

# Fourth quarter results 2017

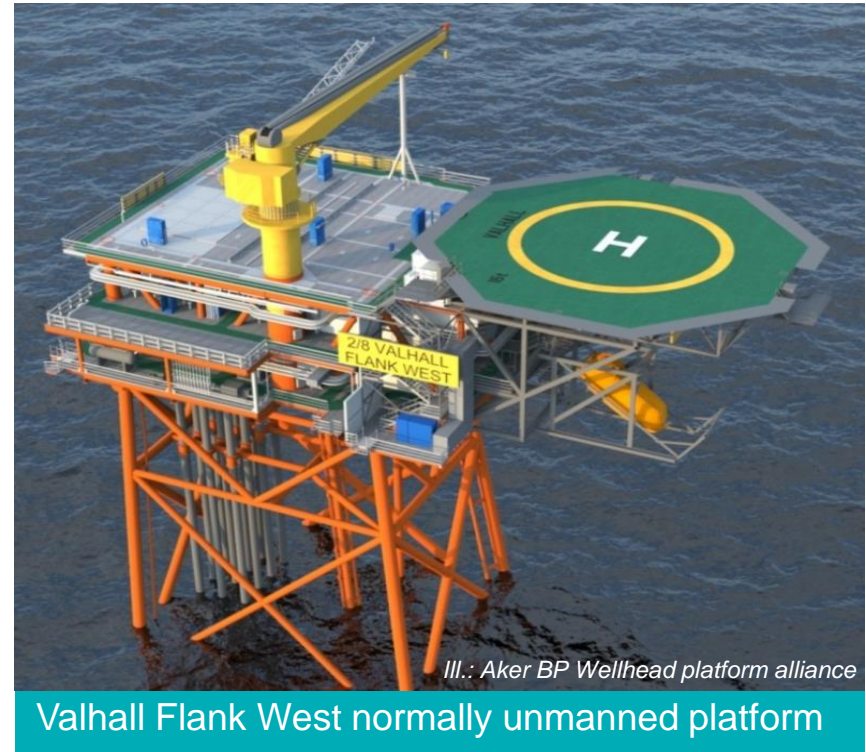
8 February 2018



# Fourth quarter 2017

## Highlights

- Strong performance and results
- Projects being completed
- New contracts secured:
  - White Rose marine operations
  - Yme support structure
  - Valhall Flank West
  - Nord Stream 2
- After quarter end:
  - Two contracts for disposal of platforms
  - No dividend proposed by the Board





*Globally recognised for predictable deliveries:*  
**All current projects on track**



Johan Sverdrup DP jacket



Johan Sverdrup P1 jacket



Johan Sverdrup utility and living quarters topside



Valhall Flank West



Njord A upgrade



Johan Sverdrup RP HUC



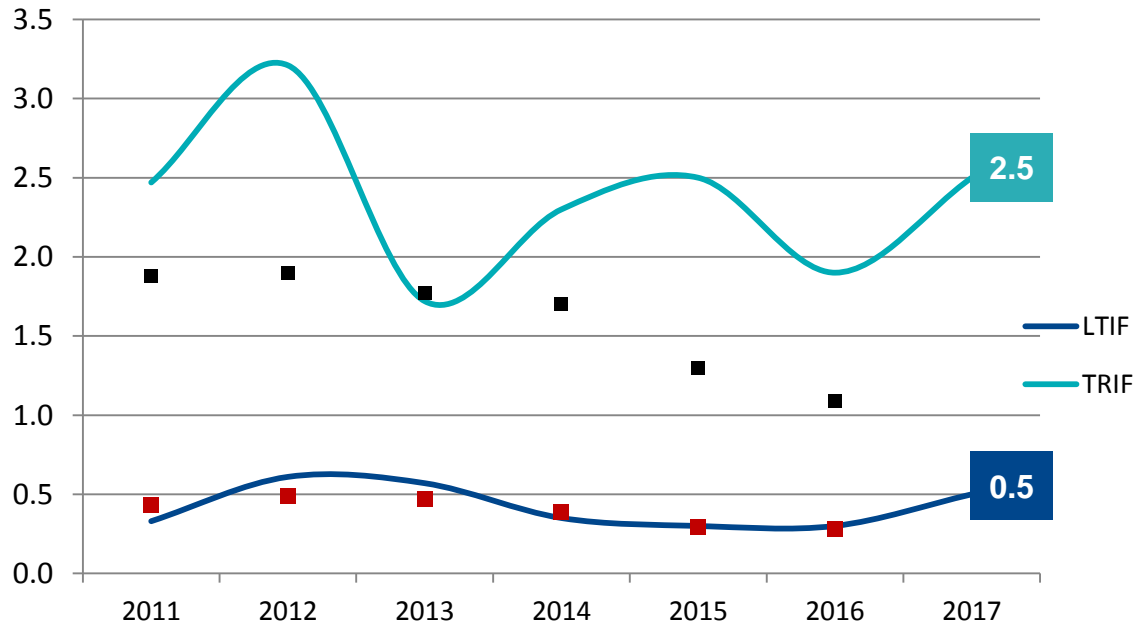
Aasta Hansteen completion assistance



Decommissioning projects

# HSSE results

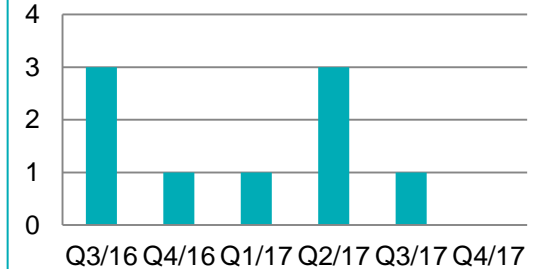
**Lost time injury frequency (LTIF) & total recordable injury frequency (TRIF)**  
Per million worked hours (12 months average)



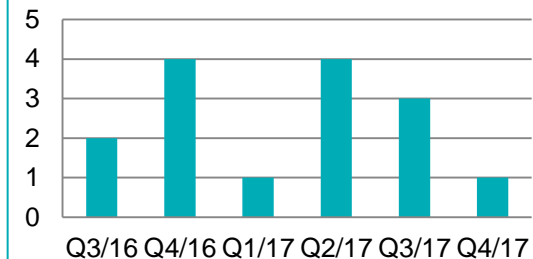
- TRIF International Oil & Gas Producers
- LTIF International Oil & Gas Producers

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**LTIs**

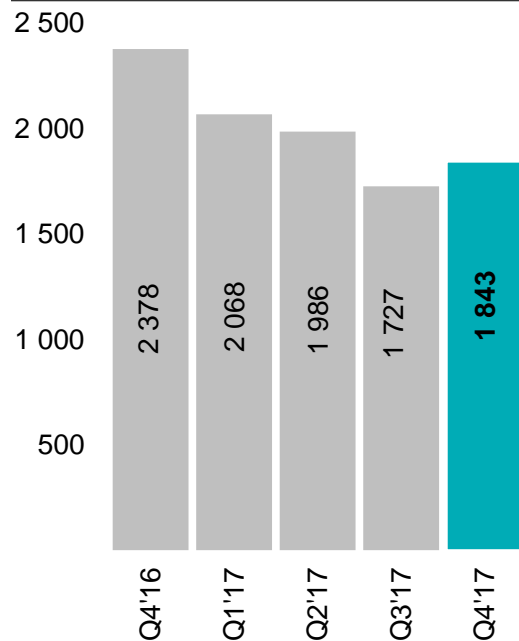


**Serious incidents with no harm to people**

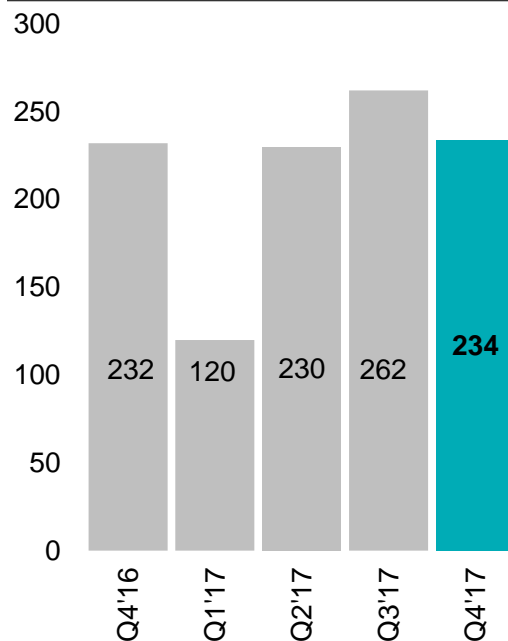


# Key financials Field Development Segment

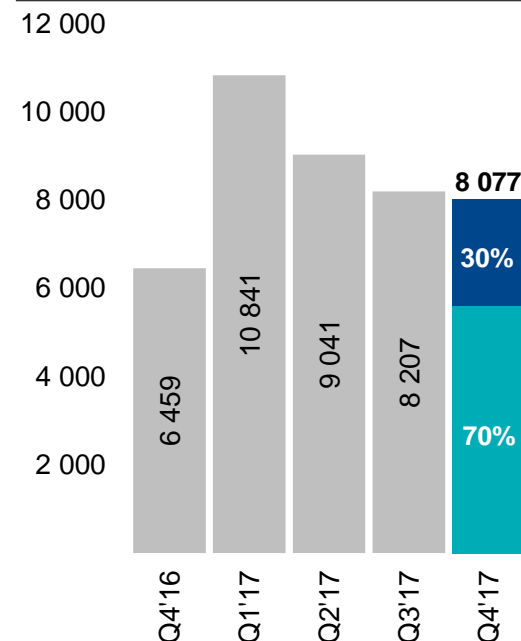
**Revenues**  
NOK million



**EBITDA**  
NOK million



**Order backlog**  
NOK million



Estimated scheduling as of 31.12.2017  
 ■ For execution in 2018  
 ■ For execution in 2019+

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

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# Fourth quarter financials

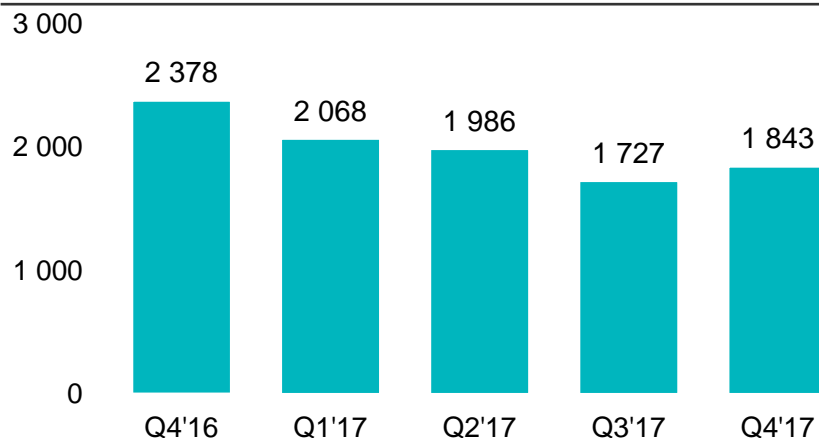
Idar Eikrem, Chief Financial Officer

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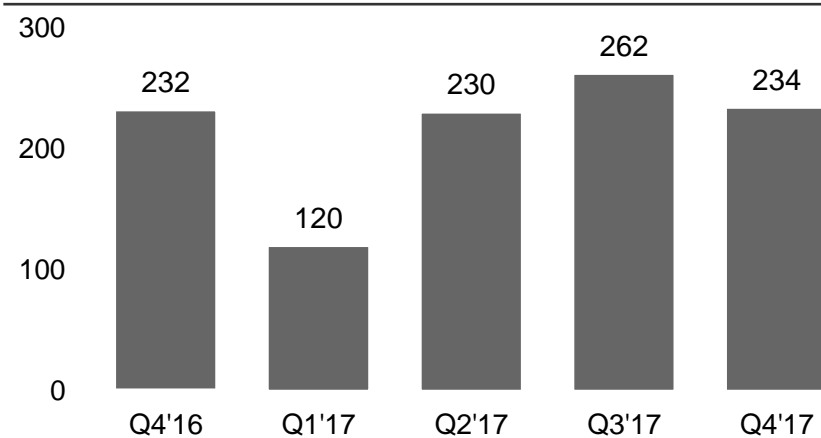
# Field Development review

- › Results reflect improved quality performance including incentives and close out activities
- › Full year 2018 revenues expected at NOK 6-7 billion
- › Onerous lease provision of NOK 53 million in fourth quarter
- › Order intake of NOK 1.7 billion

**Revenues**  
NOK million



**EBITDA**  
NOK million



EBITDA-%	9.7%	5.8%	11.6%	15.1%	12.7%
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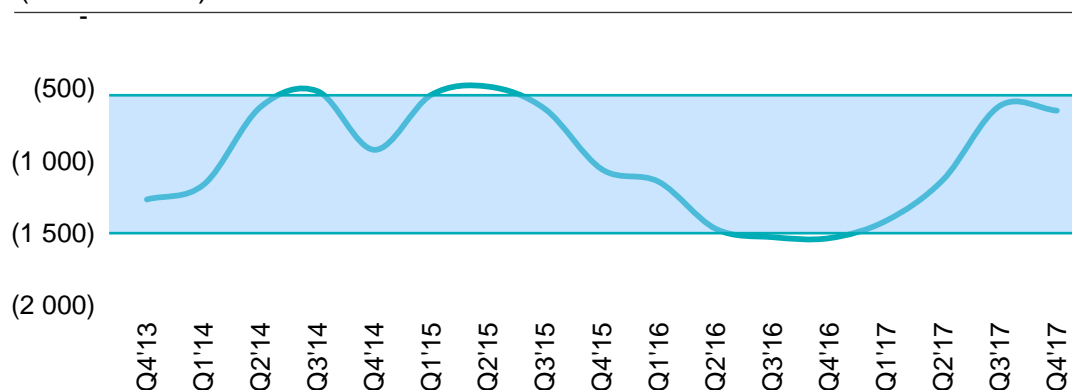
*Note: All figures include Kvaerner's scope of work of jointly controlled entities*

# Cash flow and working capital development

Amounts in NOK million	Q4 2017	Q3 2017	Q4 2016	FY 2017	FY 2016
Cash flow from operating activities <sup>1</sup>	297	(325)	244	(113)	1 718
Cash flow from investing activities	(67)	(8)	(16)	(93)	(201)
Cash flow from financing activities	(15)	(4)	(4)	(27)	(30)
Translation adjustments	2	(3)	4	(1)	(1)
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>217</b>	<b>(340)</b>	<b>228</b>	<b>(234)</b>	<b>1 486</b>

- Negative working capital of NOK 650 million
- Fluctuations in working capital must be expected
- Working capital expected to increase in 2018
- Capital tied up in the Nordsee Ost project

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



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



# Balance sheet

<i>Amounts in NOK million</i>	31.12.2017	30.09.2017	31.12.2016
<b>Assets</b>			
Total non-current assets	1 474	1 466	1 505
Prepaid company tax	6	-	-
Current operating assets	1 531	1 367	1 427
Total cash and bank	2 812	2 596	3 047
Retained assets of business sold	0	20	1
<b>Total assets</b>	<b>5 823</b>	<b>5 449</b>	<b>5 980</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>	<b>3 176</b>	<b>3 055</b>	<b>2 656</b>
Other non-current liabilities	430	370	267
Current operating liabilities	2 180	1 983	2 961
Current tax liabilities	0	7	46
Retained liabilities of business sold	37	34	51
<b>Total liabilities</b>	<b>2 647</b>	<b>2 394</b>	<b>3 324</b>
<b>Total equity and liabilities</b>	<b>5 823</b>	<b>5 449</b>	<b>5 980</b>
<b>Equity ratio</b>	<b>55 %</b>	<b>56 %</b>	<b>44 %</b>
<b>Net cash</b>	<b>2 812</b>	<b>2 596</b>	<b>3 047</b>

- > Credit facilities undrawn as of 31 December 2017
- > Net cash of NOK 2.8 billion
- > Net cash excluding working capital of NOK 2.2 billion

# Outlook



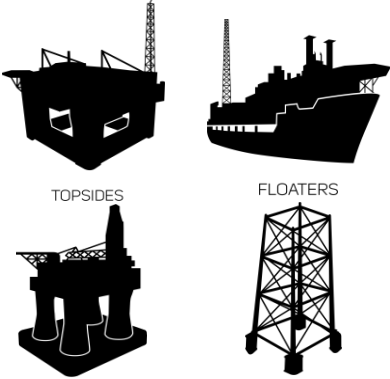

Short term:

- Field development market levelling out

Longer term:

- Potentially some decline in traditional markets for large new platforms
- Increasing opportunities for smaller new platforms and in growth segments

# Market

Traditional segments	Growth segments
 <p>TOPSIDES</p> <p>FLOATERS</p> <p>CONCRETE</p> <p>JACKETS</p>	 <p>DECOMMISSIONING &amp; RECYCLING</p> <p>MODIFICATION &amp; UPGRADING</p> <p>ONSHORE</p> <p>MARINE OPERATIONS</p> <p>OFFSHORE WIND</p>

## **Traditional segments:**

- Award of some key prospects expected in 2018 and 2019
- Strengthened competitiveness enables maintained/increased market share & international opportunities

## **Growth segments:**

- Use upcoming contract prospects to develop targeted growth segments

# Harvesting improvement effects, implementing further steps



## Q4 summary

- Strong performance and results
- All projects on track
- Key prospects awards 2018 / 2019
- Development in growth segments
- Robust financial platform

## Way forward

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



# Outlook

- The company's traditional market segments seem to be levelling out. However, Kvaerner expects that the market will continue to be influenced by strong competition and over capacity within the contracting industry. Positioning for new prospects both in Norway and in international markets are on-going, and the company anticipates seeing the outcome of some key contracts during 2018 and 2019.
- For 2018, the full year gross revenue is expected to be NOK 6-7 billion.
- During first half of 2018, positive effects from projects being delivered and reaching 20 percent completion are expected to impact results. For full year 2018, margins will be lower than for 2017 due to few major projects in completion phases and the composition of the project portfolio.
- Working capital expected to increase in 2018 due to projects being completed and a higher number of smaller projects in the project portfolio.



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# Appendix fourth quarter results 2017

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# Income statement

Amounts in NOK million	Q4 2017	Q3 2017	Q4 2016	FY 2017	FY 2016
Total revenue and other income <sup>1</sup>	1 797	1 683	1 834	6 536	7 896
Operating expenses	(1 570)	(1 438)	(1 605)	(5 737)	(7 267)
<b>EBITDA</b>	<b>227</b>	<b>245</b>	<b>229</b>	<b>799</b>	<b>629</b>
<b>Adjusted EBITDA <sup>2</sup></b>	<b>220</b>	<b>246</b>	<b>219</b>	<b>786</b>	<b>680</b>
Depreciation and amortisation	(28)	(26)	(27)	(106)	(100)
Goodwill impairment	-	-	(198)	-	(198)
<b>EBIT</b>	<b>199</b>	<b>219</b>	<b>4</b>	<b>693</b>	<b>331</b>
Net financial income/(expense)	13	(11)	(6)	4	(117)
<b>Profit/(loss) before tax</b>	<b>211</b>	<b>208</b>	<b>(2)</b>	<b>697</b>	<b>214</b>
Income tax expense	(59)	(50)	(66)	(186)	(132)
<b>Profit/(loss) from continuing operations</b>	<b>152</b>	<b>157</b>	<b>(68)</b>	<b>511</b>	<b>82</b>
<b>Profit/(loss) from discontinued operations</b>	<b>(3)</b>	<b>13</b>	<b>(32)</b>	<b>31</b>	<b>345</b>
<b>Net profit/(loss)</b>	<b>149</b>	<b>170</b>	<b>(100)</b>	<b>542</b>	<b>426</b>
Adjusted EBITDA margin	12.2 %	14.6 %	11.9 %	12.0 %	8.6 %
Earnings per share (NOK)					
Basic and diluted EPS continuing operations	0.57	0.59	(0.26)	1.92	0.31
Basic and diluted EPS discontinued operations	(0.01)	0.05	(0.12)	0.12	1.30
Basic and diluted EPS total operations	0.56	0.64	(0.38)	2.04	1.60

<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 fourth quarter

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	Q4 2017	Q4 2016	Q4 2017	Q4 2016	Q4 2017	Q4 2016
Total external revenue and other income	1 844	2 368	(47)	(534)	1 797	1 834
Internal revenue	(0)	10	0	(10)	-	0
Total revenue and other income	1 843	2 378	(47)	(544)	1 797	1 834
<b>Adjusted EBITDA <sup>1</sup></b>	<b>234</b>	<b>232</b>	<b>(15)</b>	<b>(12)</b>	<b>220</b>	<b>219</b>
<b>EBITDA</b>	<b>234</b>	<b>232</b>	<b>(8)</b>	<b>(3)</b>	<b>227</b>	<b>229</b>
Depreciation, amortisation and impairment	(28)	(225)	-	-	(28)	(225)
<b>EBIT</b>	<b>207</b>	<b>6</b>	<b>(8)</b>	<b>(3)</b>	<b>199</b>	<b>4</b>
Net current operating assets	(915)	(1 797)	266	263	(650)	(1 534)

<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 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Total external revenue and other income	7 598	10 330	(1 062)	(2 434)	6 536	7 896
Internal revenue	27	34	(27)	(34)	-	0
Total revenue and other income	7 625	10 364	(1 089)	(2 468)	6 536	7 896
<b>Adjusted EBITDA <sup>1</sup></b>	<b>846</b>	<b>741</b>	<b>(60)</b>	<b>(61)</b>	<b>786</b>	<b>680</b>
<b>EBITDA</b>	<b>846</b>	<b>741</b>	<b>(48)</b>	<b>(111)</b>	<b>799</b>	<b>629</b>
Depreciation, amortisation and impairment	(106)	(294)	-	(4)	(106)	(298)
<b>EBIT</b>	<b>741</b>	<b>447</b>	<b>(48)</b>	<b>(116)</b>	<b>693</b>	<b>331</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

# Discontinued operations

<i>Amounts in NOK million</i>	Q4 2017	Q4 2016	FY 2017	FY 2016
Total revenue and other income	3	0	4	0
Administrative and legal expenses	(5)	(19)	11	85
<b>EBIT</b>	<b>(2)</b>	<b>(19)</b>	<b>16</b>	<b>85</b>
Net financial income/(expense)	2	(11)	(1)	261
<b>Profit/(loss) before tax</b>	<b>(0)</b>	<b>(30)</b>	<b>15</b>	<b>346</b>
Income tax income/(expense)	(3)	(1)	16	(1)
<b>Profit/(loss) from discontinued operations</b>	<b>(3)</b>	<b>(32)</b>	<b>31</b>	<b>345</b>
Basic and diluted earnings/(losses) per share (NOK)	(0.01)	(0.12)	0.12	1.30
<b>Net assets</b>	<b>(37)</b>	<b>(50)</b>	<b>(37)</b>	<b>(50)</b>

- > EBIT for full year positively impacted by insurance settlement in Q1 2017
- > Tax refund received in Q4 2017

<i>Amounts in NOK million</i>	Q4 2017	Q4 2016	FY 2017	FY 2016
Cash flow from operating activities	18	55	20	735
Cash transferred (to)/from parent	(0)	(34)	(22)	(730)
Translation adjustments	0	1	(2)	(1)
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>18</b>	<b>22</b>	<b>(3)</b>	<b>4</b>
Cash at the beginning of the period	13	13	35	30
<b>Cash at the end of the period</b>	<b>31</b>	<b>35</b>	<b>31</b>	<b>35</b>

# Financial items

<i>Amounts in NOK million</i>	Q4 2017	Q4 2016	FY 2017	FY 2016
Net interest income/(expense)	(0)	3	2	(4)
Profit/(loss) on foreign currency contracts	(2)	(6)	(0)	22
Foreign currency embedded derivatives impact	7	10	(2)	(128)
Net foreign exchange gain/(loss)	7	0	6	1
Other financial items, net	1	(12)	(2)	(8)
<b>Net financial income/(expense)</b>	<b>13</b>	<b>(6)</b>	<b>4</b>	<b>(117)</b>

# Cash flow

<i>Amounts in NOK million</i>	Q4 2017	Q4 2016	FY 2017	FY 2016
Profit before tax continuing operations	211	(2)	697	214
Profit before tax discontinued operations	(0)	(30)	15	346
<b>Profit/(loss) before tax total operations</b>	<b>211</b>	<b>(32)</b>	<b>712</b>	<b>560</b>
Depreciation, amortisation and impairment	28	225	106	298
Taxes (paid)/refund	2	3	(65)	(77)
Other cash flow from operating activities	56	48	(865)	936
<b>Cash flow from operating activities</b>	<b>297</b>	<b>244</b>	<b>(113)</b>	<b>1 718</b>
Capital expenditure	(65)	(17)	(91)	(203)
Other cash flow from investing activities	(2)	1	(2)	1
<b>Cash flow from investing activities</b>	<b>(67)</b>	<b>(16)</b>	<b>(93)</b>	<b>(201)</b>
Other cash flow from financing activities	(15)	(4)	(27)	(30)
<b>Cash flow from financing activities</b>	<b>(15)</b>	<b>(4)</b>	<b>(27)</b>	<b>(30)</b>
Translation adjustments	2	4	(1)	(1)
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>217</b>	<b>228</b>	<b>(234)</b>	<b>1 486</b>
Cash at the beginning of the period	2 596	2 819	3 047	1 560
<b>Cash at the end of the period</b>	<b>2 812</b>	<b>3 047</b>	<b>2 812</b>	<b>3 047</b>

# Balance sheet - Assets

<i>Amounts in NOK million</i>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Assets</b>		
<i>Non-current assets</i>		
Property, plant and equipment	800	798
Intangible assets	649	666
Investments in associates and jointly controlled entities	17	35
Other non-current assets	7	6
<b>Total non-current assets</b>	<b>1 474</b>	<b>1 505</b>
<i>Current assets</i>		
Trade and other receivables	1 531	1 427
Prepaid company tax	6	-
Total cash and bank	2 812	3 047
Retained assets of business sold	0	1
<b>Total current assets</b>	<b>4 350</b>	<b>4 474</b>
<b>Total assets</b>	<b>5 823</b>	<b>5 980</b>



# Balance sheet – Equity and liabilities

<i>Amounts in NOK million</i>	31.12.2017	31.12.2016
<b>Equity and liabilities</b>		
<i>Equity</i>		
Share capital	91	91
Share premium	729	729
Retained earnings	2 431	1 881
Other reserves	(75)	(46)
<b>Total equity</b>	<b>3 176</b>	<b>2 656</b>
<i>Non-current liabilities</i>		
Deferred tax liabilities	225	62
Employee benefit liabilities	204	205
<b>Total non-current liabilities</b>	<b>430</b>	<b>267</b>
<i>Current liabilities</i>		
Trade and other payables	2 032	2 826
Tax liabilities	0	46
Provisions	148	135
Retained liabilities of business sold	37	51
<b>Total current liabilities</b>	<b>2 218</b>	<b>3 058</b>
<b>Total equity and liabilities</b>	<b>5 823</b>	<b>5 980</b>

# Basis for preparation

## ➤ *Accounting principles*

- The accounting principles applied in these condensed consolidated interim financial statements are the same as those applied in the Annual accounts 2016
- No significant new accounting principles have been adopted in the period. New financial reporting standards, such as IFRS 9 and IFRS 15 will be effective as from 1 January 2018. The estimated impact from implementing these standards is expected to be immaterial and no transition adjustment is expected adjusted against equity. The actual impact may change if new information and guidance becomes known before the group presents its first financial statements applying the new standards

# Alternative performance measures

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

## *Profit measures*

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

# Alternative performance measures

## Order intake measures

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

## Financing measures

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

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

Amounts in NOK million	Q4 2017	Q4 2016	FY 2017	FY 2016
EBITDA	227	229	799	629
Adjustment for equity accounted investees <sup>1</sup>	(7)	(10)	(12)	50
<b>Adjusted EBITDA</b>	<b>220</b>	<b>219</b>	<b>786</b>	<b>680</b>

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

Amounts in NOK million	31.12.2017	31.12.2016
Trade and other receivables	1 531	1 427
Trade and other payables	(2 032)	(2 826)
Provisions	(148)	(135)
<b>Net current operating assets (NCOA)</b>	<b>(650)</b>	<b>(1 534)</b>
Total cash and bank	2 812	3 047
Interest-bearing receivables	-	-
<b>Net interest bearing deposits and loans</b>	<b>2 812</b>	<b>3 047</b>

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