KVÆRNER™

Third quarter results 2016

19 October 2016

KVÆRNER

KVÆRNER ASA – THIRD QUARTER RESULTS 2016

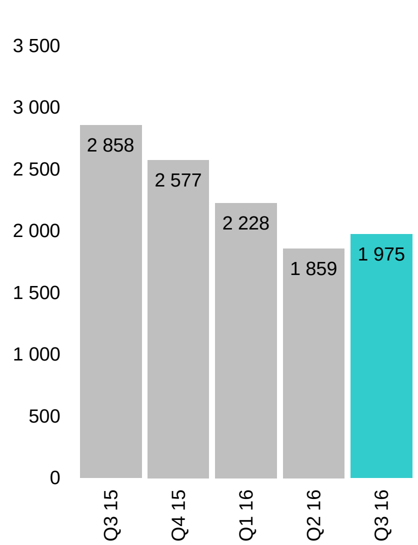
THIRD QUARTER HIGHLIGHTS

- Solid operational performance
- Call-off from the Njord A frame agreement of NOK 350 million for preparations and docking of the platform
- Nyhamna pre-commissioning started
- Cost and productivity improvements continue

FINANCIAL HIGHLIGHTS

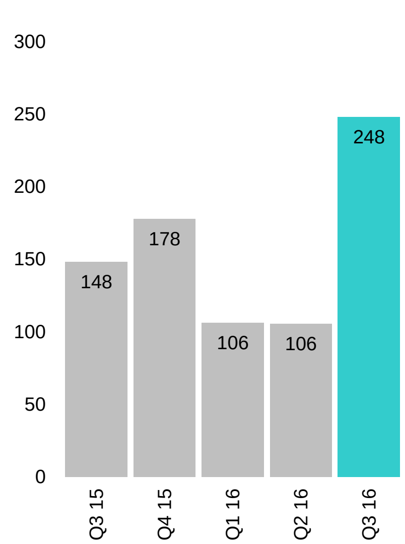
Operating revenue[1]

NOK million



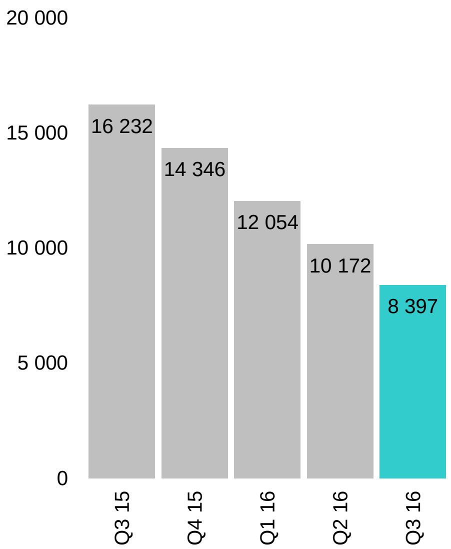
Adjusted EBITDA[2]

NOK million



Order backlog[3]

NOK million



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

[2] *As from Q3 2015, adjusted for embedded foreign currency derivatives impact 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*

FINANCIAL KEY FIGURES

Amounts in NOK million	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Total revenue and other income [1]	1 975	2 858	6 062	9 508	12 084
EBITDA [2]	223	187	400	397	574
Adjusted EBITDA [3]	248	148	460	358	536
Adjusted EBITDA margin	12.6 %	5.2 %	7.6 %	3.8 %	4.4 %
EBIT	198	164	327	337	493
Net profit - continuing operations	119	95	150	210	337
Basic and diluted earnings per share - continuing operations	0.45	0.35	0.56	0.78	1.26
Order intake [4]	1 049	2 027	2 170	11 311	12 798
Order backlog [4]	8 397	16 232	8 397	16 232	14 346
Net current operating assets (NCOA)	(1 527)	(639)	(1 527)	(639)	(1 057)
Net interest bearing deposits and loans	2 821	1 044	2 821	1 044	1 562

[1] *Excluding revenues for scope of work 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*

[3] *Adjusted EBITDA excludes impact of embedded foreign currency derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities*

[4] *Including Kvaerner's scope of work of jointly controlled entities closely related to Kvaerner's operating activities*

FINANCIAL REVIEW

Kvaerner discloses alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. In compliance with the guidelines from the European Security and Markets Authority, the alternative performance measures are defined and explained in note 10 in this report.

Income statement

Operating revenues in third quarter 2016 amounted to NOK 1 975 million, compared with NOK 2 858 million for third quarter 2015. Kvaerner reported operating revenues of NOK 6 062 for the first nine months of 2016, compared with NOK 9 508 million for the same period in 2015. 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 223 million, compared to NOK 187 million in the same period last year. Adjusted Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the quarter were NOK 248 million, compared to NOK 148 million in the same period last year. Adjusted EBITDA margin for third quarter 2016 was 12.6 percent, an increase from 5.2 percent in corresponding period in 2015. The positive margin development reflects improvements in the project portfolio mix. The quarter is further positively impacted by final account for a recent completed project, including performance bonus of NOK 50 million. In addition, accumulated profit for three projects passing 20 percent progress has been recognised in the quarter.

Net financial expense for the quarter was NOK 36 million, mainly due to loss on embedded derivatives of NOK 38 million. Net financial items for the same period in 2015 was an income of NOK 68 million of which gain on embedded derivatives was NOK 122 million. Net interest expense, part of net financial expense, is reduced year on year due to increased cash balances and no interest bearing debt since refinancing in July 2015. Net financial expense for the first nine months of 2016 was NOK 111 million, compared to an income of NOK 60 million in 2015.

Profit before tax for third quarter 2016 of NOK 162 million compared to NOK 232 million for the same period last year. For the nine months of 2016, profit before tax was NOK 216 million compared to NOK 397 million for the same period in 2015.

Total income tax expense in the quarter was NOK 42 million compared to NOK 137 million for the same quarter previous year. Tax expense for the first nine months amounted to NOK 66 million, compared to NOK 187 million in 2015. The tax expense reflects an effective tax rate of 31 percent for the first nine months of 2016 compared to 47 percent in 2015. Compared to the Norwegian statutory tax rate of 25 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 119 million and NOK 150 million for third quarter and year to date 2016 respectively, compared to NOK 95 million and NOK 210 million in equivalent periods in 2015. Basic and diluted earnings per share for continuing operations were NOK 0.45 for third quarter 2016, compared to NOK 0.35 for third quarter 2015 and NOK 0.56 for the first nine months of 2016 compared to NOK 0.78 for the first nine months of 2015.

Profit from discontinued operations was NOK 146 million for third quarter 2016, compared to a loss of NOK 20 million in same period last year. The positive result reflects recognition of insurance recovery related to the Longview Power project. Year to date result from discontinued operations was a profit of NOK 376 million compared to a profit of NOK 38 million in 2015. The year to date result for 2016 and 2015 were both positively impacted by foreign exchange accounting effect on repayment of capital of accumulated NOK 272 million and NOK 129 million respectively. Basic and diluted earnings per share for discontinued operations were NOK 0.55 for third quarter 2016 compared to negative NOK 0.08 for third quarter 2015, and NOK 1.41 for the first nine months of 2016 compared to NOK 0.14 for the first nine months of 2015.

Net profit total operations in third quarter 2016 was NOK 265 million compared to NOK 74 million in the corresponding quarter last year. Basic and diluted earnings per share for total operations for third quarter 2016 were NOK 1.00 compared to NOK 0.28 in third quarter 2015. Net profit for the first nine months of 2016 was NOK 526 million compared to NOK 247 million last year. Basic and diluted earnings per share for total operations for the first nine months were NOK 1.98 and NOK 0.92 for 2016 for 2015 respectively.

Cash flow

Net cash inflow from operating activities was NOK 407 million in third quarter 2016 compared to cash inflow of NOK 531 million in the same period last year. Customer pre-payments were NOK 306 million at the end of third quarter compared to NOK 239 million at the end of the previous quarter. Net cash inflow from operating activities for the first nine months of 2016 was NOK 1 474 million, compared to cash inflow of NOK 617 million for the first nine months of 2015. Cash inflow year to date is positively impacted by settlement on the Longview Power project of USD 70 million in first quarter 2016, and net insurance recovery of USD 19 million related to the same project in third quarter 2016.

Net cash outflow from investing activities in third quarter 2016 was NOK 22 million compared to an outflow of NOK 18 million in the same quarter last year. Year to date cash outflow from investing activities amounted to NOK 186 million compared to NOK 54 million in 2015. Cash outflow from investing activities in the quarter and year to date are related to capital expenditure. Beyond investments in three new cranes at the facility for steel jackets in Verdal, Norway, there have been other, smaller capacity and maintenance investments.

Net cash outflow from financing activities was NOK 4 million in the quarter and NOK 25 million year to date compared with outflows of NOK 523 million and NOK 736 million in the same periods in 2015. Higher outflows in 2015 are mainly explained by instalment of borrowings of NOK 500 million in third quarter and dividend payment of NOK 180 million in second quarter.

Net increase in cash and bank deposits during the quarter amounted to NOK 377 million, resulting in cash and bank deposits at the end of the quarter of NOK 2 819 million. As of 30 September 2016, the group has not drawn on its credit facilities.

Balance sheet

Net current operating assets (NCOA) were negative NOK 1 527 million at 30 September 2016, compared to negative NOK 1 469 million at the end of previous quarter. 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 third quarter, net cash excluding negative NCOA was NOK 1 292 million. Equity ratio at 30 September 2016 was 49.4 percent, up from 44.8 percent at 30 June 2016.

Order intake and backlog

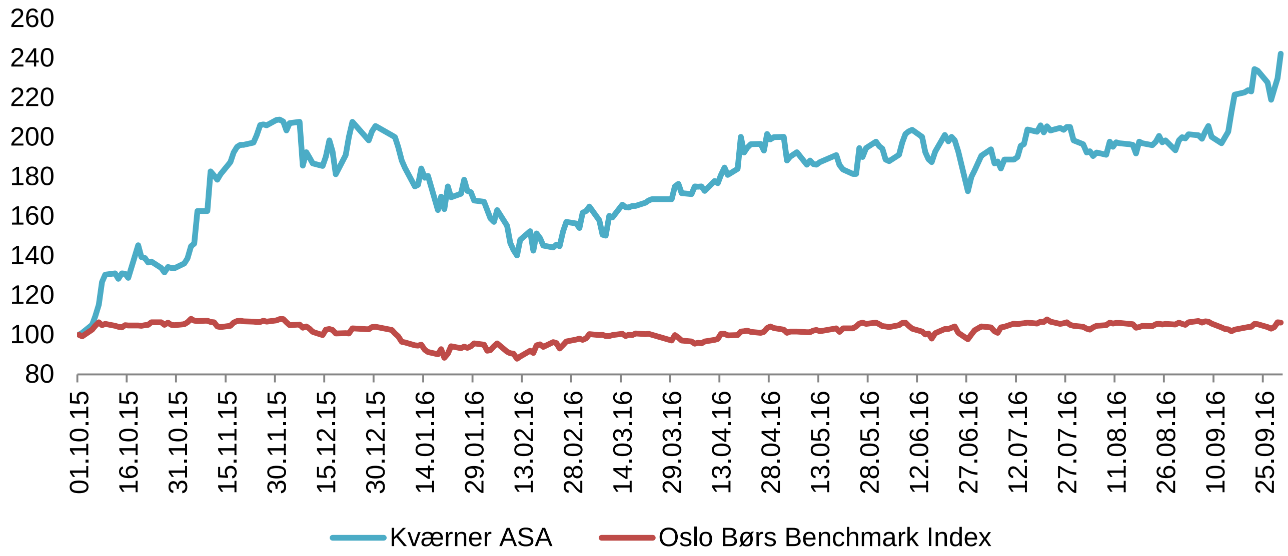
Order intake in third quarter totalled NOK 1 049 million, including Kvaerner's scope of work of jointly controlled entities, compared to NOK 2 027 million in the same quarter last year. As of 30 September 2016, order backlog, including Kvaerner's scope of work of jointly controlled entities, amounted to NOK 8 397 million. Estimated scheduling of the order backlog is approximately 30 percent for execution in 2016, approximately 55 percent for execution in 2017 and remaining 15 percent for execution in 2018 and later.

Transactions in treasury shares

In connection with the company's variable pay programme for executives, Kvaerner acquired 1 760 597 shares in the open market during second quarter. In third quarter 2016 Kvaerner transferred 114 877 shares following remuneration agreement. At the end of third quarter Kvaerner owned 3 674 061 treasury shares, or 1.37 percent of the 269 000 000 shares issued.

The Kvaerner share

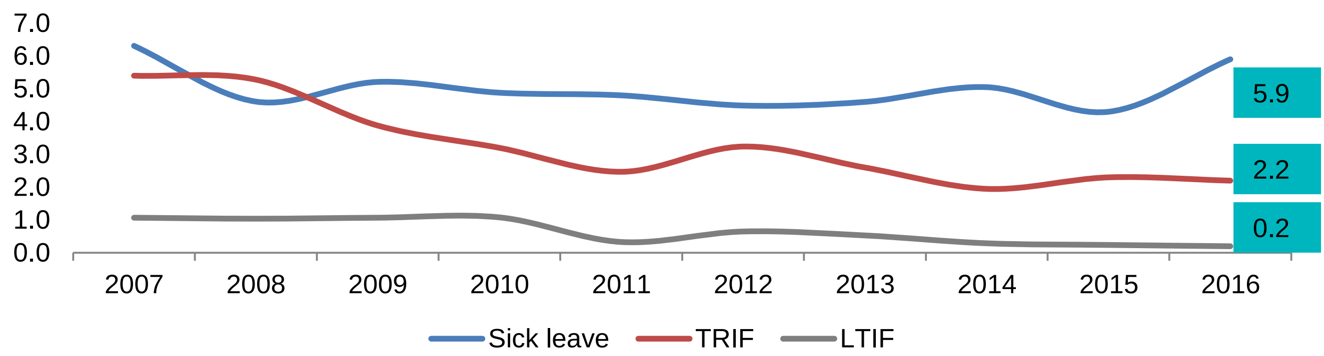
Indexed share price development last 12 months



The share price increased from NOK 7.60 at the end of second quarter 2016 to NOK 9.68 at the end of third quarter 2016. The highest traded share price during third quarter was NOK 9.73, the lowest traded share price was NOK 7.26. Average daily turnover during third quarter was 406 385 shares compared to 525 345 shares during second quarter 2016. The market capitalisation was NOK 2.6 billion at the end of third quarter 2016 compared to NOK 2.0 billion at the end of second quarter 2016.

OPERATIONAL REVIEW

Health, Safety, Security and Environment (HSSE)



During third quarter Kvaerner had three lost time incidents, all at Nyhamna, and two serious near miss incidents. One incident was related to arc in an electro cabinet and one where a polar led pipe spool slipped uncontrolled. Both incidents have been thoroughly analysed and improvements are implemented to avoid reoccurrence. Sick leave year to date is above target of 4.5 percent. Mitigating actions are taken by HR and HSSE and by the end of third quarter the trend is positive. The Hebron project has passed more than 22 million worked hours without any lost time incident. Nyhamna has shown a good trend towards the end of the quarter after a challenging start of the quarter with three LTIs. The Sverdrup Jackets have had too many medical treatment cases, but mitigating actions are taken with a “step change” programme being rolled out. Johan Sverdrup ULQ is going well, having no serious incidents.

Reporting segments

Following sale of Kvaerner’s onshore construction business in North America in December 2013, Kvaerner only has one reportable segment; Field Development (previously named Upstream). Up until year-end 2015, the segment included the business areas Topsides, Onshore, Jackets and Concrete Solutions.

As from 1 January 2016, Kvaerner has changed to a new matrix based organisation model with enhanced focus on project execution. The business area structure has been removed and most of the Norwegian employees are allocated into resource centres. The previous business areas are replaced by the following operational areas: Process Solutions (previously Topsides and Onshore), Structural Solutions (previously Jackets), New Solutions and Concrete Solutions. The operational areas will comprise the Field Development segment as from 2016, with no changes to the group’s segment reporting.

Field Development segment[1]

Amounts in NOK million	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Total revenue and other income	2 727	3 615	7 987	11 583	14 917
EBITDA	265	166	509	411	613
EBITDA margin	9.7 %	4.6 %	6.4 %	3.5 %	4.1 %
Net current operating assets (NCOA)	(1 748)	(696)	(1 748)	(696)	(1 106)
Order intake	1 049	2 051	2 170	11 374	12 846
Order backlog	8 397	16 233	8 397	16 233	14 346
Employees	2 663	2 833	2 663	2 833	2 769

[1]The Field Development segment reporting includes Kvaerner’s share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner’s operating activities.

Operating revenue from the Field Development segment totalled NOK 2 727 million in third quarter 2016, compared to NOK 3 615 million in third quarter 2015. The reduction is mainly explained by lower activity within operational area Process Solutions, but activity has also been lower within Concrete Solutions. These reductions are partly offset by increasing activity within Structural Solutions over the last quarters. EBITDA amounted to NOK 265 million, resulting in an EBITDA margin for the quarter of 9.7 percent, compared to EBITDA of NOK 166 million and 4.6 percent EBITDA margin in third quarter 2015.

The positive margin development reflects improvements in the project portfolio mix. The quarter is further positively impacted by final account for a recent completed project, including performance bonus of NOK 50 million. In addition, accumulated profit for three projects passing 20 percent progress has been recognised in the quarter.

NCOA at the end of third quarter 2016 was negative NOK 1 748 million, an improvement of NOK 55 million during the quarter. The disputed Nordsee Ost project is still tying up working capital until the arbitration is resolved.

Order intake of NOK 1 049 million in the quarter reflects growth in existing contracts, call-off from Njord A frame agreement as well as small orders. Order backlog was NOK 8 397 million at the end of the quarter, including scope of work of jointly controlled entities.

Operations

The Hebron gravity based structure (GBS) project is now in its final construction year, in preparation for mating with topsides. In third quarter 2016, the project reached over 22 million worked hours without a lost time incident. The major construction activity in the past quarter included mechanical outfitting work in the centre shaft of the structure and completing the last civil works mainly related to post tensioning cables for the whole GBS.

The Nyhamna project completed most of the construction activities and started pre-commissioning in third quarter. Completion of remaining construction and pre-commissioning work at the Nyhamna site will be the main activity going forward, including mechanical completion and hand over to commissioning.

The Johan Sverdrup ULQ topside project is moving ahead according to planned progress. Design engineering has passed 90 percent complete and construction is on-going at eight sites in Norway, Sweden and Poland.

Njord A was moored at the Maureen pier at Stord in August. The FEED is progressing according to schedule, and the third call off, for pre-EPC of NOK 350 million was signed 14 September. This call off includes preparations of reconstruction and execution of docking of the platform. The work involves removal of derrick, flare, lifeboat system and inspection as well as prefabrication of time critical elements, mainly two pontoons that will increase the buoyancy of the hull.

Kvaerner will deliver three steel jacket substructures to the Johan Sverdrup field development and detailed engineering for all three jackets are completed. Assembly of the Riser jacket is on-going in Verdal according to plan and an important milestone for the project was the arrival of four clusters and two floatation tanks from Dubai. For the Production platform- and Drilling platform jackets to be delivered in 2018, prefabrication is on-going both in Verdal and in Dubai.

Competitiveness and market

The global market for oil and gas continues to experience a degree of oversupply versus demand. This has limited the prices for oil and gas and the oil companies' interest to invest in new field developments, but there are signs that one is approaching a balance between supply and demand. Several customers are now beginning to consider new projects. Many oil companies demand that the costs for new field developments must meet an oil price of USD 50 per barrel. Kvaerner's improvements over the last few years mean that the company can deliver many projects below or in line with this threshold. However, the exact timing of potential new projects is still uncertain, and Kvaerner will remain prepared for a market with continued volatility.

For 2016 and through 2017 and 2018, Kvaerner expects only a few projects in relevant segments to come up for contract award. Recent contract awards shows that the competition remains tough due to the general reduction in activities. It underlines the importance for Kvaerner to continue with cost improvement initiatives that the company has focused on since 2013 in order to improve competitiveness. Kvaerner is positioning for new prospects with expected awards in 2017 and 2018, both in the Norwegian market and in selected international regions. In addition to pursuing near term opportunities, Kvaerner is also reviewing how to grow adjacent segments.

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.

In early March 2016, settlement agreements were reached with Amec Foster Wheeler North America Corp of all claims related to the Longview Power project. Kvaerner received the settlement amount of USD 70 million in March 2016. The financial effects of the settlement were recognised in Kvaerner's first quarter 2016 accounts. In second and third quarter, positive impacts of insurance recovery, totalling more than net USD 23 million has been recognised. 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 the individual segments, amounted to NOK 16 million in third quarter 2016, same level as in second quarter 2016. It is expected that the recurring level of net corporate costs will be approximately NOK 60-70 million annually under the matrix based organisation effective from 1 January 2016.

OTHER

Capacity reductions and restructuring costs

Kvaerner continues to drive cost reductions, productivity improvements and other measures to strengthen competitiveness. There have not been any additional restructuring costs in the quarter, with year to date restructuring cost of NOK 18 million. Additional restructuring and capacity reduction costs for 2016 and onwards will depend on outcome of tender activities. For 2015 and 2016 combined, Kvaerner expects that total reductions in number of employees will be within the interval of 250 to 500 employees already communicated in 2015.

SUBSEQUENT EVENTS

Clusters and floatation tanks for Johan Sverdrup riser platform jacket arrived in Verdal

Two shipments with a total of four pile clusters and two flotation tanks arrived at Kvaerner's Verdal yard early October, marking a successful subcontractor delivery from Drydocks Dubai. The structures will be installed on the riser platform jacket, the first and largest steel jacket for the Johan Sverdrup project.

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 2015.

OUTLOOK

Several oil companies have communicated that they expect a certain increase to the oil price and that this may trigger the start of new projects. However, it is difficult to estimate the timing of possible new investments and what kind of development solutions key customers may decide on. This creates uncertainty for the activity level in 2017 and onwards. Kvaerner is dependent on winning sufficient new contracts to secure an effective capacity utilisation. The company has a strong track record of predictable deliveries. This position combined with a solid financial platform and a continued focus on cost reductions is required to be a relevant bidder for new projects.

The improvement efforts over the last few years are now yielding results on the current portfolio of projects. Considering all risks and uncertainties related to Kvaerner's business as well as possible upsides, Kvaerner expects the EBITDA margin for the full year 2016 to be above the EBITDA margin for 2015.

Fornebu, 18 October 2016
The Board of Directors and President & CEO of Kværner ASA

FURTHER INFORMATION

Investor inquiries:

Ingrid Aarsnes, VP Communications & Investor Relations, Kvaerner, Mob: +47 67 59 50 46,
Mob: +47 950 38 364, 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 2 700 HSSE-focused and experienced employees are recognised for delivering some of the world's most amazing and demanding projects.

In 2015, the Kvaerner group had consolidated annual revenues of approximately NOK 12 billion and the company reported an order backlog at 30 September 2016 of NOK 8.4 billion. Kvaerner is publicly listed with the ticker "KVAER" at the Oslo Stock Exchange. For further information, please visit www.kvaerner.com.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Amounts in NOK million	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Total revenue and other income	1 975	2 858	6 062	9 508	12 084
Operating expenses	(1 752)	(2 670)	(5 662)	(9 111)	(11 511)
EBITDA	**223**	**187**	**400**	**397**	**574**
Depreciation and amortisation	(26)	(23)	(73)	(60)	(81)
Operating profit	**198**	**164**	**327**	**337**	**493**
Net financial income/(expense)	(36)	68	(111)	60	86
Profit before tax	**162**	**232**	**216**	**397**	**579**
Income tax expense	(42)	(137)	(66)	(187)	(241)
Profit from continuing operations	**119**	**95**	**150**	**210**	**337**
Profit/(loss) from discontinued operations	**146**	**(20)**	**376**	**38**	**56**
Net profit/(loss)	**265**	**74**	**526**	**247**	**393**
Attributable to:					
Equity holders of the parent company - Kværner ASA	265	74	526	247	393
Earnings per share (NOK)					
Basic and diluted EPS continuing operations	0.45	0.35	0.56	0.78	1.26
Basic and diluted EPS discontined operations	0.55	(0.08)	1.41	0.14	0.21
Basic and diluted EPS total operations	**1.00**	**0.28**	**1.98**	**0.92**	**1.47**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK million	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Net profit/(loss) for the period	**265**	**74**	**526**	**247**	**393**
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	3	9	(6)	0	10
- Reclassified to profit or loss	-	-	(2)	-	-
Translation differences, foreign operations	(0)	82	(18)	173	180
Reclassification of translation differences on repayment of capital and other reclassification	9	-	(272)	(129)	(139)
Items that are or may be reclassified to profit or loss in subsequent periods	11	90	(298)	43	51
Items not to be reclassified to profit or loss in subsequent periods:					
Actuarial gains/(losses) on defined benefit pension plans, net of tax	(1)	-	-	-	3
Items not to be reclassified to profit or loss in subsequent periods:	(1)	-	-	-	3
Total other comprehensive income/(loss), net of tax	**10**	**90**	**(298)**	**43**	**53**
Total comprehensive income/(loss)	**276**	**165**	**228**	**290**	**446**
Attributable to:					
Equity holders of the parent company - Kværner ASA	276	165	228	290	446

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

Amounts in NOK million	30.09.2016	30.09.2015	31.12.2015
Assets			
Non-current assets			
Property, plant and equipment	805	697	687
Intangible assets	867	883	873
Deferred tax asset	-	18	1
Investments in associates and jointly controlled entities	42	114	134
Interest-bearing receivables	2	2	2
Other non-current assets	18	9	18
Total non-current assets	**1 734**	**1 724**	**1 715**
Current assets			
Trade and other receivables	1 007	2 332	1 740
Prepaid company tax	-	31	-
Total cash and bank	2 819	1 043	1 560
Retained assets of business sold	33	618	633
Total current assets	**3 860**	**4 024**	**3 934**
Total assets	**5 594**	**5 748**	**5 649**
Equity and liabilities			
Equity			
Share capital	91	91	91
Share premium	729	729	729
Retained earnings	1 981	1 366	1 468
Other reserves	(35)	250	262
Total equity	**2 766**	**2 436**	**2 550**
Non-current liabilities			
Deferred tax liabilities	42	-	-
Employee benefit liabilities	213	210	180
Total non-current liabilities	**254**	**210**	**180**
Current liabilities			
Trade and other payables	2 394	2 795	2 633
Tax liabilities	14	85	73
Provisions	140	175	164
Retained liabilities of business sold	26	45	49
Total current liabilities	**2 574**	**3 101**	**2 919**
Total equity and liabilities	**5 594**	**5 748**	**5 649**

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 2014	**820**	**1 309**	**208**	**2 337**
Profit for the period 1 January to 30 September 2015	-	247	-	247
Other comprehensive income	-	-	43	43
Total comprehensive income	-	247	43	290
Employee share purchase programme	-	(11)	-	(11)
Dividend	-	(180)	-	(180)
Equity as of 30 September 2015	**820**	**1 366**	**250**	**2 436**
Profit for the period 1 October to 31 December 2015	-	146	-	146
Other comprehensive income	-	-	10	10
Total comprehensive income	-	146	10	156
Employee share purchase programme	-	(2)	-	(2)
Dividend	-	(40)	-	(40)
Equity as of 31 December 2015	**820**	**1 468**	**262**	**2 550**
Profit for the period	-	526	-	526
Other comprehensive income	-	-	(298)	(298)
Total comprehensive income	-	526	(298)	228
Treasury shares	-	(12)	-	(12)
Other		(1)	1	-
Equity as of 30 September 2016	**820**	**1 981**	**(35)**	**2 766**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in NOK million	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Profit before tax continuing operations	162	232	216	397	579
Profit before tax discontinued operations	146	(20)	376	39	57
Profit/(loss) before tax total operations	**307**	**211**	**592**	**435**	**635**
Depreciation and amortisation	26	23	73	60	81
Taxes (paid)/refund	(12)	(33)	(80)	(179)	(203)
Other cash flow from operating activities	85	329	889	300	670
Cash flow from operating activities	**407**	**531**	**1 474**	**617**	**1 183**
Capital expenditure	(22)	(18)	(186)	(55)	(55)
Other cash flow from investing activities	0	(0)	0	2	5
Cash flow from investing activities	**(22)**	**(18)**	**(186)**	**(54)**	**(50)**
Instalment borrowings	-	(500)	-	(500)	(500)
Dividends	-	-	-	(180)	(220)
Other cash flow from financing activities	(4)	(23)	(25)	(55)	(66)
Cash flow from financing activities	**(4)**	**(523)**	**(25)**	**(736)**	**(786)**
Translation adjustments	(4)	5	(4)	7	6
Net increase/(decrease) in cash and bank deposits	**377**	**(6)**	**1 259**	**(165)**	**352**
Cash at the beginning of the period	2 442	1 048	1 560	1 208	1 208
Cash at the end of the period	**2 819**	**1 043**	**2 819**	**1 043**	**1 560**

SEGMENT INFORMATION

Following sale of Kvaerner's onshore construction business in North America in December 2013, Kvaerner only has one reportable segment; Field Development (previously named Upstream). Up until year end 2015, the segment included the business areas Topsides, Onshore, Jackets and Concrete Solutions.

As from 1 January 2016, Kvaerner has changed to a matrix based organisation model with enhanced focus on project execution. The business area structure has been removed and most of the Norwegian employees are allocated into resource centres. The previous business areas are replaced by the following operational areas: Process Solutions (previously Topsides and Onshore), Structural Solutions (previously Jackets), New Solutions and Concrete Solutions. The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's operating activities. The operational areas will comprise the Field Development segment as from 2016, with no changes to the group's segment reporting.

	Field Development		Group activities and eliminations		Consolidated	
Amounts in NOK million	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015
Total external revenue and other income	2 720	3 592	(745)	(734)	1 975	2 858
Internal revenue	7	23	(7)	(23)	-	-
Total revenue and other income	2 727	3 615	(752)	(757)	1 975	2 858
Adjusted EBITDA [1]	**265**	**166**	**(16)**	**(18)**	**248**	**148**
EBITDA	**265**	**166**	**(41)**	**21**	**223**	**187**
Depreciation and amortisation	(26)	(22)	-	(1)	(26)	(23)
EBIT	**239**	**144**	**(41)**	**20**	**198**	**164**

	Field Development		Group activities and eliminations		Consolidated	
Amounts in NOK million	YTD 2016	YTD 2015	YTD 2016	YTD 2015	YTD 2016	YTD 2015
Total external revenue and other income	7 962	11 519	(1 900)	(2 011)	6 062	9 508
Internal revenue	25	64	(25)	(64)	-	-
Total revenue and other income	7 987	11 583	(1 925)	(2 075)	6 062	9 508
Adjusted EBITDA [1]	**509**	**411**	**(49)**	**(53)**	**460**	**358**
EBITDA	**509**	**411**	**(109)**	**(14)**	**400**	**397**
Depreciation and amortisation	(69)	(59)	(4)	(1)	(73)	(60)
EBIT	**440**	**352**	**(113)**	**(15)**	**327**	**337**
Net current operating assets	(1 748)	(696)	221	57	(1 527)	(639)

	Field Development	Group activities and eliminations	Consolidated
Amounts in NOK million	FY 2015	FY 2015	FY 2015
Total external revenue and other income	14 863	(2 779)	12 084
Internal revenue	53	(53)	-
Total revenue and other income	14 917	(2 832)	12 084
Adjusted EBITDA [1]	**613**	**(77)**	**536**
EBITDA	**613**	**(39)**	**574**
Depreciation and amortisation	(77)	(4)	(81)
EBIT	**536**	**(43)**	**493**
Net current operating assets	(1 106)	49	(1 057)

[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 2015.

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 2015 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 2015.

Note 4 Financial items

Amounts in NOK million	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Net interest income/(expense)	(2)	(4)	(7)	(32)	(35)
Profit/(loss) on foreign currency contracts	10	(36)	28	(34)	(24)
Foreign currency embedded derivatives impact	(38)	122	(138)	134	133
Net foreign exchange gain/(loss)	(5)	(14)	0	(8)	3
Other financial items, net	0	0	5	0	8
Net financial income/(expense)	**(36)**	**68**	**(111)**	**60**	**86**

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 September 2016.

Amounts in NOK million	Assets at fair value	Liabilities at fair value	Net fair value YTD 2016
Embedded derivatives	8	(9)	(1)
Not hedge accounted	10	-	10
Cash flow hedges	25	(8)	17
Total	**43**	**(17)**	**26**

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	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Shares issued	269 000	269 000	269 000	269 000	269 000
Effect of own shares held	(3 674)	(1 865)	(2 857)	(966)	(1 290)
Average number of outstanding shares	**265 326**	**267 135**	**266 143**	**268 034**	**267 710**

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 2016	YTD 2015	FY 2015
Revenue	434	313	438
Operating expenses	(379)	(1 403)	(1 295)
Trade and other receivables	163	90	84
Trade and other payables	95	165	91

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	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Total revenue and other income	-	-	-	-	(0)
Administrative and legal expenses	154	(20)	105	(90)	(85)
EBIT	**154**	**(20)**	**105**	**(90)**	**(85)**
Net financial income/(expense)	(9)	(0)	272	129	142
Profit/(loss) before tax	**146**	**(20)**	**376**	**39**	**57**
Income tax income/(expense)	-	0	-	(1)	(1)
Profit/(loss) from discontinued operations	**146**	**(20)**	**376**	**38**	**56**
Basic and diluted earnings/(losses) per share (NOK)	0.55	(0.08)	1.41	0.14	0.21
Net assets	**7**	**572**	**7**	**572**	**584**

The positive operating result reflects recognition of insurance recovery related to the Longview Power project. Financial income is related to foreign exchange accounting effect on repayment of capital of accumulated NOK 272 million in 2016 and NOK 129 million in 2015, with no impact on group equity.

Cash flows from discontinued operations are as follows:

Amounts in NOK million	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Cash flow from operating activities	161	(9)	680	289	321
Cash transferred (to)/from parent	(155)	(5)	-696	(268)	(319)
Translation adjustments	(1)	4	-2	5	5
Net increase/(decrease) in cash and bank deposits	**5**	**(10)**	**-17**	**26**	**6**
Cash at the beginning of the period	8	60	30	24	24
Cash at the end of the period	**13**	**50**	**13**	**50**	**30**

Note 9 Quarterly historical information – continuing operations

Amounts in NOK million	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Total revenue and other income	**1 975**	**1 859**	**2 228**	**2 577**	**2 858**	**3 125**
Field Development	2 727	2 475	2 785	3 334	3 615	3 794
Adjusted EBITDA	**248**	**106**	**106**	**178**	**148**	**109**
Field Development	265	122	123	202	166	125
Adjusted EBITDA margin	**12.6 %**	**5.7 %**	**4.8 %**	**6.9 %**	**5.2 %**	**3.5 %**
Field Development	9.7 %	4.9 %	4.4 %	6.1 %	4.6 %	3.3 %
Net profit/(loss) - continuing operations	**119**	**15**	**16**	**128**	**95**	**62**
Basic and diluted EPS continuing operations	**0.45**	**0.06**	**0.06**	**0.48**	**0.35**	**0.23**
Order intake [1]	**1 049**	**602**	**519**	**1 486**	**2 027**	**5 674**
Field Development	1 049	602	485	1 472	2 051	5 703
Order backlog [1]	**8 397**	**10 172**	**12 054**	**14 346**	**16 232**	**17 742**
Field Development	8 397	10 172	12 043	14 346	16 233	17 745
NCOA	**(1 527)**	**(1 469)**	**(1 143)**	**(1 057)**	**(639)**	**(483)**
Field Development	(1 748)	(1 693)	(1 382)	(1 106)	(696)	(335)
Net interest bearing deposits and loans	**2 821**	**2 444**	**2 119**	**1 562**	**1 044**	**550**

[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	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
EBITDA	223	187	400	397	574
Adjustment for equity accounted investees [1]	25	(39)	60	(39)	(38)
Adjusted EBITDA	**248**	**148**	**460**	**358**	**536**

[1] Excluding embedded derivatives' impact reported

Amounts in NOK million	30.09.2016	30.09.2015	31.12.2015
Trade and other receivables	1 007	2 332	1 740
Trade and other payables	(2 394)	(2 795)	(2 633)
Provisions	(140)	(175)	(164)
Net current operating assets (NCOA)	**(1 527)**	**(639)**	**(1 057)**
Total cash and bank	2 819	1 043	1 560
Interest-bearing receivables	2	2	2
Net interest bearing deposits and loans	**2 821**	**1 044**	**1 562**