

Third quarter results 2017

27 October 2017



KVERNER™

Third quarter 2017

Highlights

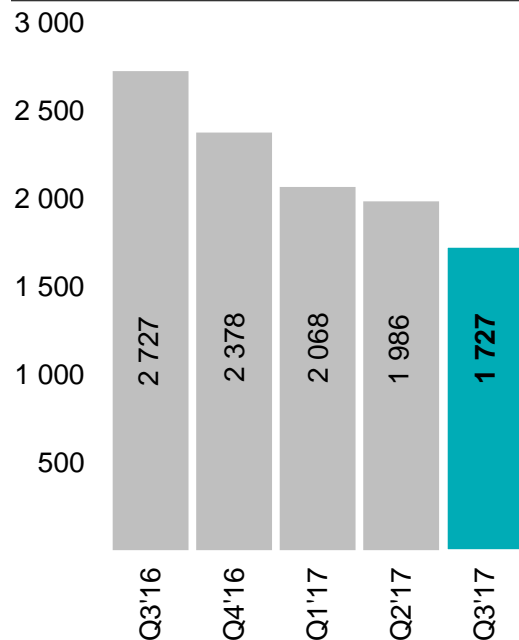
- Strong performance and results
- All projects on track
- Riser platform jacket delivered
- High number of tenders in process



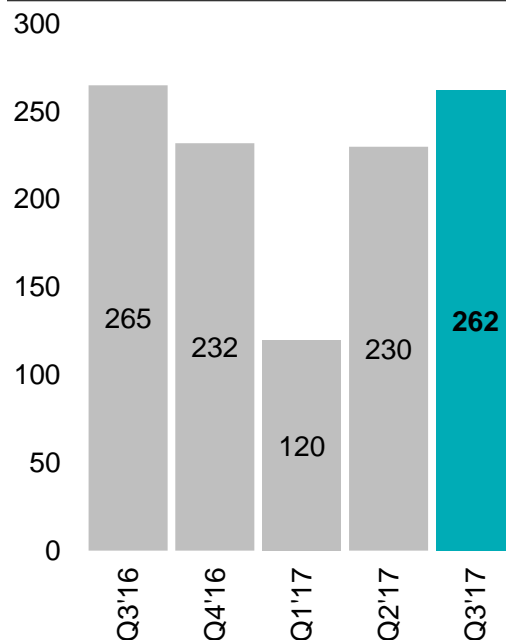
Aasta Hansteen spar during submergence test.

Key financials Field Development Segment

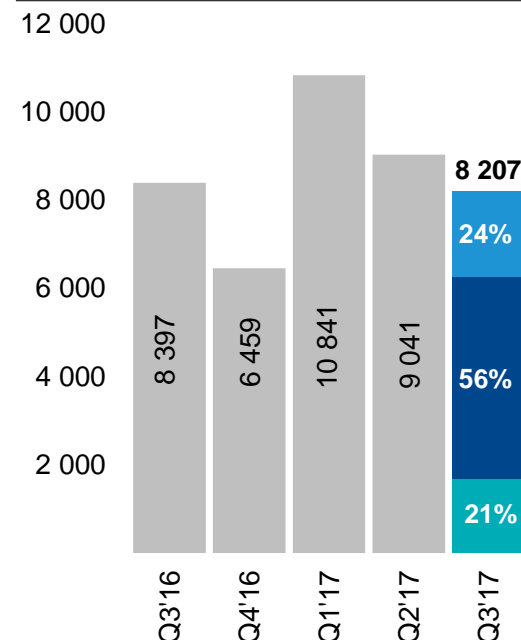
Revenues
NOK million



EBITDA
NOK million



Order backlog
NOK million

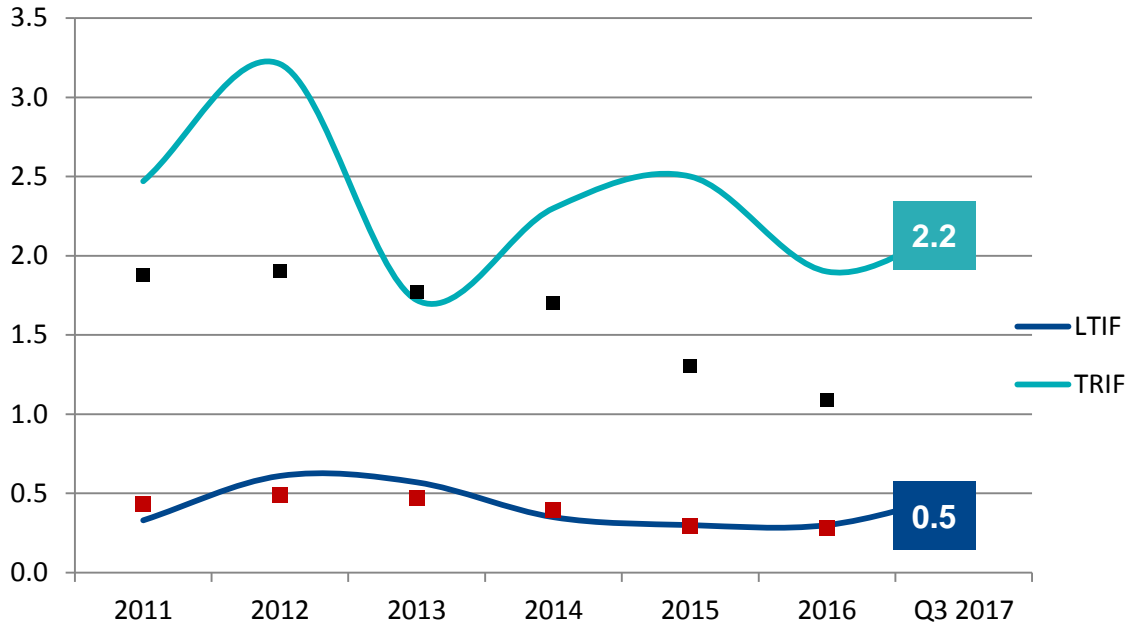


Field Development Segment financials: Includes Kvaerner's share of revenues from jointly controlled entities and unallocated costs are deducted.

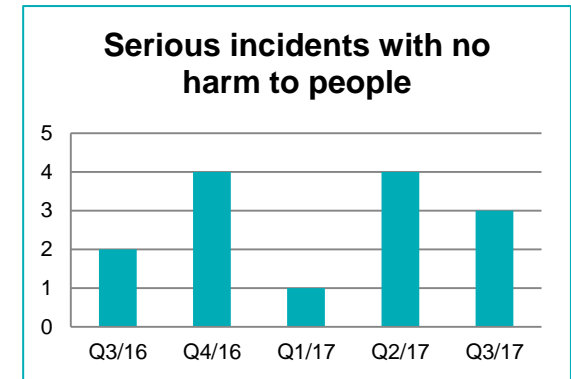
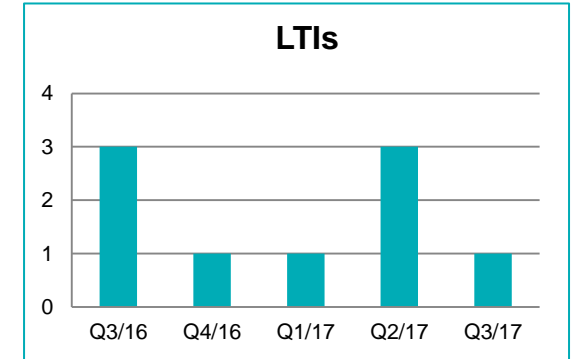
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HSSE results

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



■ TRIF International Oil & Gas Producers
■ LTIF International Oil & Gas Producers



All current projects on track



Nyhamna expansion



Johan Sverdrup utility & LQ topside



Njord A



Johan Sverdrup drilling platform Jacket



Johan Sverdrup process platform jacket



Aasta Hansteen

Third quarter financials

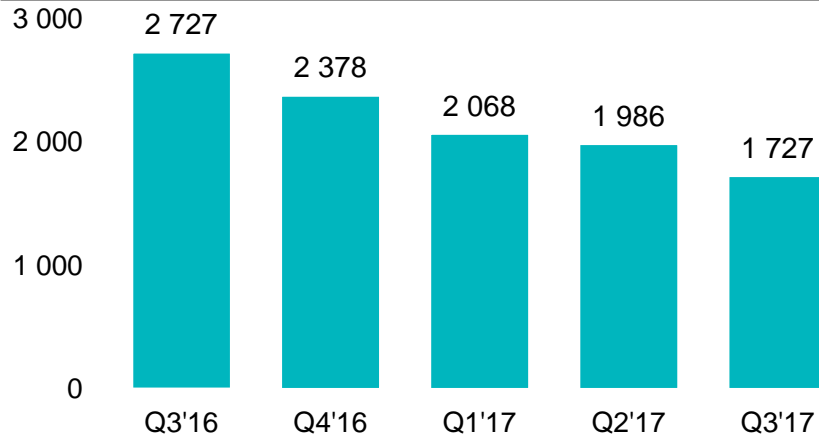
Idar Eikrem, Chief Financial Officer

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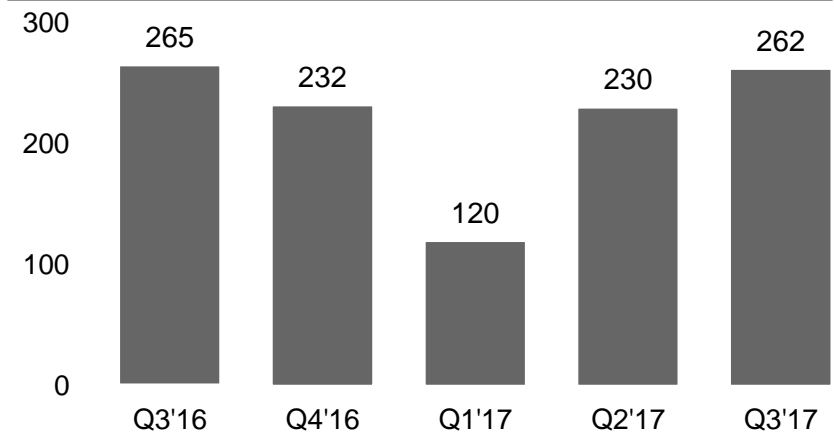
Field Development review

- Results reflect improved quality performance including incentives and close out activities
- Further positive impact from future incentives and final accounts may be expected in Q4 17
- Order intake of NOK 588 million

Revenues
NOK million



EBITDA
NOK million



EBITDA-%	9.7%	9.7%	5.8%	11.6%	15.1%
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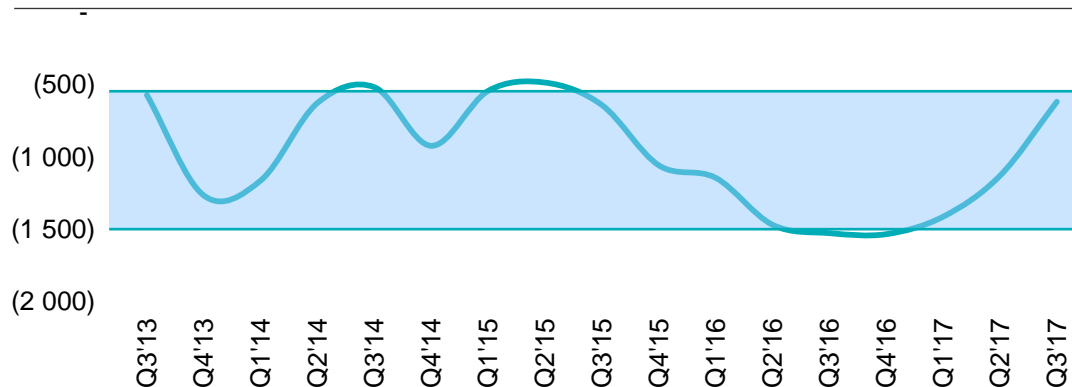
Note: All figures include Kvaerner's scope of work of jointly controlled entities

Cash flow and working capital development

Amounts in NOK million	Q3 2017	Q2 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Cash flow from operating activities ¹	(325)	(34)	407	(410)	1 474	1 718
Cash flow from investing activities	(8)	(10)	(22)	(26)	(186)	(201)
Cash flow from financing activities	(4)	(4)	(4)	(12)	(25)	(30)
Translation adjustments	(3)	0	(4)	(3)	(4)	(1)
Net increase/(decrease) in cash and bank deposits	(340)	(47)	377	(451)	1 259	1 486

- Negative working capital of NOK 616 million
- Fluctuations in working capital must be expected
- Short term working capital expected to be relatively flat
- Capital tied up in the Nordsee Ost project

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



¹ Includes Longview settlement of USD 70 million in Q1 2016 and net insurance recovery of USD 23 million for the same project in Q2/Q3 2016.

Balance sheet

<i>Amounts in NOK million</i>	30.09.2017	30.06.2017	30.09.2016	31.12.2016
Assets				
Total non-current assets	1 466	1 465	1 734	1 505
Current operating assets	1 367	1 179	1 007	1 427
Total cash and bank	2 596	2 936	2 819	3 047
Retained assets of business sold	20	0	33	1
Total assets	5 449	5 580	5 594	5 980
Equity and liabilities				
Total equity	3 055	2 883	2 766	2 656
Other non-current liabilities	370	322	254	267
Current operating liabilities	1 983	2 308	2 534	2 961
Current tax liabilities	7	29	14	46
Retained liabilities of business sold	34	38	26	51
Total liabilities	2 394	2 697	2 828	3 324
Total equity and liabilities	5 449	5 580	5 594	5 980
Equity ratio	56 %	52 %	49 %	44 %
Net cash	2 596	2 936	2 821	3 047

- Credit facilities undrawn as of 30 September 2017
- Net cash of almost NOK 2.6 billion
- Net cash excluding negative working capital of almost NOK 2 billion

Market and outlook



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- Drive for improvement continues
- CAPEX decline levelling out
- Market with increasing number of prospects

Market with more prospects



- More prospects than one year ago, high tendering activity, tough competition
- Increased competitiveness, also for modifications and new types of products
- Expect outcome of contract awards in 2017 and 2018

Harvesting improvement effects, implementing further steps



Kvaerner Digital Yards at Stord and Verdal

Mobile construction workforce

Mobile devices for reporting, getting info and be notified of work to be done

Connected yard

Cloud-connected sensors on all tools, equipment and material

Digital twin of yard

Real-time updated 3D model of yard with infrastructure and sensor data

Visual construction planning

Integrated 3D model, construction method, schedule

Workforce management

System to simulate, plan and allocate resources across projects

Construction analytics

Advanced analytics and dashboards with real-time and historical data

- > >7% cost reduction
- > Shorter schedules
- > Opportunities for new solutions
- > Safer operations
- > Better quality

Strategic development in adjacent segments



Q3 summary

- Strong performance and results
- All projects on track
- Market with more prospects
- Robust financial platform

Way forward

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

Outlook

- The main market segments are still challenging, however we see more prospects to bid for compared to one year ago. Kvaerner has over the last years worked intensely to improve quality, costs, productivity and competitiveness, and is better positioned to meet the still hard competition and pursue the upcoming prospects.
- Many of Kvaerner's contracts include bonuses and incentives related to key milestones, in particular towards the end of the project. In addition, good quality performance yields positive effects on results. Further positive impact from future incentives and final accounts may be expected in Q4 17 as final close out activities for certain projects are concluded.
- For 2017, the full year gross revenue is expected to be more than NOK 7 billion.

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Appendix third quarter results 2017

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Income statement

<i>Amounts in NOK million</i>	Q3 2017	Q2 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Total revenue and other income ¹	1 683	1 502	1 975	4 739	6 062	7 896
Operating expenses	(1 438)	(1 282)	(1 752)	(4 167)	(5 662)	(7 267)
EBITDA	245	219	223	572	400	629
Adjusted EBITDA ²	246	216	248	567	460	680
Depreciation and amortisation	(26)	(26)	(26)	(78)	(73)	(100)
Goodwill impairment	-	-	-	-	-	(198)
EBIT	219	193	198	494	327	331
Net financial income/(expense)	(11)	(1)	(36)	(9)	(111)	(117)
Profit/(loss) before tax	208	192	162	486	216	214
Income tax expense	(50)	(49)	(42)	(126)	(66)	(132)
Profit/(loss) from continuing operations	157	144	119	359	150	82
Profit/(loss) from discontinued operations	13	(16)	146	34	376	345
Net profit/(loss)	170	127	265	393	526	426
Adjusted EBITDA margin	14.6 %	14.4 %	12.6 %	12.0 %	7.6 %	8.6 %
Earnings per share (NOK)						
Basic and diluted EPS continuing operations	0.59	0.54	0.45	1.35	0.56	0.31
Basic and diluted EPS discontinued operations	0.05	(0.06)	0.55	0.13	1.41	1.30
Basic and diluted EPS total operations	0.64	0.48	1.00	1.48	1.98	1.60

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

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

Segment information third quarter

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	Q3 2017	Q3 2016	Q3 2017	Q3 2016	Q3 2017	Q3 2016
Total external revenue and other income	1 727	2 720	(44)	(745)	1 683	1 975
Internal revenue	0	7	(0)	(7)	-	-
Total revenue and other income	1 727	2 727	(44)	(752)	1 683	1 975
Adjusted EBITDA ¹	262	265	(16)	(16)	246	248
EBITDA	262	265	(17)	(41)	245	223
Depreciation and amortisation	(26)	(26)	-	-	(26)	(26)
EBIT	236	239	(17)	(41)	219	198
Net current operating assets	(773)	(1 748)	157	221	(616)	(1 527)

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

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

Segment information year to date

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	YTD 2017	YTD 2016	YTD 2017	YTD 2016	YTD 2017	YTD 2016
Total external revenue and other income	5 755	7 962	(1 016)	(1 900)	4 739	6 062
Internal revenue	27	25	(27)	(25)	-	-
Total revenue and other income	5 782	7 987	(1 043)	(1 925)	4 739	6 062
Adjusted EBITDA ¹	612	509	(45)	(49)	567	460
EBITDA	612	509	(40)	(109)	572	400
Depreciation, amortisation and impairment	(78)	(69)	-	(4)	(78)	(73)
EBIT	534	440	(40)	(113)	494	327

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

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

Discontinued operations

Amounts in NOK million	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Total revenue and other income	1	-	2	-	0
Administrative and legal expenses	(5)	154	16	105	85
EBIT	(4)	154	18	105	85
Net financial income/(expense)	(3)	(9)	(3)	272	261
Profit/(loss) before tax	(7)	146	15	376	346
Income tax income/(expense)	20	-	19	-	(1)
Profit/(loss) from discontinued operations	13	146	34	376	345
Basic and diluted earnings/(losses) per share (NOK)	0.05	0.55	0.13	1.41	1.30
Net assets	(14)	7	(14)	7	(50)

- EBIT year-to date positively impacted by insurance settlement in Q1 2017
- Tax refund recognised in Q3 2017

Amounts in NOK million	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Cash flow from operating activities	(8)	161	2	680	735
Cash transferred (to)/from parent	2	(155)	(22)	(696)	(730)
Translation adjustments	(2)	(1)	(2)	(2)	(1)
Net increase/(decrease) in cash and bank deposits	(8)	5	(22)	(17)	4
Cash at the beginning of the period	21	8	35	30	30
Cash at the end of the period	13	13	13	13	35

Financial items

<i>Amounts in NOK million</i>	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Net interest income/(expense)	(1)	(2)	2	(7)	(4)
Profit/(loss) on foreign currency contracts	2	10	2	28	22
Foreign currency embedded derivatives impact	(10)	(38)	(9)	(138)	(128)
Net foreign exchange gain/(loss)	(1)	(5)	(1)	0	1
Other financial items, net	(2)	0	(3)	5	(8)
Net financial income/(expense)	(11)	(36)	(9)	(111)	(117)

Cash flow

<i>Amounts in NOK million</i>	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Profit before tax continuing operations	208	162	486	216	214
Profit before tax discontinued operations	(7)	146	15	376	346
Profit/(loss) before tax total operations	201	307	501	592	560
Depreciation, amortisation and impairment	26	26	78	73	298
Taxes (paid)/refund	(22)	(12)	(68)	(80)	(77)
Other cash flow from operating activities	(530)	85	(921)	889	936
Cash flow from operating activities	(325)	407	(410)	1 474	1 718
Capital expenditure	(8)	(22)	(25)	(186)	(203)
Other cash flow from investing activities	0	0	(0)	0	1
Cash flow from investing activities	(8)	(22)	(26)	(186)	(201)
Other cash flow from financing activities	(4)	(4)	(12)	(25)	(30)
Cash flow from financing activities	(4)	(4)	(12)	(25)	(30)
Translation adjustments	(3)	(4)	(3)	(4)	(1)
Net increase/(decrease) in cash and bank deposits	(340)	377	(451)	1 259	1 486
Cash at the beginning of the period	2 936	2 442	3 047	1 560	1 560
Cash at the end of the period	2 596	2 819	2 596	2 819	3 047

Balance sheet - Assets

<i>Amounts in NOK million</i>	30.09.2017	30.09.2016	31.12.2016
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	751	805	798
Intangible assets	662	867	666
Investments in associates and jointly controlled entities	48	42	35
Interest-bearing receivables	-	2	-
Other non-current assets	6	18	6
Total non-current assets	1 466	1 734	1 505
<i>Current assets</i>			
Trade and other receivables	1 367	1 007	1 427
Total cash and bank	2 596	2 819	3 047
Retained assets of business sold	20	33	1
Total current assets	3 983	3 860	4 474
Total assets	5 449	5 594	5 980

Balance sheet – Equity and liabilities

<i>Amounts in NOK million</i>	30.09.2017	30.09.2016	31.12.2016
Equity and liabilities			
<i>Equity</i>			
Share capital	91	91	91
Share premium	729	729	729
Retained earnings	2 283	1 981	1 881
Other reserves	(49)	(35)	(46)
Total equity	3 055	2 766	2 656
<i>Non-current liabilities</i>			
Deferred tax liabilities	174	42	62
Employee benefit liabilities	195	213	205
Total non-current liabilities	370	254	267
<i>Current liabilities</i>			
Trade and other payables	1 899	2 394	2 826
Tax liabilities	7	14	46
Provisions	84	140	135
Retained liabilities of business sold	34	26	51
Total current liabilities	2 025	2 574	3 058
Total equity and liabilities	5 449	5 594	5 980

Basis for preparation

➤ *Accounting principles*

- The accounting principles applied in these condensed consolidated interim financial statements are the same as those applied in the Annual accounts 2016
- No significant new accounting principles have been adopted in the period. New accounting principles expected to impact the company in the future, such as IFRS 9, 15 and 16, are described in the 2016 annual report

➤ The interim financial statements have not been subject to audit

Alternative performance measures

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

Profit measures

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

Alternative performance measures

Order intake measures

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

Financing measures

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

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

Amounts in NOK million	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
EBITDA	245	223	572	400	629
Adjustment for equity accounted investees ¹	1	25	(5)	60	50
Adjusted EBITDA	246	248	567	460	680

¹ Excluding embedded derivatives' impact reported

Amounts in NOK million	30.09.2017	30.09.2016	31.12.2016
Trade and other receivables	1 367	1 007	1 427
Trade and other payables	(1 899)	(2 394)	(2 826)
Provisions	(84)	(140)	(135)
Net current operating assets (NCOA)	(616)	(1 527)	(1 534)
Total cash and bank	2 596	2 819	3 047
Interest-bearing receivables	-	2	-
Net interest bearing deposits and loans	2 596	2 821	3 047

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