35 million in 2015. Capital expenditure in the quarter and year to date amounted to NOK 25 million and NOK 164 million respectively. Beyond investments in three new cranes at the facility for steel jackets in Verdal, Norway, there have been other, smaller capacity and maintenance investments.

Net cash outflow from financing activities was NOK 17 million in the quarter and NOK 21 million year to date compared with outflows of NOK 202 million and NOK 212 million in the same periods in 2015. Higher outflows in 2015 are mainly explained by dividend payment of NOK 180 million in second quarter 2015.

Net increase in cash and bank deposits during the quarter amounted to NOK 325 million, resulting in cash and bank deposits at the end of the quarter of NOK 2 442 million. As per 30 June 2016, the group has not drawn on its credit facilities.

Balance sheet

Net current operating assets (NCOA) were negative NOK 1 469 million at 30 June 2016, compared to negative NOK 1 143 million at the end of previous quarter. Equity ratio at 30 June 2016 was 44.8 percent, down from 46.1 percent at 31 March 2016.

Order intake and backlog

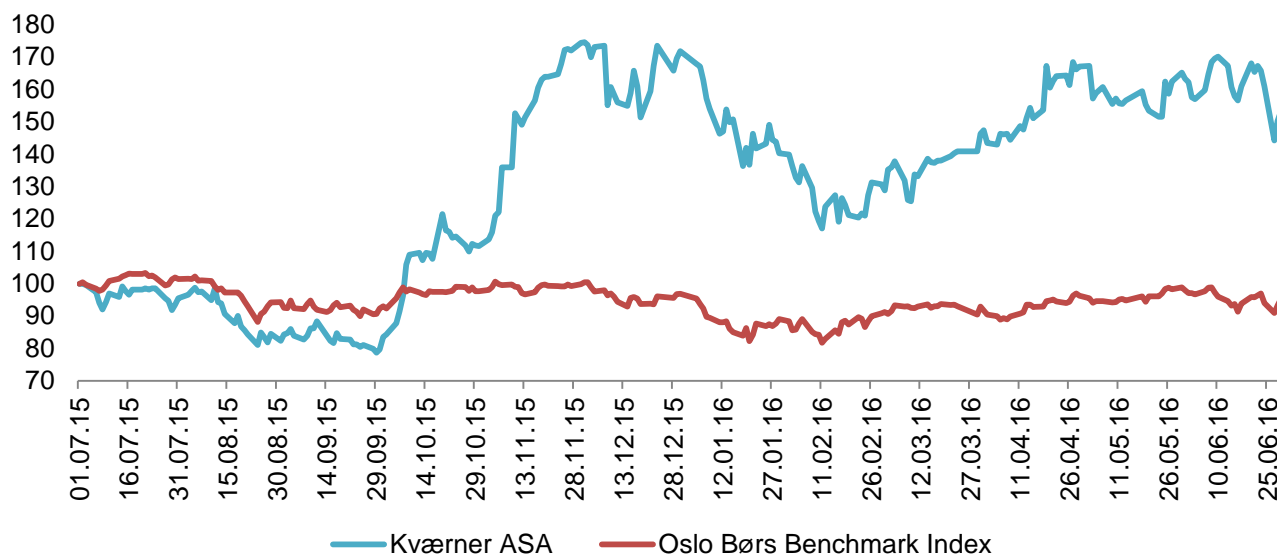
Order intake in second quarter totalled NOK 602 million, including Kvaerner's scope of work of jointly controlled entities, compared to NOK 5 674 million in the same quarter last year. As of 30 June 2016, order backlog, including Kvaerner's scope of work of jointly controlled entities, amounted to NOK 10 172 million. Estimated scheduling of the order backlog is approximately 47 percent for execution in 2016 with remaining 53 percent for execution in 2017 and later.

Transactions in treasury shares

In connection with the company's variable pay programme for executives, Kvaerner has acquired 1 760 597 shares in the open market during the quarter. At the end of second quarter Kvaerner owned 3 788 938 treasury shares, or 1.41 percent of the 269 000 000 shares issued.

The Kvaerner share

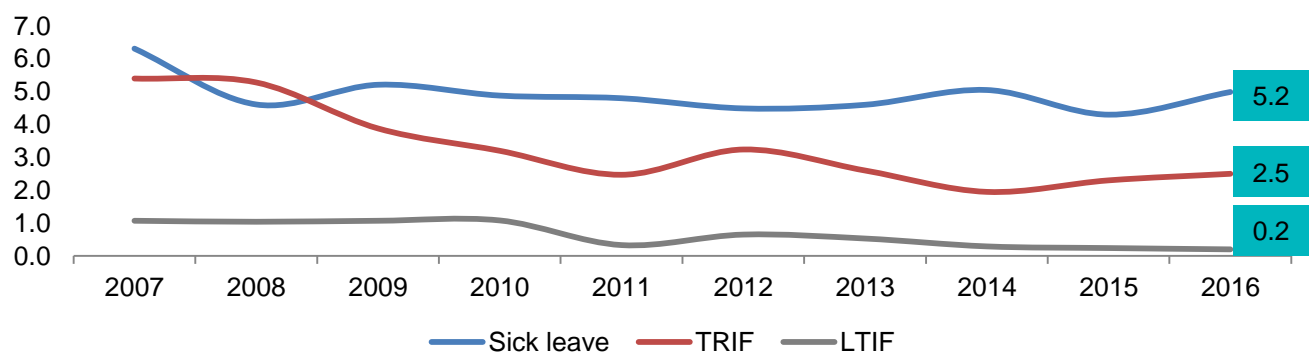
Indexed share price development last 12 months



The share price increased from NOK 7.05 at the end of first quarter 2015 to NOK 7.60 at the end of second quarter 2016. The highest traded share price during second quarter was NOK 8.29, the lowest traded share price was NOK 6.47. Average daily turnover during second quarter was 525 345 shares compared to 760 795 shares during first quarter 2015. The market capitalisation was NOK 2.0 billion at the end of second quarter 2016 compared to NOK 1.9 billion at the end of first quarter 2016.

OPERATIONAL REVIEW

Health, Safety, Security and Environment (HSSE)



During second quarter Kvaerner had no lost time incidents, but three other serious or serious near miss incidents. One incident was related to arc in an electro cabinet, one during a lifting operation and the third was high pressure hose breakage. All three incidents are being thoroughly analysed and learnings from the investigations are used to avoid similar serious incidents in the future. Sick leave numbers are above target of 4.5 percent. The group performed close to 3 million work hours in the quarter. Certification of Kvaerner, following internal reorganisation, according to ISO 14001 and OHSAS 18001 was completed in second quarter. The Hebron project has passed more than 21 million worked hours without any lost time incident. Johan Sverdrup ULQ has passed first year without any injuries.

Reporting segments

Following sale of Kvaerner's onshore construction business in North America in December 2013, Kvaerner only has one reportable segment; Field Development (previously named Upstream). Up until year end 2015, the segment included the business areas Topsides, Onshore, Jackets and Concrete Solutions.

As from 1 January 2016, Kvaerner has changed to a new matrix based organisation model with enhanced focus on project execution. The business area structure has been removed and most of the Norwegian employees are allocated into resource centres. The previous business areas are replaced by the following operational areas: Process Solutions (previously Topsides and Onshore), Structural Solutions (previously Jackets), New Solutions and Concrete Solutions. The operational areas will comprise the Field Development segment as from 2016, with no changes to the group's segment reporting.

Field Development segment¹

Amounts in NOK million	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
Total revenue and other income	2 475	3 794	5 260	7 967	14 917
EBITDA	122	125	245	245	613
EBITDA margin	4.9 %	3.3 %	4.6 %	3.1 %	4.1 %
Net current operating assets (NCOA)	(1 693)	(335)	(1 693)	(335)	(1 106)
Order intake	602	5 703	1 121	9 323	12 846
Order backlog	10 172	17 745	10 172	17 745	14 346
Employees	2 691	2 877	2 691	2 877	2 769

¹The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's operating activities.

Operating revenue from the Field Development segment totalled NOK 2 475 million in second quarter 2016, compared to NOK 3 794 million in second quarter 2015. The reduction is mainly explained by lower activity within operational area Process Solutions, but activity has also been lower within Concrete Solutions. These reductions are partly offset by increasing activity within Structural Solutions over the last quarters. EBITDA amounted to NOK 122 million, resulting in an EBITDA margin for the quarter of 4.9 percent, compared to EBITDA of NOK 125 million and 3.3 percent EBITDA margin in second quarter 2015.

The positive margin development mainly reflects that Kvaerner has continued the processes to improve costs, productivity and quality. Through the second quarter, the effect of better performance and improved project portfolio mix has resulted in a higher margin compared to last year. The EPC projects awarded after first quarter 2015 are yet not recognising margin due to Kvaerner's accounting policy of generally not recognising any margin before the project has reached 20 percent completion.

NCOA at the end of second quarter 2016 was negative NOK 1 693 million, an improvement of NOK 311 million during the quarter. The disputed Nordsee Ost project is still tying up working capital until the arbitration is resolved.

Order intake of NOK 602 million in the quarter reflects growth in existing contracts, call-off from frame agreement as well as small orders. Order backlog was NOK 10 172 million at the end of the quarter, including scope of work of jointly controlled entities.

Operations

The Hebron gravity based structure (GBS) project is now in its final construction year, in preparation for mating with topsides. In second quarter 2016, the project reached over 21 million worked hours without a lost time incident. The major construction activity in the past quarter was completion of the civil works and mechanical outfitting in the centre shaft of the structure.

The Nyhamna onshore project is progressing well, including the completion of the Turn Around work for 2016 on schedule in second quarter. All pre-fabricated modules are in place at the facility. Installation at the Nyhamna site will be the main activity going forward. Peak manning is reached during the summer, and the project has started handing over systems to commissioning.

The Johan Sverdrup ULQ topside project is proceeding according to plan, and fabrication activities are now ongoing.

Kvaerner has contracts for EPC delivery of three steel jacket substructures to the Johan Sverdrup offshore platforms. Prefabrication for the Riser Platform jacket is on-going both with sub-supplier Dubai Drydocks and at Kvaerner's own yard in Verdal. Roll-up of the sections have been ongoing through the last quarter. For the Production platform and Drilling platform jackets, steel cutting started in second quarter, and prefabrication of sections are main priorities for the coming period.

Kvaerner has a frame agreement with Statoil for the possible full upgrade of the Njord A floating production platform. As a call-off of this contract, Statoil has booked a yard-stay at Kvaerner's Stord facility when the platform is towed from the offshore field to shore. Kvaerner is now making the necessary preparations for receiving the platform.

Competitiveness and market

The global market for oil and gas continues to be weak from a crude oil point of view, but there are signs that one is approaching a balance between supply and demand. From a record low level at the start of the year, the price of crude oil increased to around USD 50 per barrel during the second quarter, but not higher. Several oil companies are still struggling with their cash flow. Many ongoing projects are delayed and several potential new investments are kept on hold. There are, however, some positive signs in terms of new projects.

For the second half of 2016, Kvaerner expects only a few projects in relevant segments to come up for contract award. It is anticipated that the challenging market situation will result in continued fierce competition for the limited number of new contract opportunities. However, the cost improvement initiatives that Kvaerner has focused on since 2013 have started to show concrete results with respect to improved competitiveness. Kvaerner is positioning for new prospects with expected awards in 2017 and 2018, both in the Norwegian market and in other targeted regions.

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.

In early March 2016, settlement agreements were reached with Amec Foster Wheeler North America Corp of all claims related to the Longview Power project. Kvaerner received the settlement amount of USD 70 million in March 2016. The financial effects of the settlement were recognised in Kvaerner's first quarter 2016 accounts. In second quarter, positive impact of insurance recovery has been recognised. Refer to 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 16 million in second quarter 2016, same level as in first quarter 2016. It is expected that the recurring level of net corporate costs will be approximately NOK 60-70 million annually under the 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 second quarter 2016, additional restructuring costs of NOK 3 million have been expensed, resulting in year to date restructuring cost of NOK 18 million. Additional restructuring and capacity reduction costs for 2016 will depend on outcome of tender activities. For the period 2015 and year to date 2016, the reduction in number of permanent employees totaled 215 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.

SUBSEQUENT EVENTS

Dividend

The Board of Directors has decided no dividend distribution during second half of 2016. A robust balance sheet and cash position is important for manoeuvring through the current challenging cycle and come out with an even stronger business. The solid financial position is a competitive lever in the positioning for new contracts. It also provides flexibility to pursue selected opportunities for strategic development in connection with the ongoing market shift.

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 2015.

OUTLOOK

Several oil companies have communicated that they expect a certain increase to the oil price and that this may trigger the start of new projects. However, it is difficult to estimate the timing of possible new investments and what kind of development solutions key customers may decide on. This continues to create uncertainty for the activity level in 2017 and onwards.

The drive for further cost reductions will continue within the oil companies as well as in the contracting – and supply industry. There are several signs that customers are increasingly focused on which contractor can offer the best total price, and not only the lowest initial bid. Kvaerner is using the strong track record for delivering projects predictably combined with a solid financial platform as a competitive lever when discussing new contracts with customers.

Kvaerner has over the last years worked intensely to improve costs, quality, productivity and competitiveness. These efforts are now yielding results on the current portfolio of projects. Many of Kvaerner's contracts include bonuses and incentives related to good performance and for meeting key milestones, in particular towards the end of the project. Improved performance in the on-going project portfolio is therefore expected to have positive impact on project results over the next quarters when these milestones are concluded. Third quarter of 2016 is also expected to be positively impacted by recognition of accumulated margin in three projects passing 20 percent progress. Considering all risks and uncertainties related to Kvaerner's business as well as possible upsides, the company expects the EBITDA margin for the second half of 2016 and for the full year 2016 to be higher than in the corresponding periods last year due to better performance, phasing of projects and improved portfolio mix.

Kvaerner will focus on furthering the high capacity utilisation and continue to strengthen the competitiveness. The company will continue to carefully select which prospects to pursue. Kvaerner expects to see the outcome of some few target contracts during the second half of 2016 and through the next two years.

The core of Kvaerner's business is EPC and completion of offshore platforms and onshore plants. In addition, Kvaerner will be active in developing new strategic prospects, with focus on adjacent segments. With a solid market position and financial platform, Kvaerner has the power and the capacity to pursue the right opportunities.

Fornebu, 13 July 2016

The Board of Directors and President & CEO of Kvaerner ASA

DECLARATION BY THE BOARD OF DIRECTORS AND PRESIDENT & CEO

The Board of Directors and the President of Kvæerner ASA have today considered and approved the condensed financial statements as at 30 June 2016 and for the six-month period ended 30 June 2016. The half year report has been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by the EU and additional Norwegian regulations.

We confirm to the best of our knowledge that:

- the condensed financial statements for the six months ending 30 June 2016 have been prepared in accordance with applicable financial reporting standards
- the information provided in the financial statements gives a true and fair view of the group's assets, liabilities, financial position and result for the period
- the financial review includes a fair review of significant events during the first six months of the year and their impact on the financial statements, any major related party transactions, and a description of the principal risk and uncertainties for the remaining six months of the year

Fornebu, 13 July 2016

The Board of Directors and the President & CEO of Kvæerner ASA



Leif-Arne Langøy
Chairman



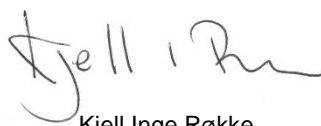
Tore Torvund
Deputy Chairman



Thorhild Widvey
Director



Lone Fønss Schrøder
Director



Kjell Inge Røkke
Director



Rune Rafdal
Director



Ståle Knoff Johansen
Director



Bernt Harald Kilnes
Director



Jan Arve Haugan
President & CEO

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 2 700 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 30 June 2016 of NOK 10.2 billion. Kvaerner is publicly listed with the ticker "KVAER" at the Oslo Stock Exchange. For further information, please visit www.kvaerner.com.

FINANCIAL CALENDAR 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>	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
Total revenue and other income	1 859	3 125	4 087	6 650	12 084
Operating expenses	(1 764)	(3 017)	(3 910)	(6 440)	(11 511)
EBITDA	96	109	177	210	574
Depreciation and amortisation	(26)	(19)	(48)	(37)	(81)
Operating profit	69	90	129	173	493
Net financial income/(expense)	(41)	(2)	(75)	(7)	86
Profit before tax	28	88	54	165	579
Income tax expense	(13)	(25)	(24)	(50)	(241)
Profit from continuing operations	15	62	30	115	337
Profit/(loss) from discontinued operations	29	(26)	230	58	56
Net profit/(loss)	44	36	261	173	393
<i>Attributable to:</i>					
Equity holders of the parent company - Kværner ASA	44	36	261	173	393
Earnings per share (NOK)					
Basic and diluted EPS continuing operations	0.06	0.23	0.11	0.43	1.26
Basic and diluted EPS discontinued operations	0.11	(0.10)	0.86	0.22	0.21
Basic and diluted EPS total operations	0.16	0.13	0.98	0.64	1.47

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Amounts in NOK million</i>	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
Net profit/(loss) for the period	44	36	261	173	393
Items that are or may be reclassified to profit or loss in subsequent periods:					
Cash flow hedges, net of tax					
- Fair value adjustments recognised in equity	(6)	(6)	(9)	(9)	10
- Reclassified to profit or loss	-	-	(2)	-	-
Translation differences, foreign operations	(5)	(12)	(18)	91	180
Reclassification of translation differences on repayment of capital and other reclassification	3	-	(280)	(129)	(139)
Items that are or may be reclassified to profit or loss in subsequent periods	(7)	(18)	(309)	(47)	51
Items not to be reclassified to profit or loss in subsequent periods:					
Actuarial gains/(losses) on defined benefit pension plans, net of tax	1	-	1	-	3
Items not to be reclassified to profit or loss in subsequent periods:	1	-	1	-	3
Total other comprehensive income/(loss), net of tax	(6)	(18)	(308)	(47)	53
Total comprehensive income/(loss)	37	18	(47)	126	446
<i>Attributable to:</i>					
Equity holders of the parent company - Kværner ASA	37	18	(47)	126	446

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

<i>Amounts in NOK million</i>	30.06.2016	30.06.2015	31.12.2015
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	806	711	687
Intangible assets	870	874	873
Deferred tax asset	1	81	1
Investments in associates and jointly controlled entities	31	210	134
Interest-bearing receivables	2	2	2
Other non-current assets	18	9	18
Total non-current assets	1 727	1 888	1 715
<i>Current assets</i>			
Trade and other receivables	1 344	2 819	1 740
Prepaid company tax	-	84	-
Total cash and bank	2 442	1 048	1 560
Retained assets of business sold	36	565	633
Total current assets	3 822	4 515	3 934
Total assets	5 550	6 403	5 649
Equity and liabilities			
<i>Equity</i>			
Share capital	91	91	91
Share premium	729	729	729
Retained earnings	1 715	1 291	1 468
Other reserves	(47)	161	262
Total equity	2 488	2 272	2 550
<i>Non-current liabilities</i>			
Employee benefit liabilities	193	201	180
Total non-current liabilities	193	201	180
<i>Current liabilities</i>			
Interest-bearing liabilities	-	500	-
Trade and other payables	2 659	3 124	2 633
Tax liabilities	27	92	73
Provisions	154	178	164
Retained liabilities of business sold	29	36	49
Total current liabilities	2 869	3 930	2 919
Total equity and liabilities	5 550	6 403	5 649

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

<i>Amounts in NOK million</i>	Total paid in capital	Retained earnings	Other reserves	Total equity
Equity as of 31 December 2014	820	1 309	208	2 337
Profit for the period 1 January to 30 June 2015	-	173	-	173
Other comprehensive income	-	-	(47)	(47)
Total comprehensive income	-	173	(47)	126
Employee share purchase programme	-	(11)	-	(11)
Dividend	-	(180)	-	(180)
Equity as of 30 June 2015	820	1 291	161	2 272
Profit for the period 1 July to 31 December 2015	-	220	-	220
Other comprehensive income	-	-	100	100
Total comprehensive income	-	220	100	320
Employee share purchase programme	-	(2)	-	(2)
Dividend	-	(40)	-	(40)
Equity as of 31 December 2015	820	1 468	262	2 550
Profit for the period	-	261	-	261
Other comprehensive income	-	-	(308)	(308)
Total comprehensive income	-	261	(308)	(47)
Treasury shares	-	(13)	-	(13)
Dividend	-	-	-	-
Equity as of 30 June 2016	820	1 715	(47)	2 488

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>Amounts in NOK million</i>	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
Profit before tax continuing operations	28	88	54	165	579
Profit before tax discontinued operations	29	(26)	230	59	57
Profit/(loss) before tax total operations	57	61	284	224	635
Depreciation and amortisation	26	19	48	37	81
Taxes (paid)/refund	(12)	(30)	(68)	(146)	(203)
Other cash flow from operating activities	296	(62)	803	(29)	670
Cash flow from operating activities	367	(12)	1 067	86	1 183
Capital expenditure	(25)	(20)	(164)	(37)	(55)
Other cash flow from investing activities	(0)	(0)	0	2	5
Cash flow from investing activities	(25)	(21)	(164)	(35)	(50)
Instalment borrowings	-	-	-	-	(500)
Dividends	-	(180)	-	(180)	(220)
Other cash flow from financing activities	(17)	(22)	(21)	(32)	(66)
Cash flow from financing activities	(17)	(202)	(21)	(212)	(786)
Translation adjustments	(0)	(1)	(1)	2	6
Net increase/(decrease) in cash and bank deposits	325	(236)	882	(160)	352
Cash at the beginning of the period	2 117	1 284	1 560	1 208	1 208
Cash at the end of the period	2 442	1 048	2 442	1 048	1 560

SEGMENT INFORMATION

Following sale of Kvaerner's onshore construction business in North America in December 2013, Kvaerner only has one reportable segment; Field Development (previously named Upstream). Up until year end 2015, the segment included the business areas Topsides, Onshore, Jackets and Concrete Solutions.

As from 1 January 2016, Kvaerner has changed to a matrix based organisation model with enhanced focus on project execution. The business area structure has been removed and most of the Norwegian employees are allocated into resource centres. The previous business areas are replaced by the following operational areas: Process Solutions (previously Topsides and Onshore), Structural Solutions (previously Jackets), New Solutions and Concrete Solutions. The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's operating activities. The operational areas will comprise the Field Development segment as from 2016, with no changes to the group's segment reporting.

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Total external revenue and other income	2 476	3 759	(617)	(634)	1 859	3 125
Internal revenue	(1)	35	1	(35)	-	-
Total revenue and other income	2 475	3 794	(615)	(669)	1 859	3 125
Adjusted EBITDA¹	122	125	(16)	(16)	106	109
EBITDA	122	125	(26)	(16)	96	109
Depreciation and amortisation	(25)	(19)	(1)	(0)	(26)	(19)
EBIT	97	106	(28)	(16)	69	90

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	YTD 2016	YTD 2015	YTD 2016	YTD 2015	YTD 2016	YTD 2015
Total external revenue and other income	5 242	7 927	(1 155)	(1 277)	4 087	6 650
Internal revenue	18	41	(18)	(41)	-	-
Total revenue and other income	5 260	7 967	(1 173)	(1 317)	4 087	6 650
Adjusted EBITDA¹	245	245	(33)	(35)	212	210
EBITDA	245	245	(68)	(35)	177	210
Depreciation and amortisation	(43)	(37)	(4)	0	(48)	(37)
EBIT	201	208	(72)	(35)	129	173
Net current operating assets	(1 693)	(335)	224	(148)	(1 469)	(483)

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	FY 2015		FY 2015		FY 2015	
Total external revenue and other income	14 863		(2 779)		12 084	
Internal revenue	53		(53)		-	
Total revenue and other income	14 917		(2 832)		12 084	
Adjusted EBITDA¹	613		(77)		536	
EBITDA	613		(39)		574	
Depreciation and amortisation	(77)		(4)		(81)	
EBIT	536		(43)		493	
Net current operating assets	(1 106)		49		(1 057)	

¹ 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 Financial 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 2015.

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 2015 financial statements for Kvaerner are available upon request from the company's office at Oksenøyveien 10, Fornebu, Norway or at 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 2015.

Note 4 Financial items

<i>Amounts in NOK million</i>	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
Net interest income/(expense)	(1)	(16)	(4)	(28)	(35)
Profit/(loss) on foreign currency contracts	(3)	0	18	2	(24)
Foreign currency embedded derivatives impact	(41)	12	(99)	12	133
Net foreign exchange gain/(loss)	5	1	5	6	3
Other financial items, net	(1)	1	5	(0)	8
Net financial income/(expense)	(41)	(2)	(75)	(7)	86

Result on foreign currency contracts is related to portfolio of hedging instruments not qualifying for hedge accounting.

Foreign currency embedded derivatives impact 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 as of 30 June 2016.

<i>Amounts in NOK million</i>	Assets at fair value	Liabilities at fair value	Net fair value YTD 2016
Embedded derivatives	41	(3)	37
Cash flow hedges	7	(9)	(2)
Total	48	(13)	35

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>	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
Shares issued	269 000	269 000	269 000	269 000	269 000
Effect of own shares held	(2 860)	(1 002)	(2 444)	(504)	(1 290)
Average number of outstanding shares	266 140	267 998	266 556	268 496	267 710

Note 6 Contingent events

Given the scope of the group's 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

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 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.

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.

<i>Amounts in NOK million</i>	YTD 2016	YTD 2015	FY 2015
Revenue	305	184	438
Operating expenses	(264)	(1 026)	(1 295)
Trade and other receivables	142	76	84
Trade and other payables	84	223	91

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.

<i>Amounts in NOK million</i>	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
Total revenue and other income	-	(0)	-	-	(0)
Administrative and legal expenses	32	(26)	(50)	(70)	(85)
EBIT	32	(26)	(50)	(70)	(85)
Net financial income/(expense)	(3)	(0)	280	129	142
Profit/(loss) before tax	29	(26)	230	59	57
Income tax income/(expense)	-	0	-	(1)	(1)
Profit/(loss) from discontinued operations	29	(26)	230	58	56
Basic and diluted earnings/(losses) per share (NOK)	0.11	(0.10)	0.86	0.22	0.21
Net assets	7	528	7	528	584

Financial income is mainly related to foreign exchange accounting effect on repayment of capital with NOK 284 million in first quarter 2016, NOK 129 million in first quarter 2015 and accumulated NOK 139 million at year-end 2015, with no impact on group equity.

Cash flows from discontinued operations are as follows:

<i>Amounts in NOK million</i>	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
Cash flow from operating activities	(35)	(40)	519	297	321
Cash transferred (to)/from parent	17	52	(541)	(263)	(319)
Translation adjustments	(0)	(1)	(1)	2	5
Net increase/(decrease) in cash and bank deposits	(18)	11	(22)	35	6
Cash at the beginning of the period	26	48	30	24	24
Cash at the end of the period	8	60	8	60	30

Note 9 Quarterly historical information – continuing operations

<i>Amounts in NOK million</i>	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Total revenue and other income	1 859	2 228	2 577	2 858	3 125	3 525
Field Development	2 475	2 785	3 334	3 615	3 794	4 173
Adjusted EBITDA	106	106	178	148	109	101
Field Development	122	123	202	166	125	120
Adjusted EBITDA margin	5.7 %	4.8 %	6.9 %	5.2 %	3.5 %	2.9 %
Field Development	4.9 %	4.4 %	6.1 %	4.6 %	3.3 %	2.9 %
Net profit/(loss) - continuing operations	15	16	128	95	62	53
Basic and diluted EPS continuing operations	0.06	0.06	0.48	0.35	0.23	0.20
Order intake ¹	602	519	1 486	2 027	5 674	3 610
Field Development	602	485	1 472	2 051	5 703	3 620
Order backlog ¹	10 172	12 054	14 346	16 232	17 742	15 840
Field Development	10 172	12 043	14 346	16 233	17 745	15 845
NCOA	(1 469)	(1 143)	(1 057)	(639)	(483)	(541)
Field Development	(1 693)	(1 382)	(1 106)	(696)	(335)	(360)
Net interest bearing deposits and loans	2 444	2 119	1 562	1 044	550	796

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

Note 10 Alternative performance measures

Kvaerner discloses alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. Kvaerner believes that the alternative performance measures provide useful supplemental information to management, investors, security analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of Kvaerner's business operations and to improve comparability between periods. Order intake and backlog are indicators of the company's revenues and operations in the future.

Profit measures

EBITDA is short for Earnings before Interest, Taxes, Depreciation and Amortisation and is term commonly used by analysts and investors

Adjusted EBITDA Earnings before Interest, Taxes, Depreciation and Amortisation excluding impact of embedded foreign currency derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities

Adjusted EBITDA margin is used to compare relative profit between periods. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by revenue

Order intake measures

Order intake represents expected revenue from contracts entered into in period or growth in existing contracts

Order backlog represents remaining expected revenue from contracts entered into as per reporting date

Financing measures

Net current operation assets (NCOA) Kvaerner's measure of net working capital, defined as Trade and other receivables less Trade and other payables and Provisions

Net interest bearing deposits and loans Kvaerner's measure of net interest bearing debt, defined as interest bearing receivables and cash and bank less interest bearing liabilities

Equity ratio is calculated as total equity divided by total assets

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

<i>Amounts in NOK million</i>	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015
EBITDA	96	109	177	210	574
Adjustment for equity accounted investees ¹	10	-	35	-	(38)
Adjusted EBITDA	106	109	212	210	536

¹ Excluding embedded derivatives' impact reported

<i>Amounts in NOK million</i>	30.06.2016	30.06.2015	31.12.2015
Trade and other receivables	1 344	2 819	1 740
Trade and other payables	(2 659)	(3 124)	(2 633)
Provisions	(154)	(178)	(164)
Net current operating assets NCOA	(1 469)	(483)	(1 057)
Total cash and bank	2 442	1 048	1 560
Interest-bearing receivables	2	2	2
Current interest-bearing liabilities	-	(500)	-
Net interest bearing deposits and loans	2 444	550	1 562