

# KVÆRNER™

## First quarter results 2015

8 May 2015



## KVÆRNER ASA – FIRST QUARTER RESULTS 2015

### HIGHLIGHTS

- Final contract signed with Statoil for delivery of steel jacket for Sverdrup riser platform
- Subsea on a Stick® FEED contract for Oseberg Future development
- Nyhamna onshore peak activity for total project in first quarter
- Received previously announced settlement from Longview Power, LLC and others
- Capacity and cost reductions on-going
- Positioning for new contract opportunities

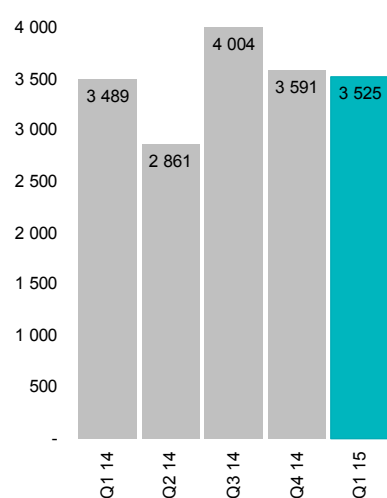
### SUBSEQUENT EVENTS

- Edvard Grieg topside completed on time and ready for delivery
- Paid dividend of NOK 0.67 per share

### FINANCIAL HIGHLIGHTS

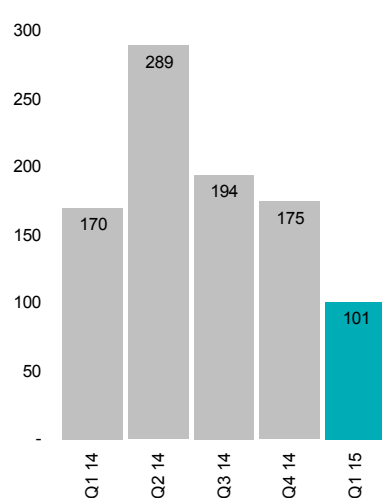
#### Operating revenue<sup>1</sup>

NOK million



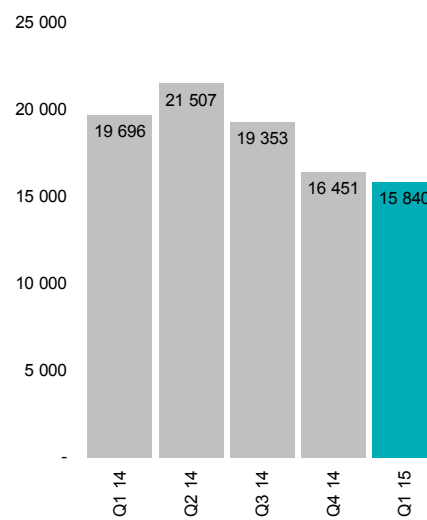
#### EBITDA

NOK million



#### Order backlog<sup>2</sup>

NOK million



<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	Q1 2015	Q1 2014	FY 2014
Total revenue and other income <sup>1</sup>	3 525	3 489	13 945
EBITDA <sup>2</sup>	101	170	828
EBITDA margin	2.9 %	4.9 %	5.9 %
EBIT	83	155	492
Net profit - continuing operations	53	95	27
Basic and diluted earnings per share - continuing operations	0.20	0.35	0.10
Order intake <sup>3</sup>	3 610	1 283	10 718
Order backlog <sup>3</sup>	15 840	19 696	16 451
Net current operating assets (NCOA)	(541)	(1 162)	(922)
Net interest bearing deposits and loans	796	953	722

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

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

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

## FINANCIAL REVIEW

### Income statement

Operating revenues in first quarter 2015 amounted to NOK 3 525 million, compared with NOK 3 489 million for first quarter 2014. Increased revenues from business area Onshore is mainly offset by lower activity within business area Topsides, where larger projects are in their finalising phase.

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the quarter were NOK 101 million, compared to NOK 170 million in the same period last year. EBITDA margin for first quarter 2015 was 2.9 percent, a reduction from 4.9 percent in corresponding period in 2014. The reduction in EBITDA and -margin reflects projects with a relatively wide margin range, including continued challenging cost developments in some projects as communicated in previous quarters, putting pressure on margins.

Net financial expense for the quarter was NOK 5 million, including net interest expense of NOK 11 million, profit on foreign currency forward contracts of NOK 2 million, foreign exchange gain of NOK 5 million and other financial expenses of NOK 1 million. Net financial expense for the same period in 2014 was NOK 20 million of which net interest expense amounted to NOK 12 million and foreign exchange loss to NOK 7 million.

Net result from associated companies and jointly controlled entities presented below EBITDA was NOK nil million for both first quarter 2015 and 2014.

Profit before tax for first quarter 2015 of NOK 77 million compared to NOK 135 million for the same period last year.

Total income tax expense in the period was NOK 25 million compared to NOK 40 million for the same quarter previous year. The tax expense reflects an effective tax rate of 32 percent in the quarter compared to 30 percent in corresponding quarter 2014. An effective tax rate at these levels compared to the Norwegian statutory tax rate of 27 percent, mainly reflects paid 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 53 million for first quarter 2015, compared to NOK 95 million in the same period in 2014. Basic and diluted earnings per share (EPS) for continuing operations were NOK 0.20 for first quarter 2015, compared to NOK 0.35 for first quarter 2014.

Net profit from discontinued operations was NOK 84 million for first quarter 2015, compared to a loss of NOK 32 million in same period last year. The result was positively impacted by a foreign exchange accounting effect of NOK 129 million on repayment of capital. Basic and diluted earnings per share for discontinued operations were NOK 0.31 for first quarter 2015, compared to negative NOK 0.12 for first quarter 2014.

Net profit total operations in first quarter 2015 was NOK 137 million compared to NOK 63 million in the corresponding quarter last year. Basic and diluted earnings per share for total operations for first quarter 2015 were NOK 0.51 compared to NOK 0.23 in first quarter 2014.

**Cash flow**

Net cash inflow from operating activities was NOK 98 million in first quarter 2015 compared to cash outflow of NOK 62 million in the same period last year. Net current operating assets (NCOA) at the end of first quarter were negative NOK 541 million compared to negative NOK 922 at 31 December 2014. Negative NCOA development within continuing operations is offset by Longview settlement of USD 48 million in discontinued operations. Customer pre-payments<sup>1</sup> were NOK 21 million at the end of first quarter compared to NOK 54 million at the end of the previous quarter.

Net cash outflow from investing activities in first quarter 2015 was NOK 15 million compared to an outflow of NOK 43 million in the same quarter last year. Capital expenditure in the quarter amounted to NOK 17 million and is mainly due to capitalised expenses related to intangible assets.

Net cash outflow from financing activities was NOK 10 million in the quarter compared with an outflow of NOK 8 million in first quarter 2014.

Net increase in cash and bank deposits during the quarter amounted to NOK 76 million, resulting in cash and bank deposits at the end of the quarter of NOK 1 284 million. The group has undrawn, committed long-term credit facilities of NOK 2.5 billion. This provides access to capital totalling NOK 3.8 billion.

**Balance sheet**

Net current operating assets (NCOA) were negative NOK 541 million at quarter end, compared to negative NOK 922 million at the end of previous quarter. Equity ratio at 31 March 2015 was 33.6 percent, up from 31.5 percent at 31 December 2014.

**Order intake and backlog**

Order intake in first quarter totalled NOK 3 610 million, including scope of work of jointly controlled entities, compared to NOK 1 283 million in the same quarter last year. As of 31 March 2015, order backlog, including scope of work of jointly controlled entities, amounted to NOK 15 840 million. Estimated scheduling of the order backlog is approximately 50 percent for execution in 2015, approximately 35 percent for execution in 2016 and remaining 15 percent for execution in 2017 and later.

**Transactions in treasury shares**

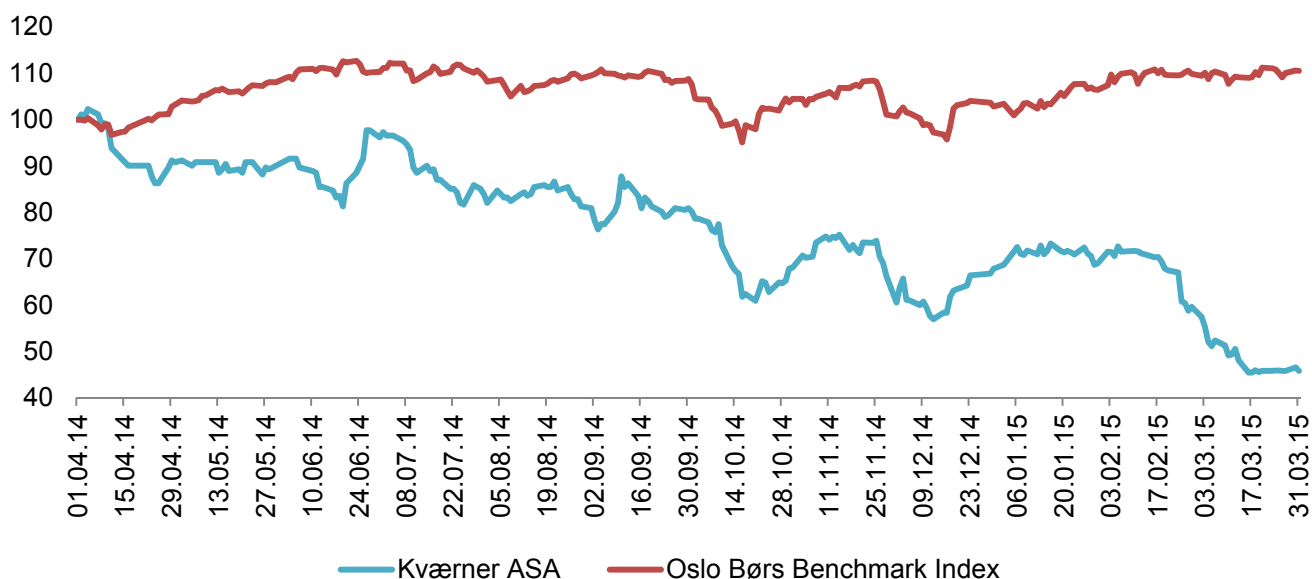
There were no transactions in treasury shares in first quarter 2015 and Kværner ASA holds no treasury shares at the end of the quarter.

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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

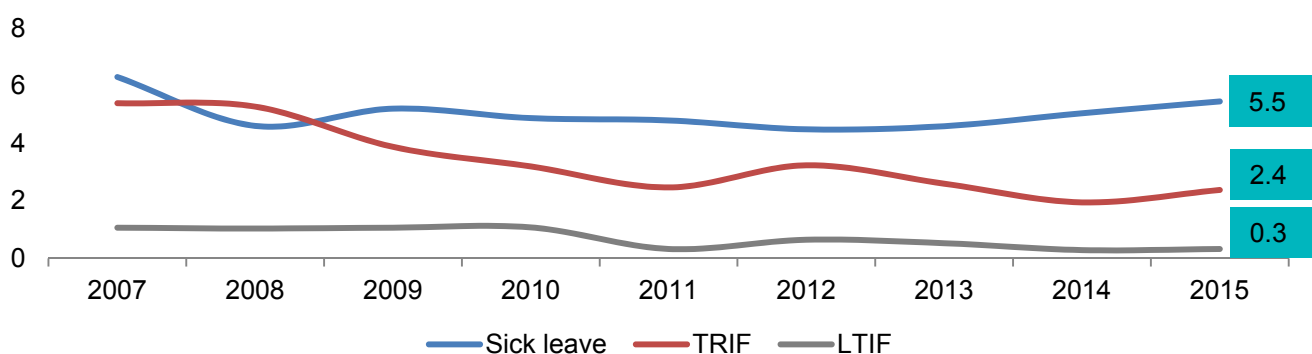
Indexed share price development last 12 months



The share price decreased from NOK 8.89 at the end of fourth quarter 2014 to NOK 6.00 at the end of first quarter 2015. The highest traded share price during first quarter was NOK 9.60, the lowest traded share price was NOK 5.95 and the average share price during the quarter was NOK 8.17. Average daily turnover during first quarter was 1 055 873 shares compared to 616 460 shares during fourth quarter 2014. The market capitalisation was NOK 1.614 billion at the end of first quarter 2015 compared to NOK 2.39 billion at the end of fourth quarter 2014.

## OPERATIONAL REVIEW

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



### Status

The tragic fatality in decommissioning at the Stord yard in March together with other serious incidents was a setback for HSSE at the start of the year. It is important for Kvaerner to know exactly what happened and what led up to the tragic accident. Kvaerner's independent investigation team has identified the main causes for the accident and defined a number of recommendations. These recommendations have been put into actions in order to strengthen the clear safety rules and HSSE performance in all phases of Kvaerner's operations. In addition to the fatality, Kvaerner had a total of two lost time incidents, nine serious or serious near miss incidents and eighteen medical treatments during first quarter 2015. The group performed more than 5.3 million work hours in the quarter. The sick-leave was high for the last period, partly due to planned treatment absences

and difficulties of hiring out people on part-time sick-leave. In Jackets there is a positive development especially amongst the youngest employees (20-29 years). The sick-leave is being followed-up and closely monitored by HSSE, HR and the occupational health service. A total of 21 316 risk observations, including positive observations, were documented in the period, an improvement from number of observations in the previous quarter.

### Reporting segments

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

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

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

Amounts in NOK million	Q1 2015	Q1 2014	FY 2014
Total revenue and other income	4 173	4 153	17 531
EBITDA	120	187	911
EBITDA margin	2.9 %	4.5 %	5.2 %
Net current operating assets	(360)	(1 078)	(839)
Order intake	3 620	1 291	10 727
Order backlog	15 845	19 698	16 451
Employees	2 920	2 808	3 002

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

Operating revenue from the Upstream segment totalled NOK 4 173 million in first quarter 2015, compared to NOK 4 153 million in first quarter 2014. Increased revenues from business area Onshore is mainly offset by lower activity within business area Topsides, where larger projects are in their finalising phase. EBITDA amounted to NOK 120 million, resulting in an EBITDA margin for the quarter of 2.9 percent, compared to EBITDA of NOK 187 million and 4.5 percent EBITDA margin in first quarter 2014. EBITDA in the quarter reflects projects with a relatively wide margin range, including continued challenging cost developments in some projects as communicated in previous quarters, putting pressure on margins.

NCOA at the end of first quarter 2015 was negative NOK 360 million, an increase of NOK 479 million during the quarter. The disputed Nordsee Ost project is still tying up working capital until the arbitration is resolved.

Order intake of NOK 3 620 million in the quarter reflects growth in existing contracts as well as small orders. Order backlog was NOK 15 845 million at the end of the quarter, including scope of work of jointly controlled entities.

### Operations

In business area Topsides, the Eldfisk project is in its final phase. The offshore work is completed and demobilisation took place 1 April. A limited project organisation is working on closing remaining administrative and commercial matters. The Edvard Grieg topside EPC has entered the final phase of the project with completion on time 15 April 2015. All modules are positioned on barges and ready for sail away. Commissioning is completed by client and preparations for the offshore phase are in progress.

The Nyhamna onshore project is at full speed and according to plan with peak activity for the total project in first quarter. The activity is now shifting from offsite to onsite. Design engineering is completed. Civil construction work is progressing and fabrication of modules is on-going at six sites with several deliveries to Nyhamna site in first quarter. Preparations for the turnaround at Nyhamna, which will take place during the spring/summer, are in progress. For Topsides and Onshore combined, about 5 500 people were on rotation for the on-going projects at quarter end.

The Hebron gravity based structure (GBS) project is progressing in Newfoundland and Labrador, Canada, with follow-on engineering in St. John's and construction at the Bull Arm fabrication site. After the successful slip form operation in October 2014 the Construction activities at the deep water site are continuing with Mechanical Outfitting activities; steel liner installation in storage cells and Mechanical Outfitting of Centre shaft.

In the Jacket business, the assembly of the three compressor modules for the Nyhamna project is the main activity at the yard in Verdal, and this project is now in the assembly phase. The current key activities for the Johan Sverdrup riser platform jacket are engineering and procurement.

#### *Market*

Cost reductions and improvements continue while achievements are being implemented in new tenders. The on-going cost improvements are being combined with a further development of a competitive delivery model in cooperation with partners and subcontractors.

Kvaerner share the view of external market analysts of a long term demand for new projects well fit for Kvaerner's expertise. However, the weak oil price impacts the customers' investment plans which creates significant uncertainty for estimating how the markets will develop. Based on a close dialogue with key customers, Kvaerner's assessment is that there are, in the short term, some prospects for platform topsides and substructures which will proceed to contract award and execution in the current market. Kvaerner also continues to see opportunities in the short term for studies, and topside completion projects both in the North Sea region as well as in other international target regions. However, timing of these prospects is uncertain.

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

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

Early January 2015, settlement agreements were reached with Longview Power, LLC and others. Kvaerner received the settlement amount of USD 48 million in February 2015. The main financial effect of the settlement was a reduction of retained assets in the group's balance sheet of USD 48 million. Kvaerner North American Construction Inc. has continued the arbitration proceedings against Amec Foster Wheeler North America Corp. 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 19 million in first quarter 2015, down from NOK 25 million in fourth quarter 2014. It is expected that the recurring level of net corporate costs will be approximately NOK 70-80 million annually.

#### **OTHER**

##### **Overhead cost reductions**

Kvaerner has in first quarter finalised its first review of potential overhead cost reductions. The identified cost reductions amount to NOK 150-200 million annually. The identified cost improvements are a result of reduced procurement of external services, staff reductions and more efficient use of internal shared services. Kvaerner continues its process aimed to further improve the other parts of the operations.

##### **Capacity reductions**

To address the lost tenders and general downturn in the oil- and gas industry, Kvaerner continues to drive cost reductions and measures to strengthen competitiveness. As previously communicated, Kvaerner expects to have an overcapacity of 250-500 employees by year end, depending on the outcome of the current tendering activities. The first round of staff reductions will be implemented before the summer, and is expected to reduce the work force by a total of 120-150 employees, including natural turnover. The reductions will primarily affect personnel in the business areas Topsides and Onshore at Stord and in Oslo, Norway.

## **SUBSEQUENT EVENTS**

### **Proposed dividend of NOK 0.67 per share approved by the Annual General Meeting**

The Annual General Meeting held on 9 April 2015 approved the proposed dividend of NOK 0.67 per share which was in accordance with the company's dividend policy. The dividend was paid 24 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 2014.

## **OUTLOOK**

The company's first priority is to execute and deliver the on-going projects predictably. Kvaerner's order book provides a good foundation for further improvement processes both internally as well as in cooperation with customers. Cost reduction measures have been implemented in new tenders and further cost improvements are being executed. The company also continues to assess its delivery model and use of partners and subcontractors. However, the weak oil price continues to create significant uncertainty for estimating how Kvaerner's markets will develop.

For 2015, Kvaerner estimate activity levels of NOK 12-13 billion, including revenues from jointly controlled entities. The year 2015 is expected to be challenging with results on the low side of what has been delivered historically. This is due to continued challenging cost developments and phasing of the current project portfolio, timing of new contract awards, as well as on-going capacity reductions. 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, 7 May 2015*

*The Board of Directors and President & CEO*

*Kvaerner ASA*

**FURTHER INFORMATION****Investor Relations**

Ingrid Aarsnes, SVP Investor Relations & Communications, Kvaerner, Tel: +47 67 59 50 46,  
Mob: +47 950 38 364, email: [ir@kvaerner.com](mailto:ir@kvaerner.com)

**Media**

Torbjørn Andersen, VP Communications, Kvaerner, Tel: +47 67 51 31 44, Mob: +47 928 85 542,  
email: [torbjorn.andersen@kvaerner.com](mailto:torbjorn.andersen@kvaerner.com)

**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 March 2015 of NOK 15.8 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**

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**

<i>Amounts in NOK million</i>	Q1 2015	Q1 2014	FY 2014
Total revenue and other income	3 525	3 489	13 945
Operating expenses	(3 424)	(3 319)	(13 117)
<b>EBITDA</b>	<b>101</b>	<b>170</b>	<b>828</b>
Depreciation and amortisation	(18)	(15)	(70)
Goodwill impairment	-	-	(266)
<b>Operating profit</b>	<b>83</b>	<b>155</b>	<b>492</b>
Net financial income/(expense)	(5)	(20)	(105)
Profit/(loss) from equity accounted investees, including impairments	-	-	(59)
<b>Profit before tax</b>	<b>77</b>	<b>135</b>	<b>329</b>
Income tax expense	(25)	(40)	(301)
<b>Profit from continuing operations</b>	<b>53</b>	<b>95</b>	<b>27</b>
<b>Profit/(loss) from discontinued operations</b>	<b>84</b>	<b>(32)</b>	<b>(96)</b>
<b>Net profit/(loss)</b>	<b>137</b>	<b>63</b>	<b>(69)</b>
<i>Attributable to:</i>			
Equity holders of the parent company - Kværner ASA	137	63	(69)
<b>Earnings per share (NOK)</b>			
Basic and diluted EPS continuing operations	0.20	0.35	0.10
Basic and diluted EPS discontinued operations	0.31	(0.12)	(0.36)
<b>Basic and diluted EPS total operations</b>	<b>0.51</b>	<b>0.23</b>	<b>(0.26)</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>Amounts in NOK million</i>	Q1 2015	Q1 2014	FY 2014
<b>Net profit/(loss) for the period</b>	<b>137</b>	<b>63</b>	<b>(69)</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)	(3)	(2)
- Reclassified to profit or loss	-	(0)	(1)
Translation differences, foreign operations	102	(24)	261
Reclassification of translation differences on repayment of capital	(129)	-	-
Items that may be reclassified to profit or loss in subsequent periods	(29)	(27)	258
<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	-	-	(27)
Items not to be reclassified to profit or loss in subsequent periods	-	-	(27)
<b>Total other comprehensive income/(loss), net of tax</b>	<b>(29)</b>	<b>(27)</b>	<b>232</b>
<b>Total comprehensive income</b>	<b>107</b>	<b>36</b>	<b>163</b>
<i>Attributable to</i>			
Equity holders of the parent company - Kværner ASA	107	36	163

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**

<i>Amounts in NOK million</i>	31.03.2015	31.03.2014	31.12.2014
<b>Assets</b>			
<i>Non-current assets</i>			
Property plant and equipment	720	707	736
Intangible assets	865	1 083	850
Deferred tax assets	110	173	123
Investments in associates and jointly controlled entities	189	142	288
Interest bearing receivables	2	3	2
Other non-current assets	9	28	11
<b>Total non-current assets</b>	<b>1 895</b>	<b>2 137</b>	<b>2 010</b>
<i>Current assets</i>			
Trade and other receivables	3 446	3 533	3 268
Prepaid company tax	73	99	31
Total cash and bank	1 284	1 430	1 208
Retained assets of business sold	567	884	906
<b>Total current assets</b>	<b>5 370</b>	<b>5 945</b>	<b>5 414</b>
<b>Total assets</b>	<b>7 265</b>	<b>8 082</b>	<b>7 424</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	91	91	91
Share premium	729	729	729
Retained earnings	1 446	1 778	1 309
Other reserves	179	(52)	208
<b>Total equity</b>	<b>2 444</b>	<b>2 547</b>	<b>2 337</b>
<i>Non-current liabilities</i>			
Interest-bearing loans	490	480	487
Employee benefit liabilities	181	172	176
<b>Total non-current liabilities</b>	<b>670</b>	<b>653</b>	<b>664</b>
<i>Current liabilities</i>			
Trade and other payables	3 908	4 391	4 109
Tax liabilities	118	39	182
Provisions	78	305	81
Retained liabilities of business sold	46	148	51
<b>Total current liabilities</b>	<b>4 150</b>	<b>4 883</b>	<b>4 423</b>
<b>Total equity and liabilities</b>	<b>7 265</b>	<b>8 082</b>	<b>7 424</b>

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

<i>Amounts in NOK million</i>	Total paid in capital	Retained earnings	Other reserves	Total equity
<b>Equity as of 31 December 2013</b>	<b>820</b>	<b>1 715</b>	<b>(24)</b>	<b>2 511</b>
Profit for the period 1 January to 31 March 2014	-	63	-	63
Other comprehensive income	-	-	(27)	(27)
<b>Total comprehensive income</b>	<b>-</b>	<b>63</b>	<b>(27)</b>	<b>36</b>
<b>Equity as of 31 March 2014</b>	<b>820</b>	<b>1 778</b>	<b>(52)</b>	<b>2 547</b>
Profit/(loss) for the period 1 April to 31 December 2014	-	(132)	-	(132)
Other comprehensive income	-	-	259	259
<b>Total comprehensive income</b>	<b>-</b>	<b>(132)</b>	<b>259</b>	<b>127</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>
Profit for the period	-	137	-	137
Other comprehensive income/(loss)	-	-	(29)	(29)
<b>Total comprehensive income</b>	<b>-</b>	<b>137</b>	<b>(29)</b>	<b>107</b>
<b>Equity as of 31 March 2015</b>	<b>820</b>	<b>1 446</b>	<b>179</b>	<b>2 444</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>Amounts in NOK million</i>	Q1 2015	Q1 2014	FY 2014
Net profit	137	63	(69)
Adjusted for:			
Income tax expense, including discontinued operations	26	40	280
Net financial expense	5	20	105
Depreciation, amortisation and impairment	18	15	336
Taxes (paid)/refund	(116)	(45)	(16)
Changes in other operating assets and liabilities	27	(156)	(444)
<b>Cash flow from operating activities</b>	<b>98</b>	<b>(62)</b>	<b>193</b>
Capital expenditure	(17)	(41)	(157)
Cash flow from other investing activities	2	(2)	(13)
<b>Cash flow from investing activities</b>	<b>(15)</b>	<b>(43)</b>	<b>(171)</b>
Dividends	(0)	(0)	(336)
Cash flow from other financing activities	(10)	(8)	(34)
<b>Cash flow from financing activities</b>	<b>(10)</b>	<b>(8)</b>	<b>(370)</b>
Translation adjustments	3	(2)	11
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>76</b>	<b>(115)</b>	<b>(337)</b>
Cash at the beginning of the period	1 208	1 545	1 545
<b>Cash at the end of the period</b>	<b>1 284</b>	<b>1 430</b>	<b>1 208</b>

*In Q1 2014 report, cash flows related to discontinued operations were shown on separate line within investing activities. As from Q2 2014, cash flows from discontinued operations have been shown within the respective categories above and comparative numbers for Q1 2014 cash flow have been restated.*

## SEGMENT INFORMATION

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

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

	Upstream		Group activities and eliminations		Consolidated	
<i>Amounts in NOK million</i>	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
External revenue and other income	4 168	4 147	(643)	(658)	3 525	3 489
Internal revenue	6	7	(6)	(7)	-	-
<b>Total revenue and other income</b>	<b>4 173</b>	<b>4 153</b>	<b>(649)</b>	<b>(664)</b>	<b>3 525</b>	<b>3 489</b>
<b>EBITDA</b>	<b>120</b>	<b>187</b>	<b>(19)</b>	<b>(17)</b>	<b>101</b>	<b>170</b>
Depreciation, amortisation and impairment	(19)	(16)	0	0	(18)	(15)
<b>EBIT</b>	<b>102</b>	<b>172</b>	<b>(19)</b>	<b>(17)</b>	<b>83</b>	<b>155</b>
Net current operating assets	(360)	(1 078)	(181)	(84)	(541)	(1 162)

	Upstream	Group activities and eliminations	Consolidated
<i>Amounts in NOK million</i>	FY 2014	FY 2014	FY 2014
External revenue	17 522	(3 577)	13 945
Internal revenue	9	(9)	-
<b>Total revenue and other income</b>	<b>17 531</b>	<b>(3 586)</b>	<b>13 945</b>
<b>EBITDA</b>	<b>911</b>	<b>(83)</b>	<b>828</b>
Depreciation, amortisation and impairment	(336)	0	(336)
<b>EBIT</b>	<b>575</b>	<b>(83)</b>	<b>492</b>
Net current operating assets	(839)	(83)	(922)

## 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 2014.

The interim financial statements are condensed and do not include all the information required by IFRS for a complete set of financial statements and should be read in conjunction with the full year consolidated financial statements for Kværner ASA. The consolidated 2014 financial statements for Kvaerner are available upon request from the company's 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 2014.

#### Note 4 Financial items

Amounts in NOK million	Q1 2015	Q1 2014	FY 2014
Net interest income/(expense)	(11)	(12)	(46)
Profit/(loss) on foreign currency contracts	2	0	(25)
Net foreign exchange gain/(loss)	5	(7)	(34)
Other financial items, net	(1)	(0)	0
<b>Net financial income/(expense)</b>	<b>(5)</b>	<b>(20)</b>	<b>(105)</b>

*Profit on foreign currency contracts in the quarter 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 issued shares as there has been no own shares held in the periods presented.

#### Note 6 Contingent events

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

##### *Significant, current disputes*

##### *Longview project*

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 first quarter 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 and has received USD 48 million from various parties. In consideration, Kvaerner North American Construction Inc. has settled certain claims, released the mechanics' liens filed against the Longview power plant properties in Madsville, West Virginia and has waived all objections in the ongoing Longview Power, LLC bankruptcy proceedings. Kvaerner North American Construction Inc. has continued the arbitration proceedings against Amec Foster Wheeler North America Corp. This process is expected to continue through 2015.

##### *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 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.

##### *Tax audit in foreign jurisdiction*

A foreign branch of Kvaerner has been subject to tax audit in Kazakhstan since June 2012, related to a historic project, with report from tax authorities received in January 2014. The tax authorities' findings are disputed by Kvaerner and are currently being adjudicated through the court system.

There are still substantial uncertainties with respect to the final financial outcome of the above projects and tax audit, and to avoid prejudicing Kvaerner's position, no estimate of the expected final outcome is disclosed.

### Note 7 Related parties

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

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

Amounts in NOK million	Q1 2015	Q1 2014	FY 2014
Revenue	80	97	480
Operating expenses	(610)	(587)	(2 904)
Net interest income/(expense)	-	(0)	(0)
Interest bearing loans	-	1	-
Trade and other receivables	63	48	79
Trade and other payables	265	241	302

Transactions and balances include discontinued operations.

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

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

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

Amounts in NOK million	Q1 2015	Q1 2014	FY 2014
Total revenue and other income	0	1	4
Administrative and legal expenses	(44)	(33)	(121)
<b>EBIT</b>	<b>(44)</b>	<b>(32)</b>	<b>(117)</b>
Net financial income/(expense)	129	0	(0)
<b>Profit/(loss) before tax</b>	<b>85</b>	<b>(32)</b>	<b>(117)</b>
Income tax income/(expense)	(1)	0	21
<b>Net profit/(loss) from discontinued operations</b>	<b>84</b>	<b>(32)</b>	<b>(96)</b>
Basic and diluted earnings/(losses) per share (NOK)	0.31	(0.12)	(0.36)
<b>Net assets</b>	<b>521</b>	<b>735</b>	<b>855</b>

Financial income of NOK 129 million is related to foreign exchange accounting effect on repayment of capital with no impact on group equity.

Cash flows from discontinued operations are as follows:

<i>Amounts in NOK million</i>	Q1 2015	Q1 2014	FY 2014
Cash flow from operating activities	337	(120)	(154)
Cash flow from financing activities <sup>1</sup>	(315)	88	117
Translation adjustments	2	(0)	6
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>24</b>	<b>(33)</b>	<b>(32)</b>
Cash at the beginning of the period	24	56	56
<b>Cash at the end of the period</b>	<b>48</b>	<b>23</b>	<b>24</b>

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

### Note 9 Quarterly historical information – continuing operations

<i>Amounts in NOK million</i>	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
<b>Total revenue and other income</b>	<b>3 525</b>	<b>3 591</b>	<b>4 004</b>	<b>2 861</b>	<b>3 489</b>	<b>3 939</b>
Upstream	4 173	4 585	4 981	3 812	4 153	4 667
<b>EBITDA</b>	<b>101</b>	<b>175</b>	<b>194</b>	<b>289</b>	<b>170</b>	<b>180</b>
Upstream	120	200	212	312	187	197
<b>EBITDA margin</b>	<b>2.9 %</b>	<b>4.9 %</b>	<b>4.8 %</b>	<b>10.1 %</b>	<b>4.9 %</b>	<b>4.6 %</b>
Upstream	2.9 %	4.4 %	4.3 %	8.2 %	4.5 %	4.2 %
<b>Net profit/(loss) - continuing operations</b>	<b>53</b>	<b>(302)</b>	<b>112</b>	<b>123</b>	<b>95</b>	<b>11</b>
<b>Basic and diluted EPS continuing operations</b>	<b>0.20</b>	<b>(1.12)</b>	<b>0.42</b>	<b>0.46</b>	<b>0.35</b>	<b>0.04</b>
<b>Order intake <sup>1</sup></b>	<b>3 610</b>	<b>1 274</b>	<b>2 801</b>	<b>5 360</b>	<b>1 283</b>	<b>1 925</b>
Upstream	3 620	1 255	2 809	5 372	1 291	1 925
<b>Order backlog <sup>1</sup></b>	<b>15 840</b>	<b>16 451</b>	<b>19 353</b>	<b>21 507</b>	<b>19 696</b>	<b>22 809</b>
Upstream	15 845	16 451	19 358	21 512	19 698	22 809
<b>NCOA</b>	<b>(541)</b>	<b>(922)</b>	<b>(515)</b>	<b>(624)</b>	<b>(1 162)</b>	<b>(1 266)</b>
Upstream	(360)	(839)	(416)	(613)	(1 078)	(1 257)
<b>Net interest bearing deposits and loans</b>	<b>796</b>	<b>722</b>	<b>563</b>	<b>493</b>	<b>953</b>	<b>1 069</b>

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