

# Third quarter results

28 October 2020

Byggeplan  
for Hydrogen



**KVERNER**



# Highlights, third quarter 2020

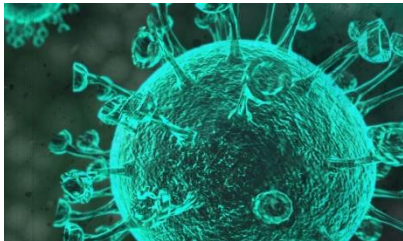
- Continued focus on Covid-19 mitigation
- Solid operations and completion of projects
- Completion of quay expansion project
- Strong financial results
- Solid order intake, increased orderbook
- Important market opportunities
- Preparing Kvaerner and Aker Solutions merger



# HSSE



- › Per end of Q3 - 30 Covid-19 diagnosed cases since the outbreak in March
- › Slight increase in number of incidents in Q3 – task force established
- › Goal: zero incidents, and that our people get home safely – every day.



# Ongoing projects

Hod UWHP

Johan Castberg FPSO

Njord A upgrade

Sverdrup P2 jacket

Sverdrup RP module

Hydro Husnes Aluminium

Hywind Tampen offshore vind

Kollsnes gas facility, upgrade

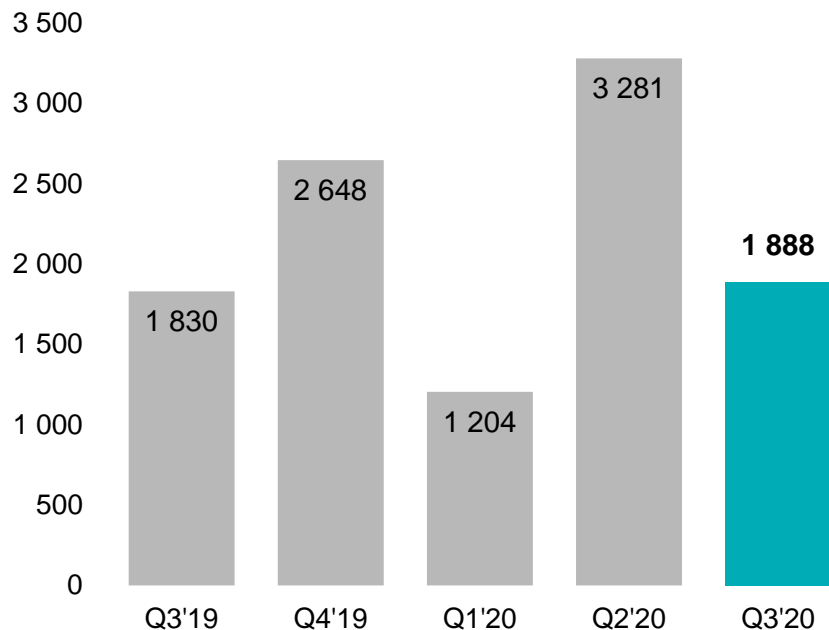
Decommissioning projects



# Order intake and backlog

## Order intake

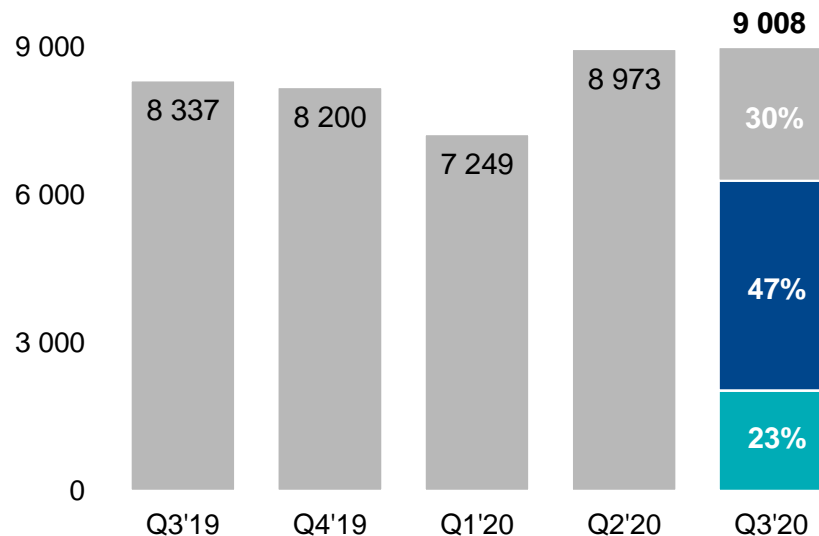
NOK million



## Order backlog

NOK million

12 000



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

Estimated scheduling as of 30.09.2020:

- For execution in 2020
- For execution in 2021
- For execution in 2022+

# Third quarter financials

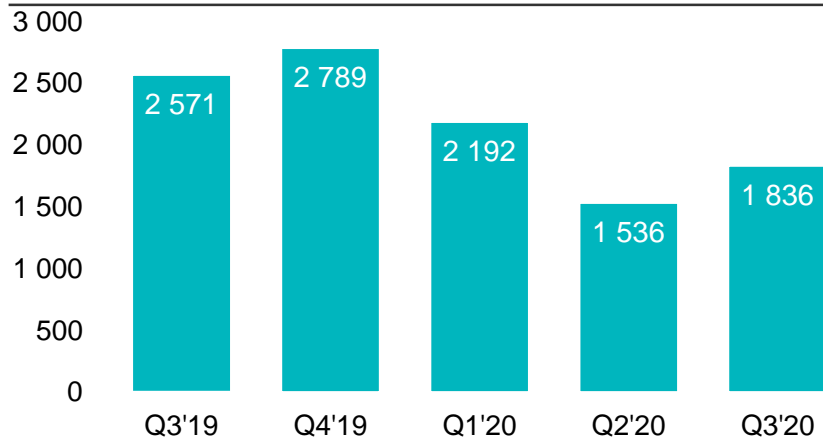
Øyvind Berge, EVP & CFO

**KVERNER™**

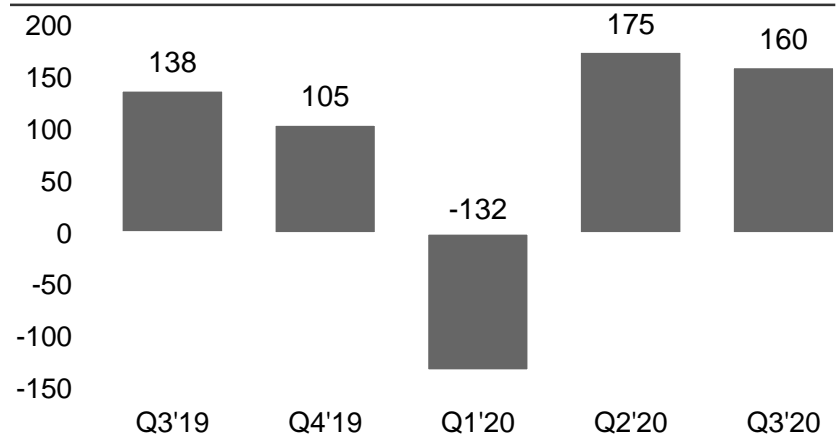
# Field Development review

- EBITDA margin for third quarter 2020 was 8.7 percent
- Provision of NOK 69 mill re gratuity pensions
- Increasing global challenges re covid-19 creates uncertainty for near term revenues and results

**Revenues**  
NOK million



**EBITDA**  
NOK million



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

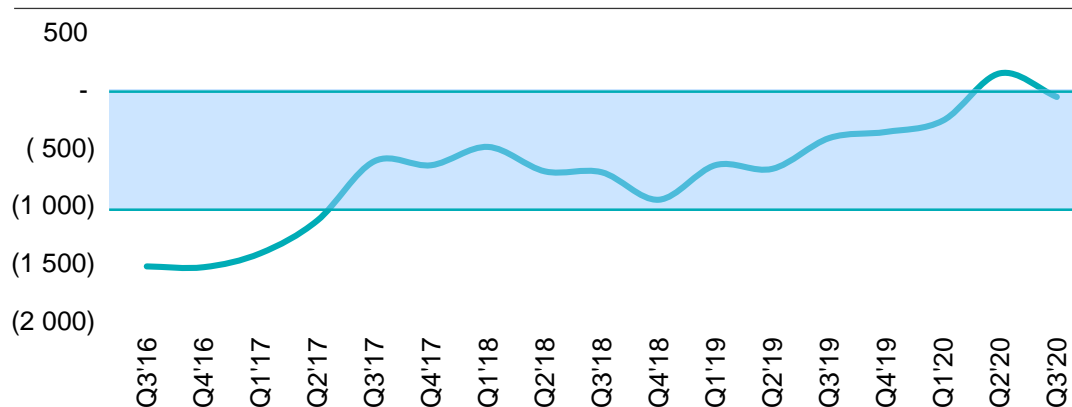
EBITDA-%	5.4%	3.8%	-6.0%	11.4%	8.7%
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# Cash flow and working capital development

Amounts in NOK million	Q3 2020	Q2 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Cash flow from operating activities	353	(256)	(171)	(143)	(152)	(98)
Cash flow from investing activities	(22)	(21)	(105)	(94)	(276)	(391)
Cash flow from financing activities	(7)	(10)	(29)	(26)	(338)	(367)
Translation adjustments	(29)	1	10	(32)	21	15
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>295</b>	<b>(286)</b>	<b>(294)</b>	<b>(295)</b>	<b>(745)</b>	<b>(841)</b>

- Working capital negative NOK 58 million
- Fluctuations in working capital must be expected
- Capital tied up in the Nordsee Ost project

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



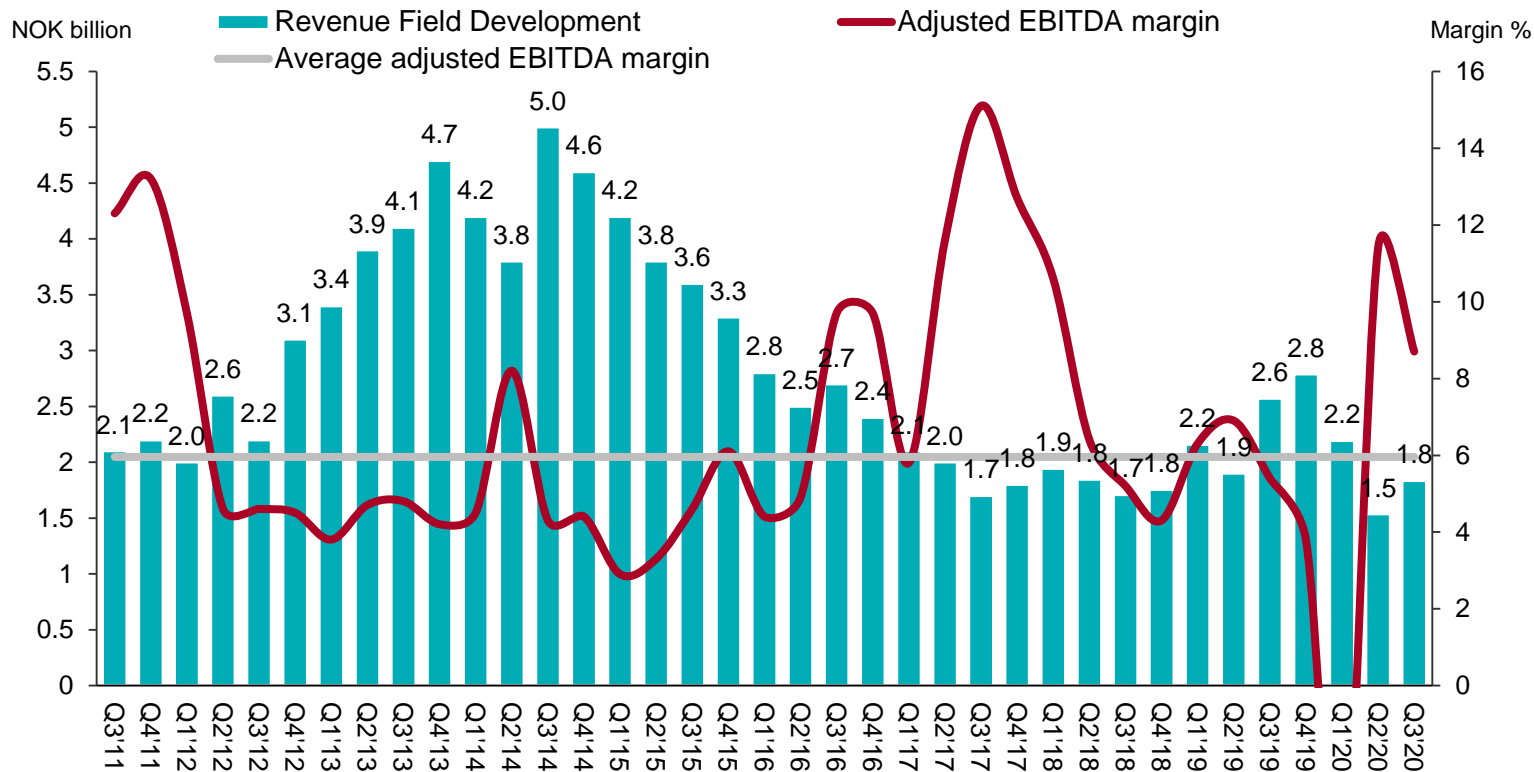


# Market opportunities and way forward

Karl-Petter Løken, President & CEO

**KVÆRNER™**

# Solid value creation through 37 quarters



NOK billion	2012	2013	2014	2015	2016	2017	2018	2019
Revenue Field Development	9.8	16.1	17.5	14.9	10.4	7.6	7.3	9.4

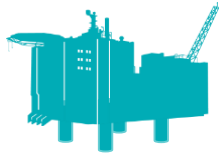
# Steady development – well prepared for next phases

2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2030

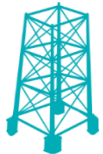


# Market with important opportunities

## Process & Structures



OIL AND GAS  
PLATFORM  
TOPSIDES



OIL AND GAS  
PLATFORM STEEL  
SUBSTRUCTURES



UNMANNED  
WELLHEAD  
PLATFORMS



CONCRETE  
SUBSTRUCTURES  
FOR OIL AND GAS  
PLATFORMS



MARINE  
OPERATIONS



ONSHORE  
PROCESS  
PLANTS



UPGRADING &  
MODIFICATION



DECOMMISSIONING  
& RE-USE /  
RECYCLING

## FPSOs

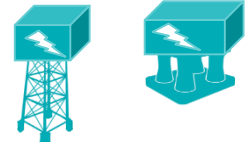


FLOATING  
PRODUCTION  
STORAGE AND  
OFFLOADING  
VESSELS

## Renewables



OFFSHORE  
WIND TURBINE  
PLATFORMS



OFFSHORE WIND  
CONVERTER  
PLATFORMS



HYDROGEN  
AND BIOFUEL  
FACILITIES



CARBON  
CAPTURE  
FACILITIES



AQUA  
CULTURE



# Summary

*Globally recognised for predictable deliveries of complete EPC projects*

## Well delivered

- 1) HSSE – positive development towards Goal Zero
- 2) Competitiveness improved, digitalisation implemented in execution model
- 3) Culture for continuous improvement founded
- 4) Values created for customers, shareholders, employees and society

## Well prepared

- 1) HSSE - best-in-class ambition
- 2) Strength and capabilities for further digitalisation of operations and offering
- 3) Robust financial platform to drive growth
- 4) Leading position as supplier to accelerate transition to sustainable energy production

# Appendix third quarter results 2020

**KV/ERNER™**

# Income statement

<i>Amounts in NOK million</i>	Q3 2020	Q2 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Total revenue and other income <sup>1</sup>	1 795	1 468	2 450	5 397	6 445	9 032
Operating expenses	(1 639)	(1 306)	(2 312)	(5 207)	(6 045)	(8 534)
<b>EBITDA</b>	<b>156</b>	<b>162</b>	<b>138</b>	<b>190</b>	<b>399</b>	<b>498</b>
Depreciation, amortisation and impairment	(24)	(47)	(65)	(121)	(148)	(193)
<b>EBIT</b>	<b>132</b>	<b>115</b>	<b>73</b>	<b>69</b>	<b>251</b>	<b>306</b>
Net financial income/(expense)	(0)	(1)	13	10	1	2
<b>Profit/(loss) before tax</b>	<b>131</b>	<b>115</b>	<b>86</b>	<b>79</b>	<b>253</b>	<b>307</b>
Income tax expense	(26)	(26)	(13)	(11)	(52)	(64)
<b>Profit/(loss) from continuing operations</b>	<b>105</b>	<b>89</b>	<b>72</b>	<b>68</b>	<b>201</b>	<b>244</b>
<b>Profit/(loss) from discontinued operations</b>	<b>(1)</b>	<b>(5)</b>	<b>(0)</b>	<b>(4)</b>	<b>(6)</b>	<b>(10)</b>
<b>Net profit/(loss)</b>	<b>104</b>	<b>84</b>	<b>72</b>	<b>64</b>	<b>195</b>	<b>233</b>
<b>EBITDA</b>	<b>156</b>	<b>162</b>	<b>138</b>	<b>190</b>	<b>399</b>	<b>498</b>
<b>Adjusted EBITDA <sup>2</sup></b>	<b>156</b>	<b>171</b>	<b>135</b>	<b>189</b>	<b>404</b>	<b>505</b>
Adjusted EBITDA margin	8.7 %	11.6 %	5.5 %	3.5 %	6.3 %	5.6 %
Earnings per share (NOK)						
Basic and diluted EPS continuing operations	0.39	0.33	0.27	0.25	0.75	0.91
Basic and diluted EPS discontinued operations	(0.01)	(0.02)	(0.00)	(0.01)	(0.02)	(0.04)
Basic and diluted EPS total operations	0.39	0.31	0.27	0.24	0.73	0.87

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

<sup>2</sup> 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 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Construction contracts	1 474	1 967	-	-	1 474	1 967
Services revenue	107	220	(1)	(9)	106	211
Revenue/share of result from joint ventures	191	254	(183)	(203)	7	51
Other revenue	65	130	144	86	209	216
<b>Revenue from contracts with customers</b>	<b>1 836</b>	<b>2 571</b>	<b>(41)</b>	<b>(127)</b>	<b>1 795</b>	<b>2 445</b>
Lease revenue	-	-	-	5	-	5
Gain on sale of assets	0	-	-	-	0	-
Internal revenue	0	0	(0)	(0)	-	-
<b>Total revenue and other income</b>	<b>1 836</b>	<b>2 571</b>	<b>(41)</b>	<b>(122)</b>	<b>1 795</b>	<b>2 450</b>
<b>Adjusted EBITDA <sup>1</sup></b>	<b>160</b>	<b>138</b>	<b>(4)</b>	<b>(3)</b>	<b>156</b>	<b>135</b>
<b>EBITDA</b>	<b>160</b>	<b>138</b>	<b>(4)</b>	<b>(0)</b>	<b>156</b>	<b>138</b>
Depreciation, amortisation and impairment	(15)	(53)	(10)	(12)	(24)	(65)
<b>EBIT</b>	<b>146</b>	<b>85</b>	<b>(14)</b>	<b>(12)</b>	<b>132</b>	<b>73</b>
Net current operating assets	(89)	(362)	31	(51)	(58)	(414)

<sup>1</sup> 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 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019
Construction contracts	4 554	5 074	-	-	4 554	5 074
Services revenue	241	715	(3)	-	238	715
Revenue/share of result from joint ventures	595	597	(570)	(454)	25	143
Other revenue	174	252	406	246	580	498
<b>Revenue from contracts with customers</b>	<b>5 565</b>	<b>6 638</b>	<b>(167)</b>	<b>(208)</b>	<b>5 397</b>	<b>6 430</b>
Lease revenue	-	-	-	14	-	14
Gain on sale of assets	0	0	-	-	0	0
Internal revenue	0	0	(0)	(0)	-	-
<b>Total revenue and other income</b>	<b>5 565</b>	<b>6 638</b>	<b>(168)</b>	<b>(194)</b>	<b>5 397</b>	<b>6 445</b>
<b>Adjusted EBITDA <sup>1</sup></b>	<b>203</b>	<b>407</b>	<b>(14)</b>	<b>(3)</b>	<b>189</b>	<b>404</b>
<b>EBITDA</b>	<b>203</b>	<b>407</b>	<b>(13)</b>	<b>(8)</b>	<b>190</b>	<b>399</b>
Depreciation and amortisation	(93)	(112)	(29)	(36)	(121)	(148)
<b>EBIT</b>	<b>111</b>	<b>295</b>	<b>(42)</b>	<b>(44)</b>	<b>69</b>	<b>251</b>

<sup>1</sup> 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 full year

Amounts in NOK million	Field Development	Group activities and eliminations	Consolidated
	FY 2019	FY 2019	FY 2019
Construction contracts	7 316	-	7 316
Services revenue	936	-	936
Revenue/share of result from joint ventures	867	(709)	158
Other revenue	293	315	608
<b>Revenue from contracts with customers</b>	<b>9 412</b>	<b>(395)</b>	<b>9 018</b>
Lease revenue	14	-	14
Gain on sale of assets	0	-	0
Internal revenue	0	(0)	-
<b>Total revenue and other income</b>	<b>9 427</b>	<b>(395)</b>	<b>9 032</b>
<b>Adjusted EBITDA <sup>1</sup></b>	<b>512</b>	<b>(8)</b>	<b>505</b>
<b>EBITDA</b>	<b>512</b>	<b>(14)</b>	<b>498</b>
Depreciation and amortisation	(147)	(45)	(193)
<b>EBIT</b>	<b>365</b>	<b>(59)</b>	<b>306</b>
Net current operating assets	(321)	(40)	(361)

<sup>1</sup> 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

<i>Amounts in NOK million</i>	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Total revenue and other income	0	-	0	-	-
Administrative and legal expenses	(2)	(2)	(6)	(7)	(11)
<b>EBIT</b>	<b>(2)</b>	<b>(2)</b>	<b>(6)</b>	<b>(7)</b>	<b>(11)</b>
Net financial income/(expense)	0	2	3	1	0
<b>Profit/(loss) before tax</b>	<b>(1)</b>	<b>(0)</b>	<b>(4)</b>	<b>(6)</b>	<b>(10)</b>
Income tax income/(expense)	0	-	0	-	-
<b>Profit/(loss) from discontinued operations</b>	<b>(1)</b>	<b>(0)</b>	<b>(4)</b>	<b>(6)</b>	<b>(10)</b>
Basic and diluted earnings/(losses) per share (NOK)	(0.01)	(0.00)	(0.01)	(0.02)	(0.04)
<b>Net assets</b>	<b>(26)</b>	<b>(26)</b>	<b>(26)</b>	<b>(26)</b>	<b>(26)</b>

<i>Amounts in NOK million</i>	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Cash flow from operating activities	(2)	(5)	(8)	(16)	(18)
Cash transferred (to)/from parent	5	1	8	10	12
Translation adjustments	0	1	2	1	0
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>3</b>	<b>(3)</b>	<b>2</b>	<b>(4)</b>	<b>(6)</b>
Cash at the beginning of the period	21	26	22	28	28
<b>Cash at the end of the period</b>	<b>24</b>	<b>23</b>	<b>24</b>	<b>23</b>	<b>22</b>

# Financial items

<i>Amounts in NOK million</i>	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Net interest income/(expense) pre IFRS 16	(1)	3	1	13	19
Interest expense on lease liabilities	(1)	(3)	(4)	(10)	(12)
Profit/(loss) on foreign currency contracts	(0)	(0)	(0)	0	0
Foreign currency embedded derivatives impact	1	10	8	(1)	(6)
Net foreign exchange gain/(loss)	1	1	3	1	2
Other financial items, net	(0)	2	1	(1)	(1)
<b>Net financial income/(expense)</b>	<b>(0)</b>	<b>13</b>	<b>10</b>	<b>1</b>	<b>2</b>



# Cash flow

<i>Amounts in NOK million</i>	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Profit before tax continuing operations	131	86	79	253	307
Profit before tax discontinued operations	(1)	(0)	(4)	(6)	(10)
<b>Profit/(loss) before tax total operations</b>	<b>130</b>	<b>85</b>	<b>75</b>	<b>247</b>	<b>297</b>
Depreciation, amortisation and impairment	24	65	121	148	193
Taxes (paid)/refund	(3)	(1)	(21)	(2)	(14)
Other cash flow from operating activities	202	(319)	(318)	(545)	(574)
<b>Cash flow from operating activities</b>	<b>353</b>	<b>(171)</b>	<b>(143)</b>	<b>(152)</b>	<b>(98)</b>
Capital expenditure	(22)	(115)	(74)	(267)	(374)
Other cash flow from investing activities	0	10	(20)	(9)	(16)
<b>Cash flow from investing activities</b>	<b>(22)</b>	<b>(105)</b>	<b>(94)</b>	<b>(276)</b>	<b>(391)</b>
Interest portion on lease liabilities	(1)	(3)	(4)	(10)	(12)
Principle portion on lease liabilities	(9)	(9)	(27)	(32)	(40)
Dividends	-	-	0	(268)	(268)
Other cash flow from financing activities	4	(17)	4	(28)	(47)
<b>Cash flow from financing activities</b>	<b>(7)</b>	<b>(29)</b>	<b>(26)</b>	<b>(338)</b>	<b>(367)</b>
Translation adjustments	(29)	10	(32)	21	15
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>295</b>	<b>(294)</b>	<b>(295)</b>	<b>(745)</b>	<b>(841)</b>
Cash at the beginning of the period	1 734	2 714	2 324	3 165	3 165
<b>Cash at the end of the period</b>	<b>2 029</b>	<b>2 420</b>	<b>2 029</b>	<b>2 420</b>	<b>2 324</b>

# Balance sheet - Assets

<i>Amounts in NOK million</i>	30.09.2020	30.09.2019	31.12.2019
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	1 133	1 129	1 164
Right-of-use assets (IFRS 16)	94	123	121
Intangible assets	753	729	740
Investments in associates and jointly controlled entities	99	61	73
Interest-bearing receivables	40	20	20
Other non-current assets	8	0	8
<b>Total non-current assets</b>	<b>2 127</b>	<b>2 061</b>	<b>2 126</b>
<i>Current assets</i>			
Trade and other receivables	1 776	1 808	1 906
Prepaid company tax	1	-	1
Total cash and bank	2 029	2 420	2 324
Retained assets of business sold	0	0	0
<b>Total current assets</b>	<b>3 807</b>	<b>4 227</b>	<b>4 231</b>
<b>Total assets</b>	<b>5 933</b>	<b>6 288</b>	<b>6 357</b>

Trade and other receivables at end of Q3 2020 includes contract assets of NOK 629 million

# Balance sheet – Equity and liabilities

<i>Amounts in NOK million</i>	30.09.2020	30.09.2019	31.12.2019
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	91	91	91
Share premium	729	729	729
Retained earnings	2 749	2 636	2 672
Other reserves	(130)	(85)	(107)
<b>Total equity</b>	<b>3 440</b>	<b>3 371</b>	<b>3 385</b>
<i>Non-current liabilities</i>			
Non-current lease liabilities (IFRS 16)	63	89	87
Deferred tax liabilities	301	314	313
Employee benefit liabilities	233	229	243
<b>Total non-current liabilities</b>	<b>596</b>	<b>632</b>	<b>643</b>
<i>Current liabilities</i>			
Current lease liabilities (IFRS 16)	35	35	36
Trade and other payables	1 649	2 106	2 096
Tax liabilities	1	3	1
Provisions	185	115	170
Retained liabilities of business sold	27	26	26
<b>Total current liabilities</b>	<b>1 897</b>	<b>2 286</b>	<b>2 330</b>
<b>Total equity and liabilities</b>	<b>5 933</b>	<b>6 288</b>	<b>6 357</b>

Trade and other payables at end of Q3 2020 includes contract liabilities of NOK 352 million

# 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 2019. Reference is also made to annual accounts 2019 note 2 Accounting estimates and judgements



# 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

# 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 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
EBITDA	156	138	190	399	498
Adjustment for equity accounted investees <sup>1</sup>	0	(3)	(1)	5	6
<b>Adjusted EBITDA</b>	<b>156</b>	<b>135</b>	<b>189</b>	<b>404</b>	<b>505</b>

<sup>1</sup> Excluding embedded derivatives' impact reported.

Amounts in NOK million	30.09.2020	30.09.2019	31.12.2019
Trade and other receivables	1 147	1 266	991
Contract assets	629	542	915
Trade and other payables	(1 297)	(1 982)	(2 013)
Contract liabilities	(352)	(123)	(84)
Provisions	(185)	(115)	(170)
<b>Net current operating assets (NCOA)</b>	<b>(58)</b>	<b>(414)</b>	<b>(361)</b>
Total cash and bank	2 029	2 420	2 324
Interest-bearing receivables	40	20	20
<b>Net interest bearing deposits and loans pre IFRS 16</b>	<b>2 069</b>	<b>2 440</b>	<b>2 344</b>
Non-current lease liabilities (IFRS 16)	(63)	(89)	(87)
Current lease liabilities (IFRS 16)	(35)	(35)	(36)
<b>Net interest bearing deposits and loans</b>	<b>1 971</b>	<b>2 316</b>	<b>2 221</b>

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