

Third quarter results 2016



Highlights

Third quarter 2016

- › Solid operational performance
- › Productivity improvements continue
- › Nyhamna pre-commissioning started
- › Call-off for Njord A of NOK 350 mill

Subsequent events

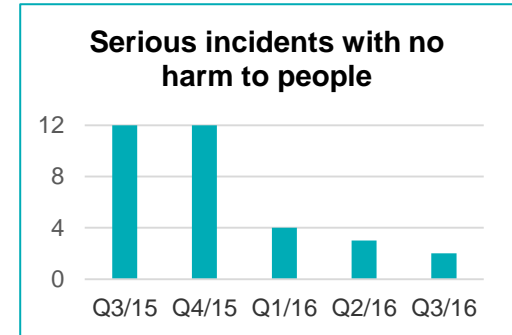
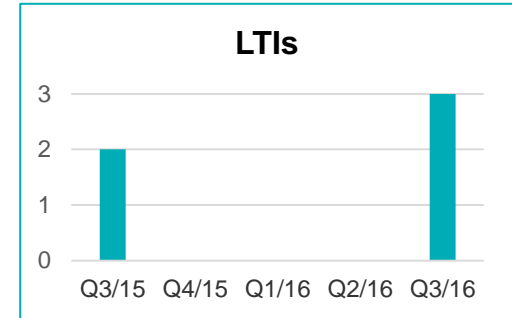
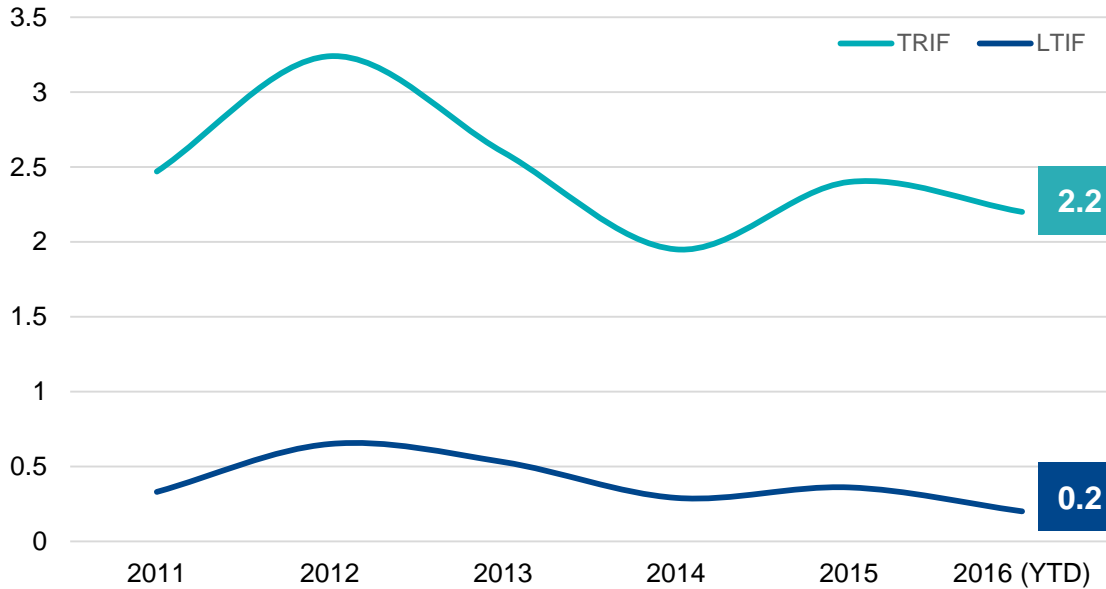
- › Clusters and floatation tanks for Sverdrup jacket arrived in Verdal



Major structures for Sverdrup riser platform jacket arrived in Verdal.

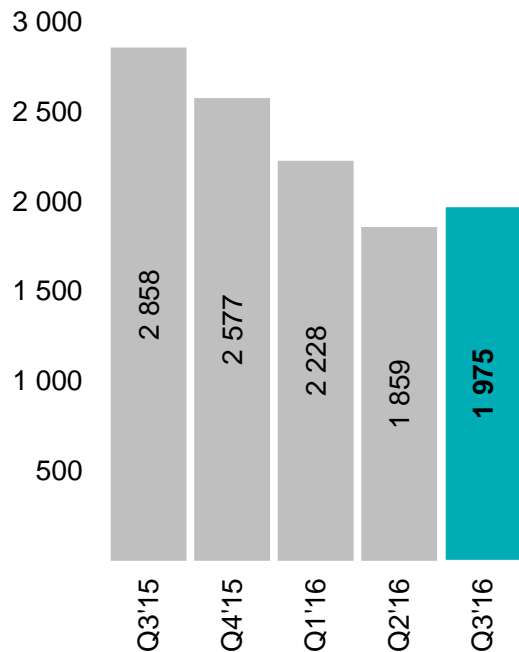
HSSE results

Lost time incident frequency (LTIF) & total recorded incident frequency (TRIF)
Per million work hours and 12 months rolling averages

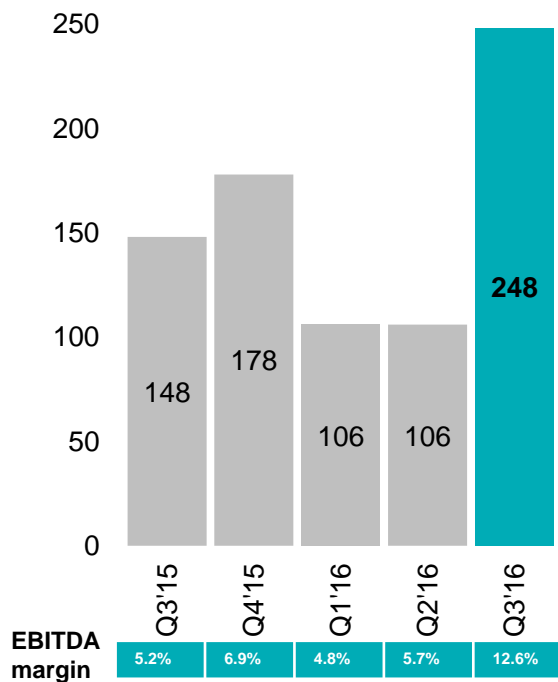


Key financials

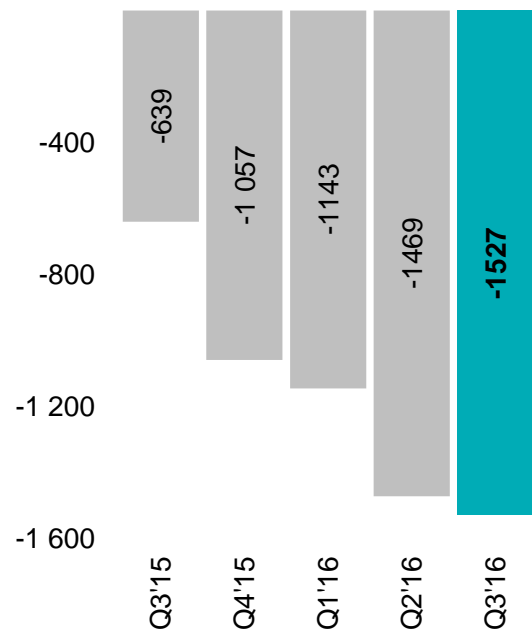
Revenues NOK million



Adjusted EBITDA¹ NOK million



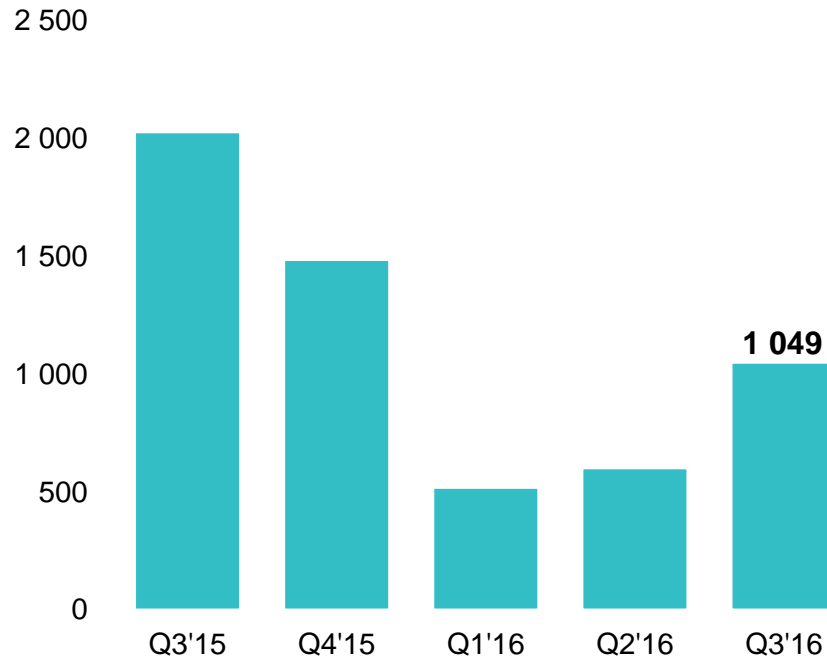
Net current operating assets NOK million



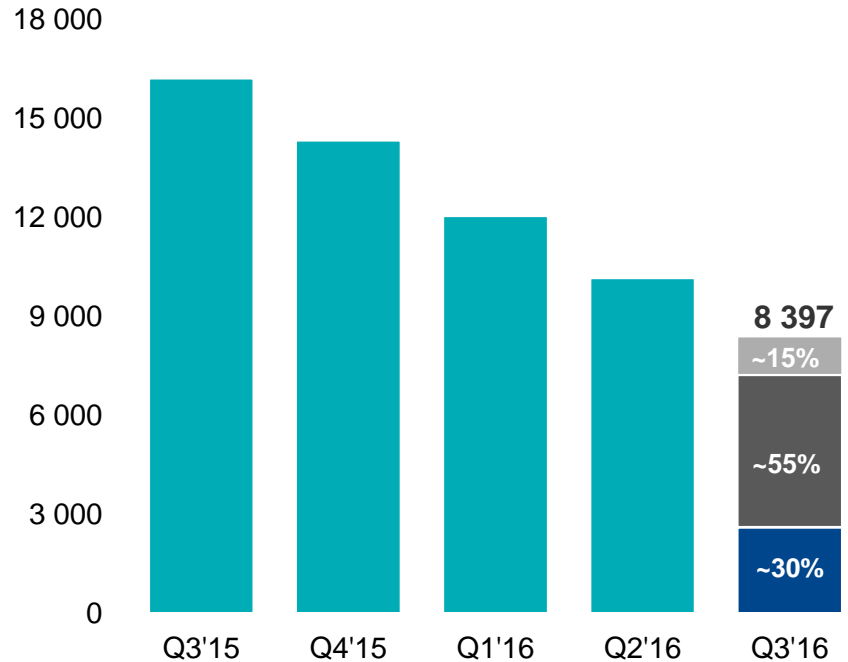
¹ As from Q3 2015, adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

Order intake and backlog

Order intake NOK million



Order backlog NOK million



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

Operational highlights



Nyhamna expansion



Johan Sverdrup utility and living quarters topside

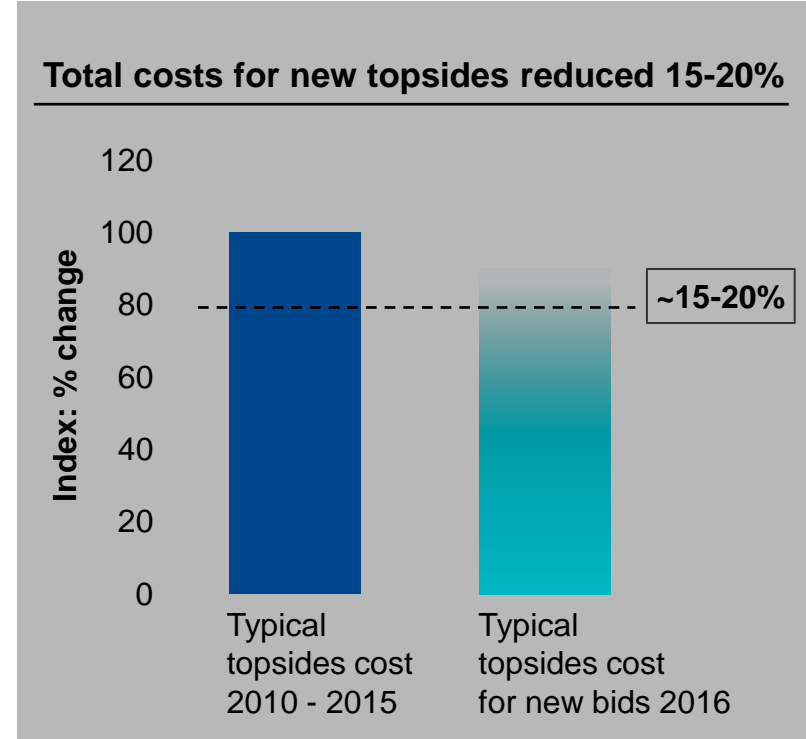
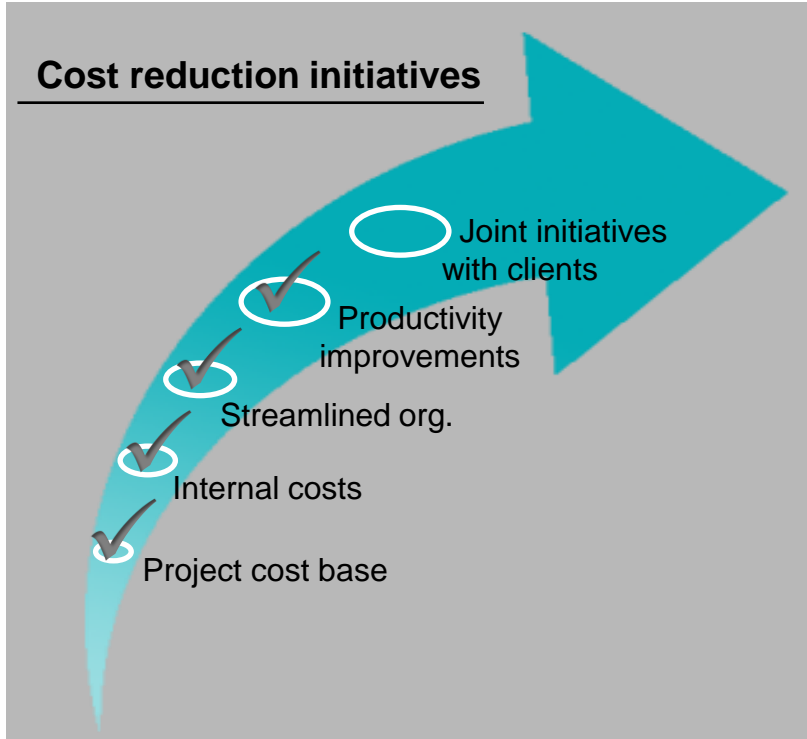


Johan Sverdrup riser platform jacket



Hebron GBS

Meeting the USD 50 / barrel threshold



Third quarter financials

Idar Eikrem, Chief Financial Officer

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Income statement

Amounts in NOK million	Q3 2016	Q2 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Total revenue and other income ¹	1 975	1 859	2 858	6 062	9 508	12 084
Adjusted EBITDA ²	248	106	148	460	358	536
EBITDA	223	96	187	400	397	574
Depreciation and amortisation	(26)	(26)	(23)	(73)	(60)	(81)
EBIT	198	69	164	327	337	493
Net financial income/(expense)	(36)	(41)	68	(111)	60	86
Profit before tax	162	28	232	216	397	579
Income tax expense	(42)	(13)	(137)	(66)	(187)	(241)
Profit from continuing operations	119	15	95	150	210	337
Profit/(loss) from discontinued operations	146	29	(20)	376	38	56
Net profit	265	44	74	526	247	393
Adjusted EBITDA margin	12.6 %	5.7 %	5.2 %	7.6 %	3.8 %	4.4 %
Earnings per share (NOK)						
Basic and diluted EPS continuing operations	0.45	0.06	0.35	0.56	0.78	1.26
Basic and diluted EPS total operations	1.00	0.16	0.28	1.98	0.92	1.47

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

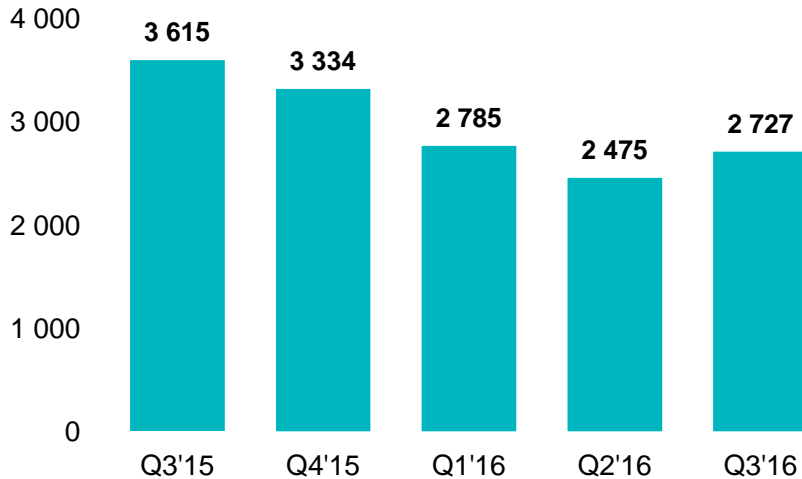
² As from Q3 2015, adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

Field Development review

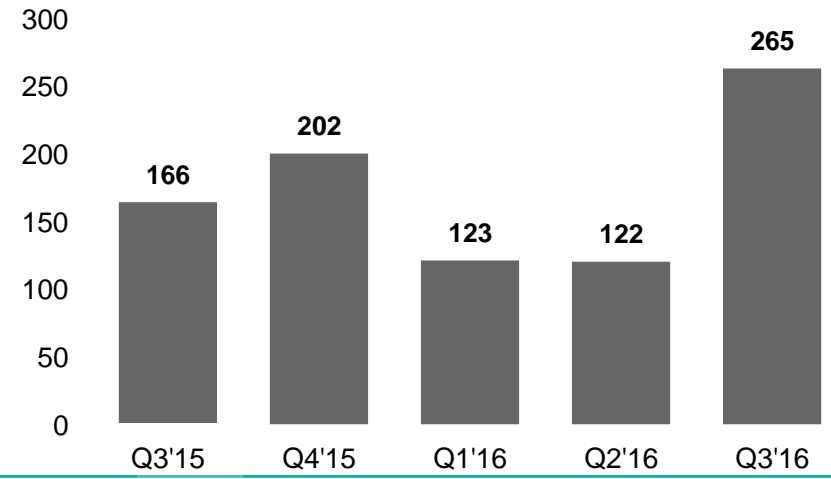
> Financials

- All EPC projects recognising margins from third quarter 2016
- Performance bonus of NOK 50 million

Revenues
NOK million



EBITDA
NOK million



EBITDA-%	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
	4.6%	6.1%	4.4%	4.9%	9.7%

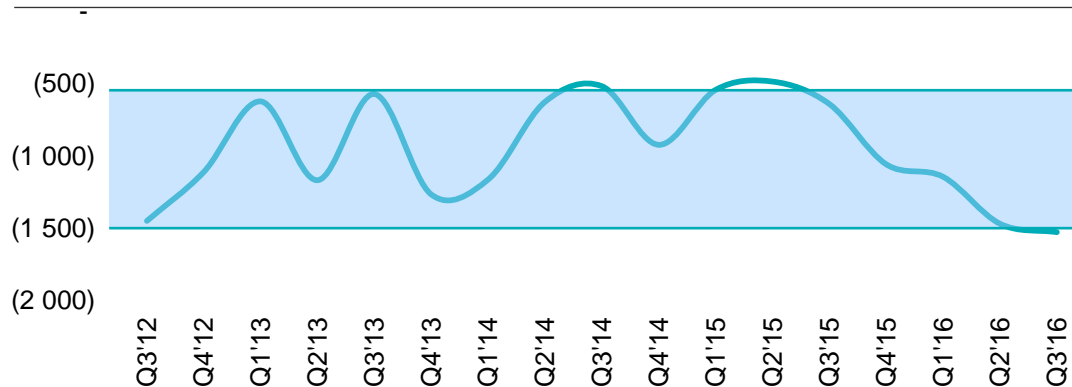
Note: All figures include Kvaerner's scope of work of jointly controlled entities

Cash flow and working capital development

Amounts in NOK million	Q3 2016	Q2 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Cash flow from operating activities ¹	407	367	531	1 474	617	1 183
Cash flow from investing activities	(22)	(25)	(18)	(186)	(54)	(50)
Cash flow from financing activities	(4)	(17)	(523)	(25)	(736)	(786)
Translation adjustments	(4)	(0)	5	(4)	7	6
Net increase/(decrease) in cash and bank deposits	377	325	(6)	1 259	(165)	352

- Fluctuations in working capital must be expected
- Capital tied up in the Nordsee Ost project

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



¹ Includes Longview settlement of USD 70 million in Q1 2016 and net insurance recovery of USD 19 million for the same project in Q3 2016.

Balance sheet

<i>Amounts in NOK million</i>	30.09.2016	30.06.2016	30.09.2015	31.12.2015
Assets				
Total non-current assets	1 734	1 727	1 724	1 715
Prepaid company tax	-	-	31	-
Current operating assets	1 007	1 344	2 332	1 740
Total cash and bank	2 819	2 442	1 043	1 560
Retained assets of business sold	33	36	618	633
Total assets	5 594	5 550	5 748	5 649
Equity and liabilities				
Total equity	2 766	2 488	2 436	2 550
Other non-current liabilities	254	193	210	180
Current operating liabilities	2 534	2 813	2 971	2 797
Current tax liabilities	14	27	85	73
Retained liabilities of business sold	26	29	45	49
Total liabilities	2 828	3 061	3 311	3 099
Total equity and liabilities	5 594	5 550	5 748	5 649
Equity ratio	49 %	45 %	42 %	45 %
Net cash	2 821	2 444	1 044	1 562

Market and outlook



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- **Customers consider new projects based on lower cost**
- **Kvaerner is attractive based on improved cost & proven predictability**

Pursuing selected prospects

Concrete solutions



Market leader globally

Steel jacket substructures



Market leader, Europe

Platform topsides



Leading position

Onshore oil and gas plants



Market leader, Norway

- Near term: Completion, HUC, decommissioning, modifications
- Further outlook through 2017, 2018 and onwards:
 - NCS: Potential for annual growth in capex and number PDOs
 - Greenfield / brownfield EPC for offshore platforms and onshore facilities
 - Arctic projects, including demand for engineering and project management
 - Selected prospects in new markets are being considered

Home market trends

Existing fields:
SoS and modifications



> Trend I:

- New tie-back installations: potential for 10+ Subsea on a Stick®
- Upgrade of existing platforms to receive tie-backs
- Kvaerner is European market leader for steel jackets

FPSOs:
Circular and ship shaped



> Trend II:

- Increased focus Barents Sea prospects in deep water
- Various FPSO concepts being considered
- Kvaerner has been key contractor for five FPSOs

Based on core competence, solid financial platform and credibility in the market

Strategic development

Subsea on a stick®



Platform modifications



Arctic LNG solutions



Decommissioning



Leading EPC & HUC contractor

Arctic driller



Concluding remarks

- › Safe, predictable execution
- › Continue to strengthen competitiveness
- › Challenges for capacity utilisation in 2017, but some relevant prospects
- › Use our solid financial platform to develop and grow the business

- › **HSSE – core value and licence to operate**
- › **Maintain and develop home markets**
- › **Develop global delivery model for Norway and abroad**
- › **Hands-on management**

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