Second quarter and half year results 2017

13 July 2017

KVÆRNER ASA – SECOND QUARTER AND HALF YEAR RESULTS 2017

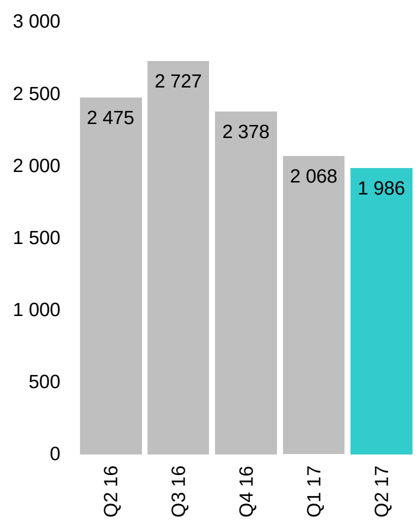
FIRST HALF YEAR HIGHLIGHTS

- **Steady performance**
- **Solid order intake in challenging market**
    - EPC contract for Njord A
    - Sverdrup riser platform hook-up
    - Decommissioning contract
    - Sverdrup 2 jacket FEED
- **Framework agreement with Aker BP for offshore platform projects**
- **Hebron substructure installation completed**
- **Johan Sverdrup Riser platform jacket completed and loaded on barge**

FINANCIAL HIGHLIGHTS – FIELD DEVELOPMENT SEGMENT [1]

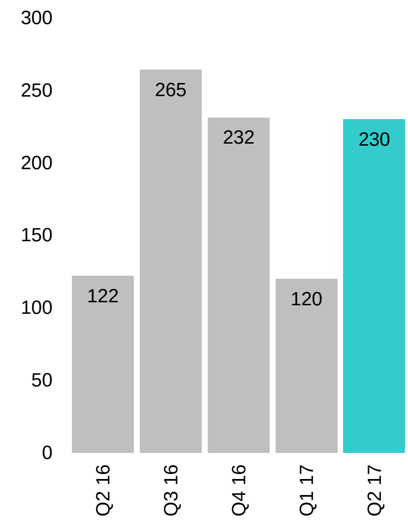
Operating revenue

NOK million



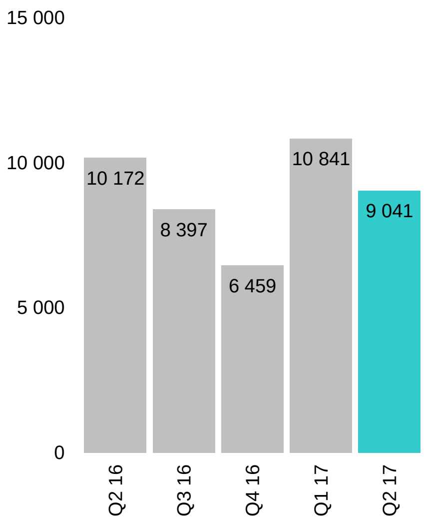
EBITDA

NOK million



Order backlog

NOK million



[1] The main differences between the Field Development figures and group figures presented are Kvaerner's share of revenues from jointly controlled entities included in Field Development and unallocated costs deducted

FIELD DEVELOPMENT SEGMENT[1]

FINANCIAL REVIEW

Amounts in NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Total revenue and other income	1 986	2 475	4 055	5 260	10 364
EBITDA [2]	230	122	350	245	741
EBITDA margin	11.6 %	4.9 %	8.6 %	4.6 %	7.1 %
Net current operating assets (NCOA)	(1 342)	(1 693)	(1 342)	(1 693)	(1 797)
Order intake	370	602	6 925	1 121	2 938
Order backlog	9 041	10 172	9 041	10 172	6 459
Employees	2 585	2 691	2 585	2 691	2 629

[1]The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) 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

Operating revenue from the Field Development segment totalled NOK 1 986 million in second quarter 2017, compared to NOK 2 475 million in second quarter 2016. The reduction is mainly explained by lower activity within operational area Process Solutions, but revenue has also been lower within the other areas. EBITDA amounted to NOK 230 million, resulting in an EBITDA margin for the quarter of 11.6 percent, compared to EBITDA of NOK 122 million and 4.9 percent EBITDA margin in second quarter 2016.

Kvaerner has over the last years worked intensely to improve quality, costs, productivity and competitiveness. The improved performance in the on-going project portfolio has impacted project results positively. 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. Quarterly fluctuations in earnings are to be expected due to phasing of projects, project portfolio mix and incentives.

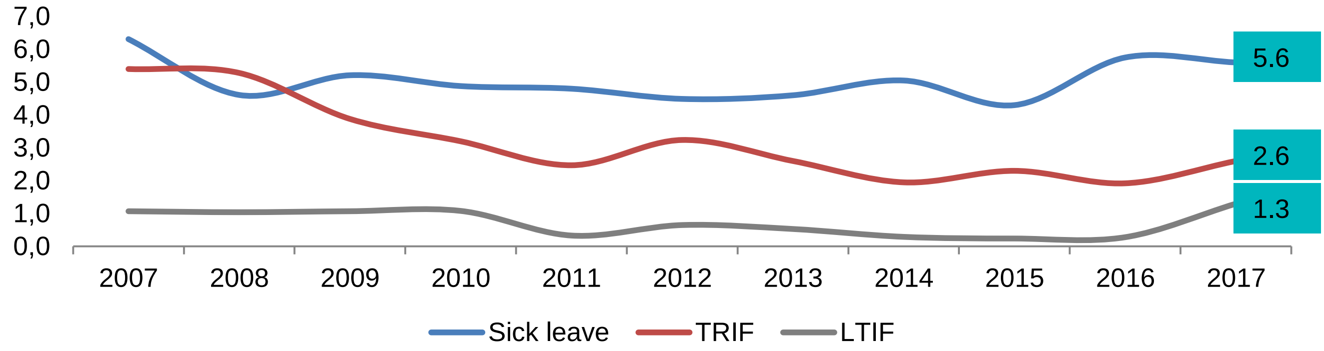
NCOA at the end of second quarter 2017 was negative NOK 1 342 million, a deterioration of NOK 455 million year to date. The disputed Nordsee Ost project is tying up working capital until the arbitration is resolved.

Order intake and backlog

Order intake in second quarter totalled NOK 370 million, including Kvaerner's scope of work of jointly controlled entities, compared to NOK 602 million in the same quarter last year. As of 30 June 2017, order backlog, including Kvaerner's scope of work of jointly controlled entities, amounted to NOK 9 041 million. Estimated scheduling of the order backlog is approximately 32 percent for execution in 2017, approximately 52 percent for execution in 2018 and remaining 16 percent for execution in 2019 and later.

OPERATIONAL REVIEW

Health, Safety, Security and Environment (HSSE)



During second quarter Kvaerner had two serious lost time incidents due to falling accidents and one minor lost time incident related to a twisted ankle. The three lost time injuries in second quarter result in a significant increase in the lost time injury frequency from 0.4 to 1.3. In addition, there have been two near miss incidents related to falling objects. All incidents have been investigated and improvement actions taken. The total injury frequency (TRIF) has increased from 2.2 to 2.6 during second quarter 2017. The majority of the injuries are related to minor cut injuries in hand and fingers. Sick leave is slightly decreasing to 5.6 percent but is above the target of 4.8 percent. The improvement programme to reduce sick leave is progressing.

Operations

The complete Hebron platform was towed to field and positioned on the seabed on the Hebron Field at Grand Banks in mid-June 2017. The main work performed during second quarter 2017 was preparing for tow to field and installation where Kvaerner had a leading role. The platform was set down on position well within tolerances which was another successful milestone for the Hebron project.

The Nyhamna project's main activity is commissioning support to on-going commissioning being executed by Shell. Polarled has been completed in the period, and main focus is now related to quality issues and project close out. The Johan Sverdrup ULQ topside project is moving ahead according to planned progress. All modules have now been delivered from Poland and pre-installation and assembly of sections are on-going. The Njord A Future EPC call off was signed in March and dock scope is progressing according to schedule. Pontoons sections were delivered according to plan, and installation commenced.

At Verdal, the assembly and load out of the Riser platform jacket has been completed, and sail away is scheduled in July. For the Drilling platform and Production platform jackets, prefabrication is on-going. Assembly of the Drilling jacket is on-going and roll-up of the first two main frames has been completed. Prefabricated pile clusters for the Drilling jacket have been delivered from Dubai.

Competitiveness and market

Feedback from customers indicates that the decline in new field developments since 2014 is levelling out. Several oil companies are currently reviewing some possible investment projects.

Kvaerner now sees more prospects to bid for, compared to one year ago. Tendering activity is high and Kvaerner is currently positioning for prospects both in Norway and selected international regions. The company expects to see the outcome of some key contract awards during second half of 2017, and others during 2018. Even further ahead, it is anticipated that oil companies will start a number of additional prospects well fit for Kvaerner, not the least in the Barents Sea region.

Over the last few years, Kvaerner's cost base for new projects is reduced by approximately 20 – 25 percent. Improvements to cost, productivity, quality and predictability are increasingly embedded as a continuous part of how the organisation works. Project awards to Kvaerner over the last 12 months prove competitiveness, but competition remains fierce. It is a key priority for the company to continue to reduce the cost base and optimize the value chain to have the best possible position when new contracts are awarded.

GROUP

FINANCIAL REVIEW

Amounts in NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Total revenue and other income [1]	1 502	1 859	3 056	4 087	7 896
EBITDA	219	96	327	177	629
Adjusted EBITDA [2]	216	106	321	212	680
Adjusted EBITDA margin	14.4 %	5.7 %	10.5 %	5.2 %	8.6 %
EBIT	193	69	275	129	331
Net profit - continuing operations	144	15	202	30	82
Basic and diluted earnings per share - continuing operations	0.54	0.06	0.76	0.11	0.31
Order intake [3]	370	602	6 925	1 121	2 938
Order backlog [3]	9 041	10 172	9 041	10 172	6 459
Net current operating assets (NCOA)	(1 129)	(1 469)	(1 129)	(1 469)	(1 534)
Net interest bearing deposits and loans	2 936	2 444	2 936	2 444	3 047

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

[2] *Adjusted EBITDA excludes impact of embedded foreign currency derivatives reported 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*

Income statement

Operating revenues in second quarter 2017 amounted to NOK 1 502 million, compared with NOK 1 859 million for second quarter 2016. Kvaerner reported operating revenues of NOK 3 056 for the first six months of 2017, compared with NOK 4 087 million for the same period in 2016. 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 219 million, compared to NOK 96 million in the same period last year. Adjusted Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the quarter were NOK 216 million, compared to NOK 106 million in the same period last year. The positive EBITDA development reflects improved quality performance in the on-going project portfolio. Adjusted EBITDA for the first six months of 2017 was NOK 321 million, compared with NOK 212 million for the equivalent period in 2016.

Net financial expense for the quarter was NOK 1 million, including net interest income of NOK 2 million. Net financial expense for the same period in 2016 was NOK 41 million. Net financial income for the first six months of 2017 was NOK 3 million, compared to an expense of NOK 75 million in 2016. Net financial expense in 2016 mainly consisted of loss on embedded derivatives, compared to immaterial movements in 2017. Net interest expense, part of net financial expense, has turned positive year on year due to increased cash balances.

Profit before tax for second quarter 2017 of NOK 192 million compared to NOK 28 million for the same period last year. For the first six months of 2017, profit before tax was NOK 278 million compared to NOK 54 million for the same period in 2016.

Total income tax expense in the quarter was NOK 49 million compared to NOK 13 million for the same quarter previous year. First half year tax expense amounted to NOK 76 million, compared to NOK 24 million in 2016. The tax expense reflects an effective tax rate of 27 percent for first half year 2017 compared to 44 percent in 2016. Compared to the Norwegian statutory tax rate of 24 percent, the effective tax rate reflects tax increasing items related to withholding taxes, deferred tax assets not recognised on losses in some jurisdictions and higher tax rate in some jurisdictions in which the group operates.

Profit from continuing operations was NOK 144 million and NOK 202 million for second quarter and first half year 2017 respectively, compared to NOK 15 million and NOK 30 million in equivalent periods in 2016. Basic and diluted earnings per share for continuing operations were NOK 0.54 for second quarter 2017 and NOK 0.76 for the first six months of 2017, compared to NOK 0.06 for second quarter 2016 and NOK 0.11 for the first six months of 2016.

Net loss from discontinued operations was NOK 16 million for second quarter 2017, compared to a profit of NOK 29 million in same period last year. First half year result from discontinued operations was a profit of NOK

21 million compared to a profit of NOK 230 million in 2016. The positive year to date result for 2017 reflects insurance settlement related to the Longview Power project in first quarter. The year to date result 2016 was positively impacted by both foreign exchange accounting effect on repayment of capital from subsidiaries of 284 million in first quarter and recognised insurance recovery in second quarter 2016. Basic and diluted earnings per share for discontinued operations were negative NOK 0.06 for second quarter 2017 and positive NOK 0.08 for the first six months of 2017, compared to positive NOK 0.11 for second quarter 2016 and NOK 0.86 for the first six months of 2016.

Net profit total operations in second quarter 2017 was NOK 127 million compared to NOK 44 million in the corresponding quarter last year. Basic and diluted earnings per share for total operations for second quarter 2017 were NOK 0.48 compared to NOK 0.16 in second quarter 2016. Net profit for the first six months of 2017 was NOK 223 million compared to NOK 261 million last year. Basic and diluted earnings per share for total operations for the first half year were NOK 0.84 and NOK 0.98 for 2017 and 2016 respectively.

Cash flow

Net cash outflow from operating activities was NOK 34 million in second quarter 2017 compared to cash inflow of NOK 367 million in the same period last year. Customer pre-payments were NOK 504 million at the end of second quarter compared to NOK 565 million at the end of the previous quarter and NOK 739 million at year-end 2016. Net cash outflow from operating activities in first half year 2017 was NOK 85 million, compared to cash inflow of NOK 1 067 million in first half of 2016. Cash inflow last year was positively impacted by settlement on the Longview Power project of USD 70 million in first quarter 2016.

Net cash outflow from investing activities reflects capital expenditure and was in second quarter 2017 NOK 10 million compared to an outflow of NOK 25 million in the same quarter last year. Year to date cash outflow from investing activities amounted to NOK 17 million compared to NOK 164 million in 2016. The capital expenditure in 2017 mainly relate to smaller capacity and maintenance investments at the yard at Stord, Norway.

Net cash outflow from financing activities was NOK 4 million in the quarter and NOK 8 million year to date, compared with outflows of NOK 17 million and NOK 21 million in the same periods in 2016. Outflow in 2017 is related to fees paid.

Net decrease in cash and bank deposits during the quarter amounted to NOK 47 million, resulting in cash and bank deposits at the end of the quarter of NOK 2 936 million. As of 30 June 2017, the group has not drawn on its credit facilities.

Balance sheet

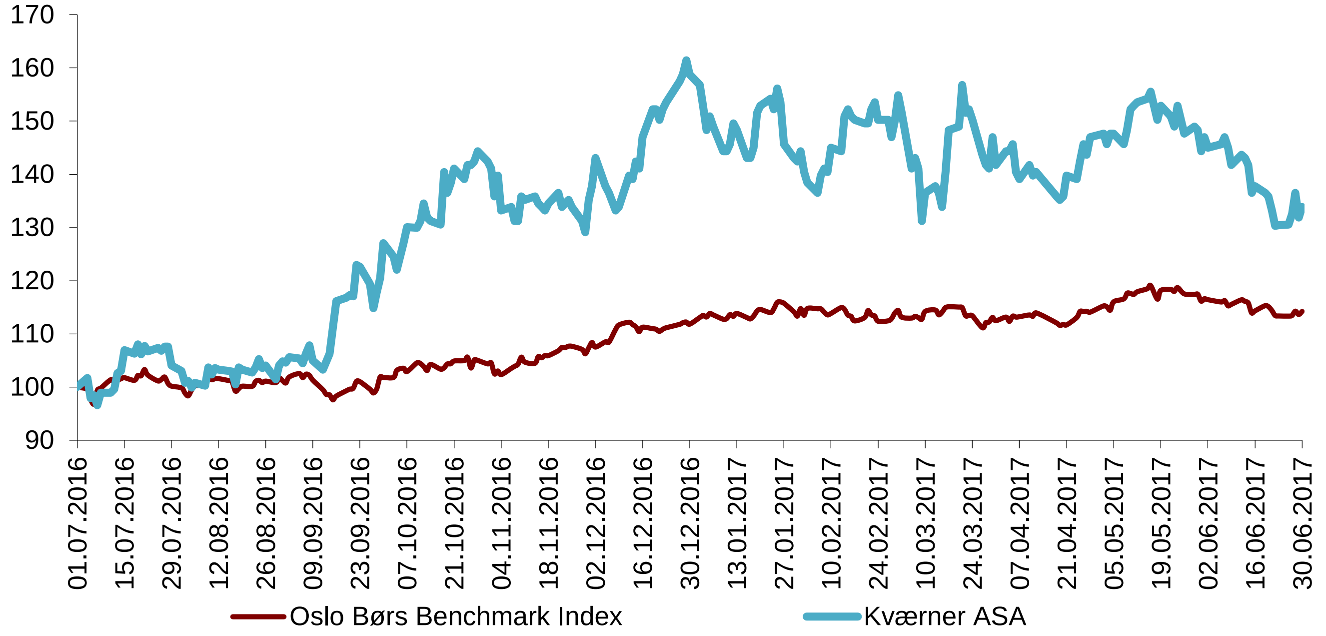
Net current operating assets (NCOA) were negative NOK 1 129 million at 30 June 2017, compared to negative NOK 1 413 million at the end of previous quarter and NOK 1 534 million at year-end 2016. Kvaerner has previously communicated that significant fluctuations in working capital must be expected within the range of negative NOK 500 million to negative NOK 1.5 billion. Movements in working capital will impact cash balances and at the end of second quarter, net cash excluding negative NCOA was NOK 1 807 million. Equity ratio at 30 June 2017 was 51.7 percent, up from 47.3 percent at 31 March 2017 and 44.4 percent at year-end 2016.

Transactions in treasury shares

In connection with the company's variable pay programme for executives, Kvaerner awarded 1 431 981 shares to employees in the quarter. At the end of second quarter Kvaerner owned 2 242 080 treasury shares, or 0.83 percent of the 269 000 000 shares issued.

The Kvaerner share

Indexed share price development last 12 months



The market capitalisation was NOK 2.7 billion at the end of second quarter 2017 compared to NOK 2.0 billion at the end of second quarter 2016.

Reporting segments

Kvaerner has one reportable segment; Field Development. Since 1 January 2016, the segment includes the resource centres and the following operational areas: Process Solutions, Structural Solutions and Concrete & New Solutions. Field Development segment financials and operations are commented at the start of this report.

Downstream & Industrials segment (Discontinued operations)

Insurance recovery of more than USD 5 million has been recognised and received in first half year 2017. 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 segments, amounted to NOK 14 million in second quarter 2017, same level as in first quarter 2017. It is expected that the recurring level of net corporate costs will be approximately NOK 60-70 million annually.

OTHER

Capacity reductions

Kvaerner continues to drive cost reductions, productivity improvements and other measures to strengthen competiveness. As communicated previously, restructuring costs in 2017 will depend on outcome of tender activities. With the recent project awards and high tender activity, there have been limited restructuring costs in the year.

SUBSEQUENT EVENTS

Dividend

The Board of Directors has resolved no dividend distribution.

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 2016.

OUTLOOK

The main market segments are still challenging. However, Kvaerner sees more prospects to bid for, compared to a year ago and the company expect high tendering activity also going forward with some significant prospects to be awarded in 2017 and 2018.

Kvaerner has over the last years worked intensely to improve quality, costs, productivity and competitiveness. The improved performance in the on-going project portfolio has impacted project results positively. 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 incentives and quality performance could be expected in second half of 2017 as certain projects are finalised. For 2017, the full year gross revenue is expected to be more than NOK 7 billion.

Fornebu, 12 July 2017
The Board of Directors and President & CEO of Kværner ASA

DECLARATION BY THE BOARD OF DIRECTORS AND PRESIDENT & CEO

The Board of Directors and the President & CEO of Kværner ASA have today considered and approved the condensed financial statements as at 30 June 2017 and for the six-month period ended 30 June 2017. 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 2017 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, 12 July 2017

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

Leif-Arne Langøy Chairman	Tore Torvund Deputy Chairman	Thorhild Widvey Director
Lone Fønss Schrøder Director	Kjell Inge Røkke Director	Rune Rafdal Director
Ståle K. Johansen. Ståle Knoff Johansen Director	Bernt Harald Kilnes Director	Jan Arve Haugan President & CEO

FURTHER INFORMATION

Investor inquiries:

Ingrid Aarsnes, VP Communications & Investor Relations, Kvaerner, Mob: +47 950 38 363

email: ir@kvaerner.com

Media inquiries:

Torbjørn Andersen, VP Communications, Kvaerner, Mob: +47 928 85 542

email: 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 2 600 HSSE-focused and experienced employees are recognised for delivering some of the world's most amazing and demanding projects.

In 2016, the Kvaerner group had consolidated annual revenues of close to NOK 8 billion and the company reported an order backlog at 30 June 2017 of NOK 9 billion. Kvaerner is publicly listed with the ticker "KVAER" at the Oslo Stock Exchange. For further information, please visit www.kvaerner.com.

FINANCIAL CALENDAR 2017

Third quarter results 2017	27 October 2017

The dates may be subject to change.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Amounts in NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Total revenue and other income	1 502	1 859	3 056	4 087	7 896
Operating expenses	(1 282)	(1 764)	(2 729)	(3 910)	(7 267)
EBITDA	**219**	**96**	**327**	**177**	**629**
Depreciation and amortisation	(26)	(26)	(52)	(48)	(100)
Goodwill impairment	-	-	-	-	(198)
Operating profit	**193**	**69**	**275**	**129**	**331**
Net financial income/(expense)	(1)	(41)	3	(75)	(117)
Profit/(loss) before tax	**192**	**28**	**278**	**54**	**214**
Income tax expense	(49)	(13)	(76)	(24)	(132)
Profit/(loss) from continuing operations	**144**	**15**	**202**	**30**	**82**
Profit/(loss) from discontinued operations	**(16)**	**29**	**21**	**230**	**345**
Net profit/(loss)	**127**	**44**	**223**	**261**	**426**
Attributable to:					
Equity holders of the parent company - Kværner ASA	127	44	223	261	426
Earnings per share (NOK)					
Basic and diluted EPS continuing operations	0.54	0.06	0.76	0.11	0.31
Basic and diluted EPS discontined operations	(0.06)	0.11	0.08	0.86	1.30
Basic and diluted EPS total operations	**0.48**	**0.16**	**0.84**	**0.98**	**1.60**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Net profit/(loss) for the period	**127**	**44**	**223**	**261**	**426**
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	(2)	(6)	(1)	(9)	(7)
- Reclassified to profit or loss	-	-	-	(2)	(2)
Translation differences, foreign operations	0	(5)	(3)	(18)	(23)
Reclassification of translation differences on repayment of capital and other reclassification	1	3	(0)	(280)	(261)
Items that are or may be reclassified to profit or loss in subsequent periods	(1)	(7)	(5)	(309)	(294)
Items not to be reclassified to profit or loss in subsequent periods:					
Actuarial gains/(losses) on defined benefit pension plans, net of tax	(0)	1	(0)	1	(14)
Items not to be reclassified to profit or loss in subsequent periods:	(0)	1	(0)	1	(14)
Total other comprehensive income/(loss), net of tax	**(1)**	**(6)**	**(5)**	**(308)**	**(308)**
Total comprehensive income/(loss)	**127**	**37**	**218**	**(47)**	**118**
Attributable to:					
Equity holders of the parent company - Kværner ASA	127	37	218	(47)	118

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

Amounts in NOK million	30.06.2017	30.06.2016	31.12.2016
Assets			
Non-current assets			
Property, plant and equipment	767	806	798
Intangible assets	663	870	666
Deferred tax asset	-	1	-
Investments in associates and jointly controlled entities	30	31	35
Interest-bearing receivables	-	2	-
Other non-current assets	6	18	6
Total non-current assets	**1 465**	**1 727**	**1 505**
Current assets			
Trade and other receivables	1 179	1 344	1 427
Total cash and bank	2 936	2 442	3 047
Retained assets of business sold	0	36	1
Total current assets	**4 115**	**3 822**	**4 474**
Total assets	**5 580**	**5 550**	**5 980**
Equity and liabilities			
Equity			
Share capital	91	91	91
Share premium	729	729	729
Retained earnings	2 113	1 715	1 881
Other reserves	(50)	(47)	(46)
Total equity	**2 883**	**2 488**	**2 656**
Non-current liabilities			
Deferred tax liabilities	124	-	62
Employee benefit liabilities	198	193	205
Total non-current liabilities	**322**	**193**	**267**
Current liabilities			
Trade and other payables	2 220	2 659	2 826
Tax liabilities	29	27	46
Provisions	89	154	135
Retained liabilities of business sold	38	29	51
Total current liabilities	**2 375**	**2 869**	**3 058**
Total equity and liabilities	**5 580**	**5 550**	**5 980**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

Amounts in NOK million	Total paid in capital	Retained earnings	Other reserves	Total equity
Equity as of 31 December 2015	**820**	**1 468**	**262**	**2 550**
Profit for the period 1 January to 30 June 2016	-	261	-	261
Other comprehensive income	-	-	(308)	(308)
Total comprehensive income	-	261	(308)	(47)
Treasury shares	-	(13)	-	(13)
Equity as of 30 June 2016	**820**	**1 715**	**(47)**	**2 488**
Profit for the period 1 July to 31 December 2016	-	165	-	165
Other comprehensive income	-	-	(0)	(0)
Total comprehensive income	-	165	(0)	165
Employee share purchase programme	-	1	-	1
Other		(1)	1	-
Equity as of 31 December 2016	**820**	**1 881**	**(46)**	**2 656**
Profit for the period	-	223	-	223
Other comprehensive income	-	-	(5)	(5)
Total comprehensive income	-	223	(5)	218
Treasury shares	-	9	-	9
Equity as of 30 June 2017	**820**	**2 113**	**(50)**	**2 883**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Profit before tax continuing operations	192	28	278	54	214
Profit before tax discontinued operations	(16)	29	21	230	346
Profit/(loss) before tax total operations	**176**	**57**	**300**	**284**	**560**
Depreciation, amortisation and impairment	26	26	52	48	298
Taxes (paid)/refund	(16)	(12)	(45)	(68)	(77)
Other cash flow from operating activities	(220)	296	(391)	803	936
Cash flow from operating activities	**(34)**	**367**	**(85)**	**1 067**	**1 718**
Capital expenditure	(10)	(25)	(17)	(164)	(203)
Other cash flow from investing activities	0	(0)	(0)	0	1
Cash flow from investing activities	**(10)**	**(25)**	**(17)**	**(164)**	**(201)**
Other cash flow from financing activities	(4)	(17)	(8)	(21)	(30)
Cash flow from financing activities	**(4)**	**(17)**	**(8)**	**(21)**	**(30)**
Translation adjustments	0	(0)	(1)	(1)	(1)
Net increase/(decrease) in cash and bank deposits	**(47)**	**325**	**(111)**	**882**	**1 486**
Cash at the beginning of the period	2 983	2 117	3 047	1 560	1 560
Cash at the end of the period	**2 936**	**2 442**	**2 936**	**2 442**	**3 047**

SEGMENT INFORMATION

Kvaerner has one reportable segment; Field Development. Since 1 January 2016, the segment includes the resource centres and the following operational areas: Process Solutions, Structural Solutions and Concrete & New Solutions.

The main differences between the Field Development figures and group figures presented are Kvaerner's share of revenues from jointly controlled entities included in Field Development and unallocated costs deducted.

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Total external revenue and other income	1 986	2 476	(485)	(617)	1 502	1 859
Internal revenue	0	(1)	(0)	1	-	-
Total revenue and other income	1 986	2 475	(485)	(615)	1 502	1 859
Adjusted EBITDA [1]	**230**	**122**	**(14)**	**(16)**	**216**	**106**
EBITDA	**230**	**122**	**(11)**	**(26)**	**219**	**96**
Depreciation and amortisation	(26)	(25)	-	(1)	(26)	(26)
EBIT	**204**	**97**	**(11)**	**(28)**	**193**	**69**

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	4 028	5 242	(972)	(1 155)	3 056	4 087
Internal revenue	27	18	(27)	(18)	-	-
Total revenue and other income	4 055	5 260	(999)	(1 173)	3 056	4 087
Adjusted EBITDA [1]	**350**	**245**	**(30)**	**(33)**	**321**	**212**
EBITDA	**350**	**245**	**(23)**	**(68)**	**327**	**177**
Depreciation, amortisation and impairment	(52)	(43)	-	(4)	(52)	(48)
EBIT	**299**	**201**	**(23)**	**(72)**	**275**	**129**
Net current operating assets	(1 342)	(1 693)	212	224	(1 129)	(1 469)

Amounts in NOK million	Field Development	Group activities and eliminations	Consolidated
	FY 2016	FY 2016	FY 2016
Total external revenue and other income	10 330	(2 434)	7 896
Internal revenue	34	(34)	0
Total revenue and other income	10 364	(2 468)	7 896
Adjusted EBITDA [1]	**741**	**(61)**	**680**
EBITDA	**741**	**(111)**	**629**
Depreciation, amortisation and impairment	(294)	(4)	(298)
EBIT	**447**	**(116)**	**331**
Net current operating assets	(1 797)	263	(1 534)

[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 Financing 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 2016.

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 2016 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 2016.

Note 4 Financial items

Amounts in NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Net interest income/(expense)	2	(1)	3	(4)	(4)
Profit/(loss) on foreign currency contracts	(0)	(3)	(0)	18	22
Foreign currency embedded derivatives impact	(1)	(41)	1	(99)	(128)
Net foreign exchange gain/(loss)	(1)	5	0	5	1
Other financial items, net	(1)	(1)	(1)	5	(8)
Net financial income/(expense)	**(1)**	**(41)**	**3**	**(75)**	**(117)**

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 2017.

Amounts in NOK million	Assets at fair value	Liabilities at fair value	Net fair value YTD 2017
Embedded derivatives	9	(0)	9
Not hedge accounted	1	(2)	(1)
Cash flow hedges	8	(21)	(13)
Total	**18**	**(24)**	**(6)**

Note 5 Share capital and equity

Kværner 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 the following number of average shares:

Numbers in thousands	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Shares issued	269 000	269 000	269 000	269 000	269 000
Effect of own shares held	(3 045)	(2 860)	(3 358)	(2 444)	(3 062)
Average number of outstanding shares	**265 955**	**266 140**	**265 642**	**266 556**	**265 938**

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.

Amounts in NOK million	YTD 2017	YTD 2016	FY 2016
Revenue	365	305	607
Operating expenses	(236)	(264)	(724)
Trade and other receivables	181	142	136
Trade and other payables	82	84	73

Note 8 Discontinued operations – summary of financial data

The results for the discontinued business are reported separately under the heading Result from discontinued operations in the group's income statement. Results are related to recovery and costs connected to on-going insurance cases. In the balance sheet, retained assets and liabilities are presented on separate lines.

Amounts in NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Total revenue and other income	1	-	1	-	0
Administrative and legal expenses	(15)	32	21	(50)	85
EBIT	**(14)**	**32**	**22**	**(50)**	**85**
Net financial income/(expense)	(2)	(3)	(1)	280	261
Profit/(loss) before tax	**(16)**	**29**	**21**	**230**	**346**
Income tax income/(expense)	(0)	-	(1)	-	(1)
Profit/(loss) from discontinued operations	**(16)**	**29**	**21**	**230**	**345**
Basic and diluted earnings/(losses) per share (NOK)	(0.06)	0.11	0.08	0.86	1.30
Net assets	**(38)**	**7**	**(38)**	**7**	**(50)**

The positive year to date result for 2017 reflects insurance settlement related to the Longview Power project in first quarter. The year to date result 2016 was both positively impacted by foreign exchange accounting effect on repayment of capital from subsidiaries of 284 million in first quarter and recognised insurance recovery in second quarter 2016.

Cash flows from discontinued operations are as follows:

Amounts in NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Cash flow from operating activities	36	(35)	11	519	735
Cash transferred (to)/from parent	(28)	17	(24)	(541)	(730)
Translation adjustments	(0)	(0)	(1)	(1)	(1)
Net increase/(decrease) in cash and bank deposits	**8**	**(18)**	**(14)**	**(22)**	**4**
Cash at the beginning of the period	13	26	35	30	30
Cash at the end of the period	**21**	**8**	**21**	**8**	**35**

Note 9 Quarterly historical information – continuing operations

Amounts in NOK million	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total revenue and other income	**1 502**	**1 554**	**1 834**	**1 975**	**1 859**	**2 228**
Field Development	1 986	2 068	2 378	2 727	2 475	2 785
Adjusted EBITDA	**216**	**105**	**219**	**248**	**106**	**106**
Field Development	230	120	232	265	122	123
Adjusted EBITDA margin	**14.4 %**	**6.8 %**	**11.9 %**	**12.6 %**	**5.7 %**	**4.8 %**
Field Development	11.6 %	5.8 %	9.7 %	9.7 %	4.9 %	4.4 %
Net profit/(loss) - continuing operations	**144**	**59**	**(68)**	**119**	**15**	**16**
Basic and diluted EPS continuing operations	**0.54**	**0.22**	**(0.26)**	**0.45**	**0.06**	**0.06**
Order intake [1]	**370**	**6 554**	**768**	**1 049**	**602**	**519**
Field Development	370	6 554	768	1 049	602	485
Order backlog [1]	**9 041**	**10 841**	**6 459**	**8 397**	**10 172**	**12 054**
Field Development	9 041	10 841	6 459	8 397	10 172	12 043
NCOA	**(1 129)**	**(1 413)**	**(1 534)**	**(1 527)**	**(1 469)**	**(1 143)**
Field Development	(1 342)	(1 689)	(1 797)	(1 748)	(1 693)	(1 382)
Net interest bearing deposits and loans	**2 936**	**2 983**	**3 047**	**2 821**	**2 444**	**2 119**

[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:

Amounts in NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
EBITDA	219	96	327	177	629
Adjustment for equity accounted investees [1]	(3)	10	(6)	35	50
Adjusted EBITDA	**216**	**106**	**321**	**212**	**680**

[1] Excluding embedded derivatives' impact reported

Amounts in NOK million	30.06.2017	30.06.2016	31.12.2016
Trade and other receivables	1 179	1 344	1 427
Trade and other payables	(2 220)	(2 659)	(2 826)
Provisions	(89)	(154)	(135)
Net current operating assets (NCOA)	**(1 129)**	**(1 469)**	**(1 534)**
Total cash and bank	2 936	2 442	3 047
Interest-bearing receivables	-	2	-
Net interest bearing deposits and loans	**2 936**	**2 444**	**3 047**

www.kvaerner.com
ir@kvaerner.com