

# Second quarter results 2014



# Transocean Barents



# Highlights

## Second quarter 2014

- › Predictable performance – three projects delivered
- › Frame agreement and Lol for two Sverdrup jackets
- › Industrialising delivery model
- › Order backlog of NOK 21.5\* billion

## Subsequent events

- › Dividend of NOK 0.64 per share approved



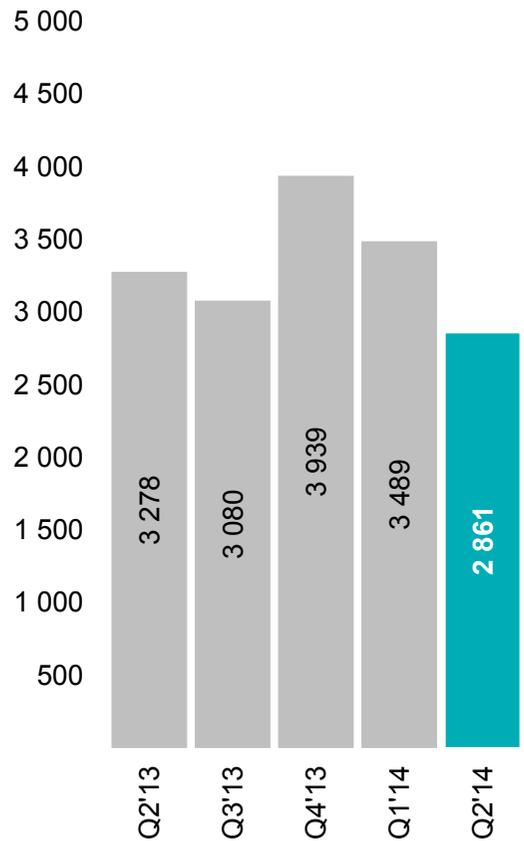
Photo: ConocoPhillips/Øyvind Sætre

*The Eldfisk topside installed at the field*

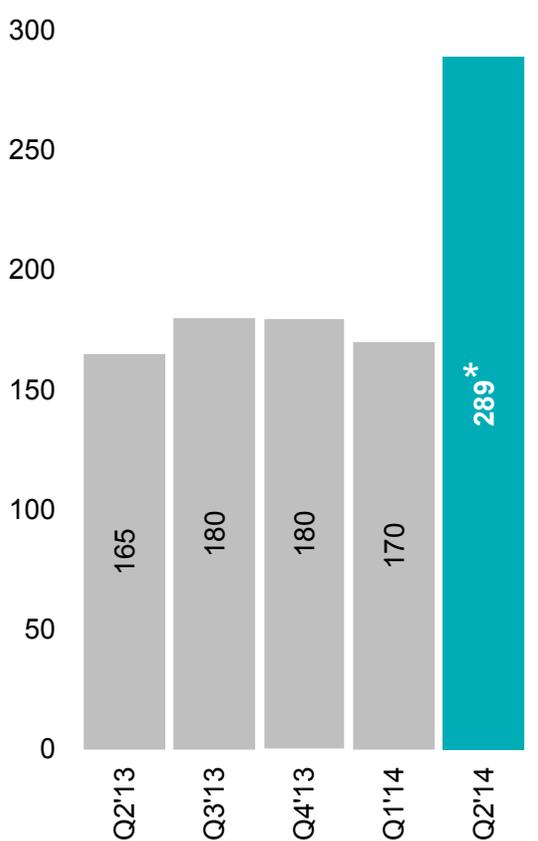
\* Including incorporated joint ventures.

# Key financials

**Revenues**  
NOK million

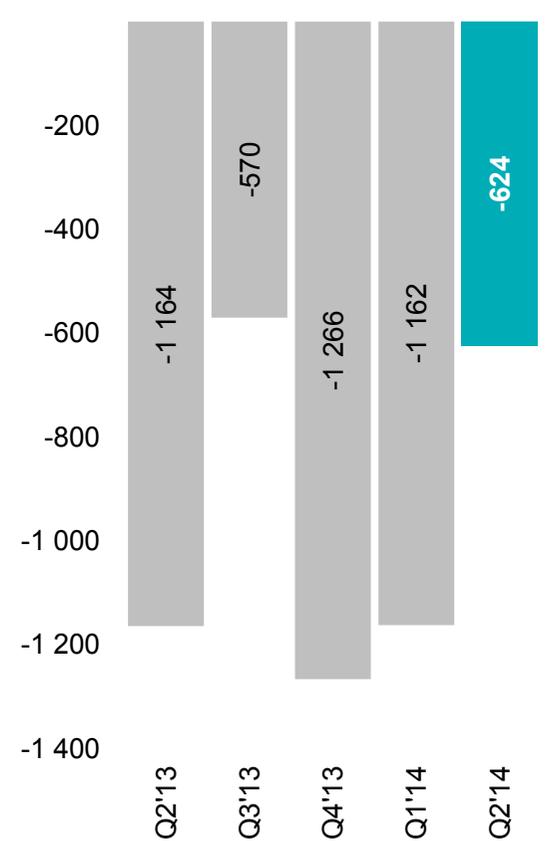


**EBITDA**  
NOK million



Quarter	EBITDA margin
Q2'13	5.0%
Q3'13	5.9%
Q4'13	4.6%
Q1'14	4.9%
Q2'14	10.1%

**Net current operating assets**  
NOK million

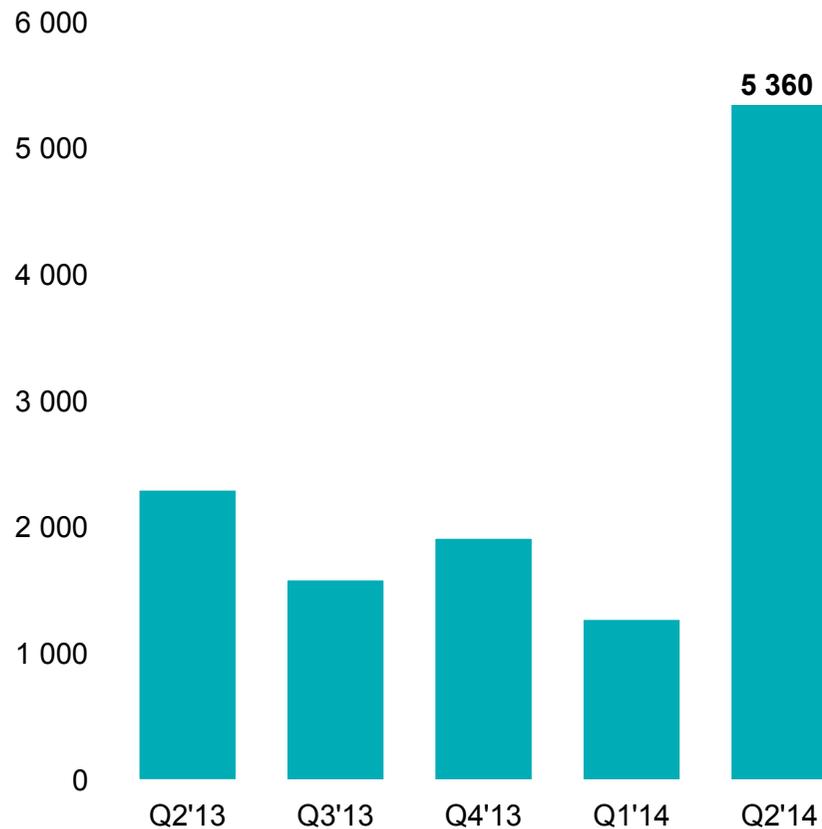


\* Reflecting 20 percent completion for one major project.

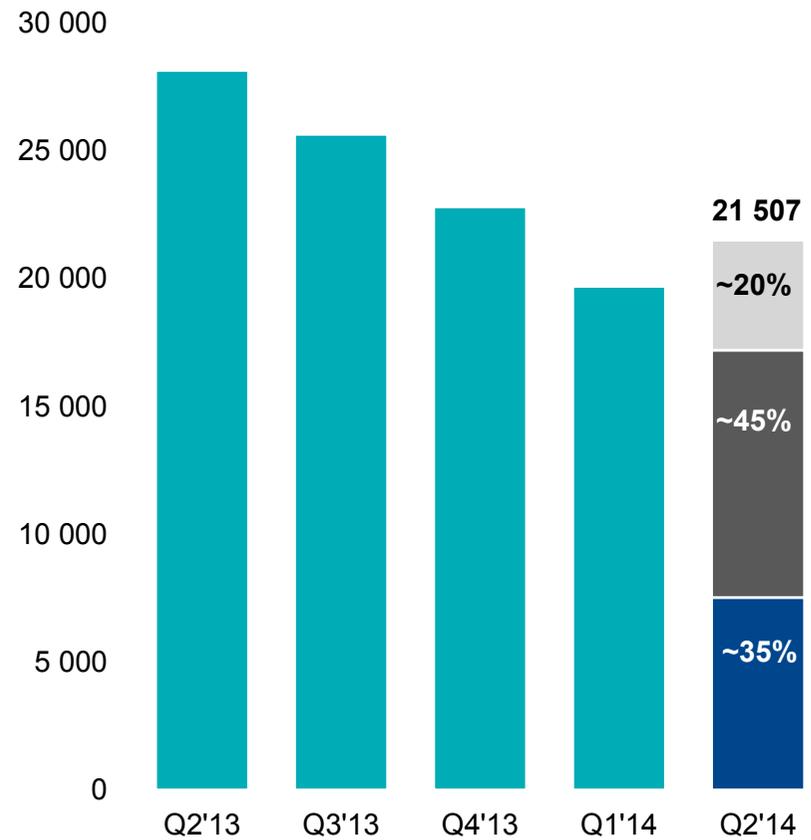
Note: All historical figures restated after sale of the North American Construction business in Q4 2013.

# Order intake and -backlog

**Order intake**  
NOK million



**Order backlog**  
NOK million

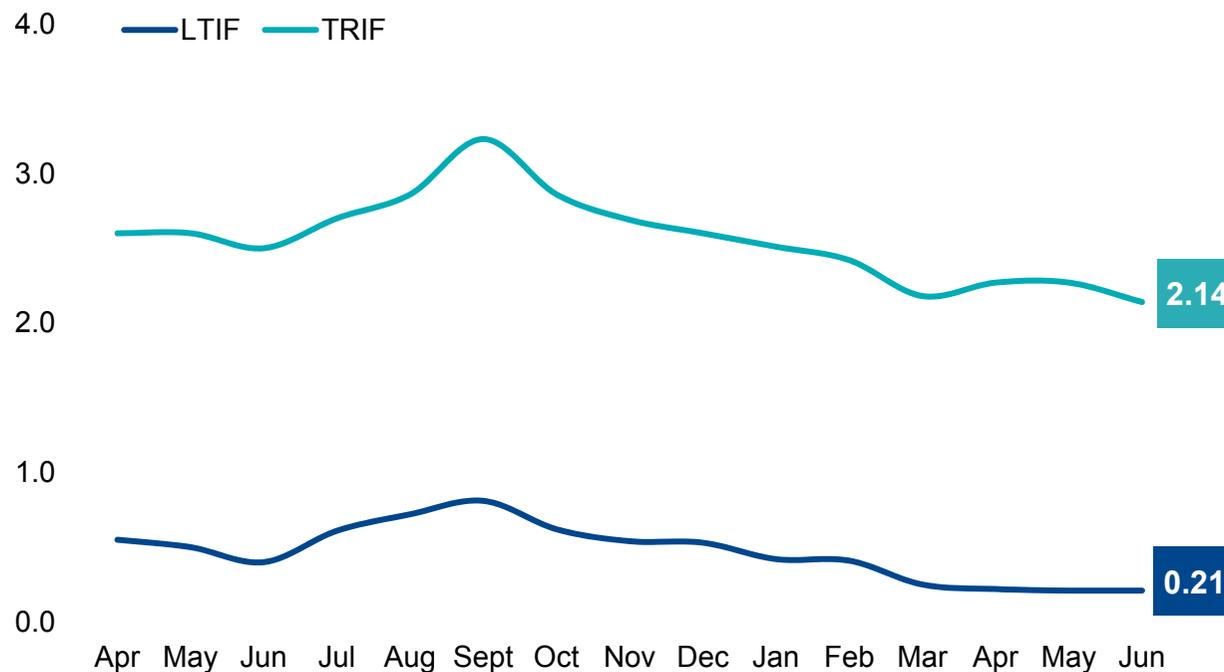


Note: All figures include incorporated joint ventures.

# Health, safety, security and environment

- › One Lost time Injury (Burn injury on fingers)
- › Six serious incidents
- › Total of 9 recordable incidents

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



## Highlights

Continued positive developments

Increase in risk observations

# Operational highlights

- › Living quarter for E. Grieg topside delivered to Stord facility
- › Fabrication start at Verdal for Nyhamna compressor houses
- › Preparing to move the Hebron GBS to deep water construction site
- › Sverdrup jackets FEED on-going

EDVARD GRIEG TOPSIDE



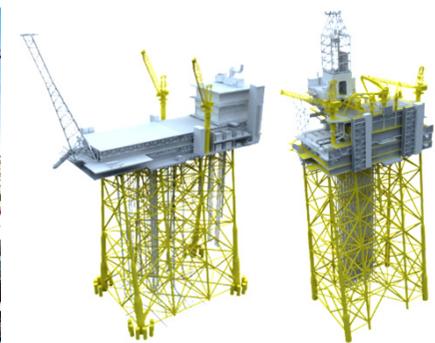
NYHAMNA ONSHORE



HEBRON GBS



SVERDRUP JACKETS



# Johan Sverdrup

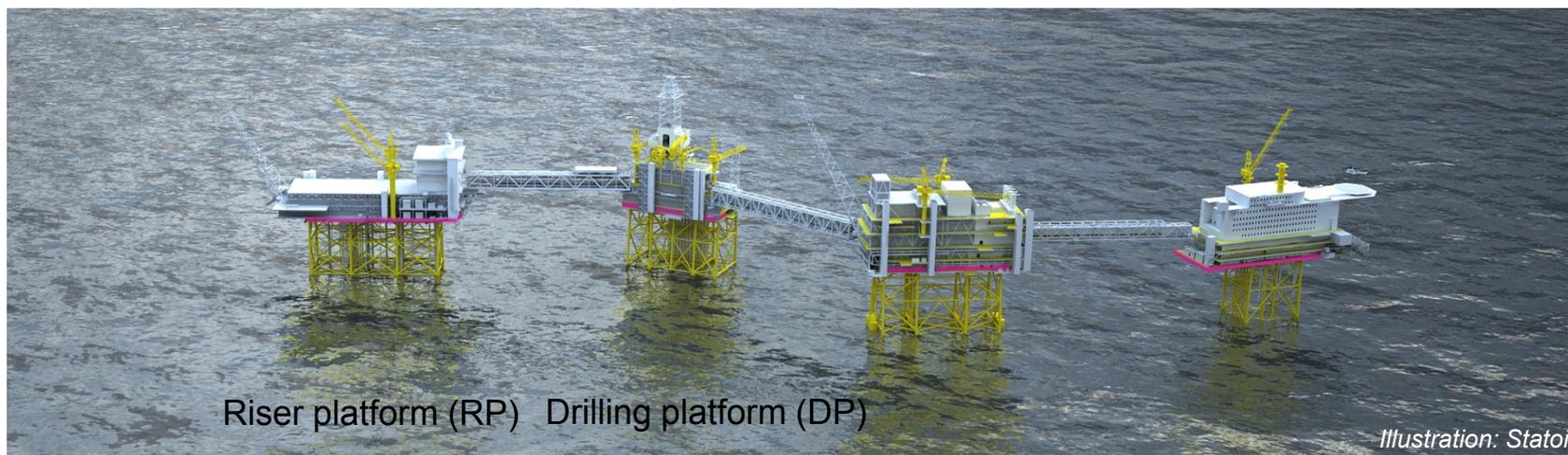
## Frame agreement and Letter of Intent for two jackets

### > Frame agreement

- Covers jackets to all Statoil operated fields
- Regulates price level and work scope (EPC)
- Future orders would be call-offs from existing agreement
- Duration up to six years, until 2020

### > Letter of Intent

- Project start-up: Q3 2014
- Final contracts : Q4 14 (RP) and Q2 15 (DP)
- Assembly start at Verdal in Q1 2016
- Peak manning in 2017: 350 people
- Deliveries: summer 2017 (RP) & spring 2018 (DP)



# Second quarter financials

Eiliv Gjesdal, Chief Financial Officer

**KVÆRNER™**

# Income statement

<i>Amounts in NOK million</i>	Q2 2014	Q1 2014	Q2 2013 Restated	YTD 2014	YTD 2013 Restated	FY 2013
Total revenue and other income	2 861	3 489	3 278	6 350	5 941	12 960
<b>EBITDA</b>	<b>289</b>	<b>170</b>	<b>165</b>	<b>459</b>	<b>276</b>	<b>636</b>
Depreciation and amortisation	(17)	(15)	(15)	(32)	(30)	(63)
<b>EBIT</b>	<b>272</b>	<b>155</b>	<b>150</b>	<b>427</b>	<b>246</b>	<b>573</b>
Net financial income/(expense)	(16)	(20)	(7)	(36)	(28)	(96)
Profit from associated companies and JVs and impairments	(58)	-	(18)	(58)	(22)	(78)
<b>Profit before tax</b>	<b>198</b>	<b>135</b>	<b>124</b>	<b>333</b>	<b>196</b>	<b>399</b>
Income tax expense	(75)	(40)	(44)	(115)	(70)	(160)
<b>Profit from continuing operations</b>	<b>123</b>	<b>95</b>	<b>80</b>	<b>218</b>	<b>126</b>	<b>239</b>
<b>Profit discontinued operations</b>	<b>(27)</b>	<b>(32)</b>	<b>(5)</b>	<b>(59)</b>	<b>(14)</b>	<b>206</b>
<b>Net profit</b>	<b>96</b>	<b>63</b>	<b>75</b>	<b>159</b>	<b>112</b>	<b>445</b>
EBITDA margin	10.1 %	4.9 %	5.0 %	7.2 %	4.6 %	4.9 %
Earnings per share (NOK)						
Basic and diluted EPS continuing operations	0.46	0.35	0.30	0.81	0.47	0.89
Basic and diluted EPS total operations	0.36	0.23	0.28	0.59	0.42	1.66

*Note: Following sale of operations, the Downstream & Industrials segment has been classified as discontinued operations, with comparative figures restated.*

*Revenues excluding incorporated joint ventures.*

# Upstream review

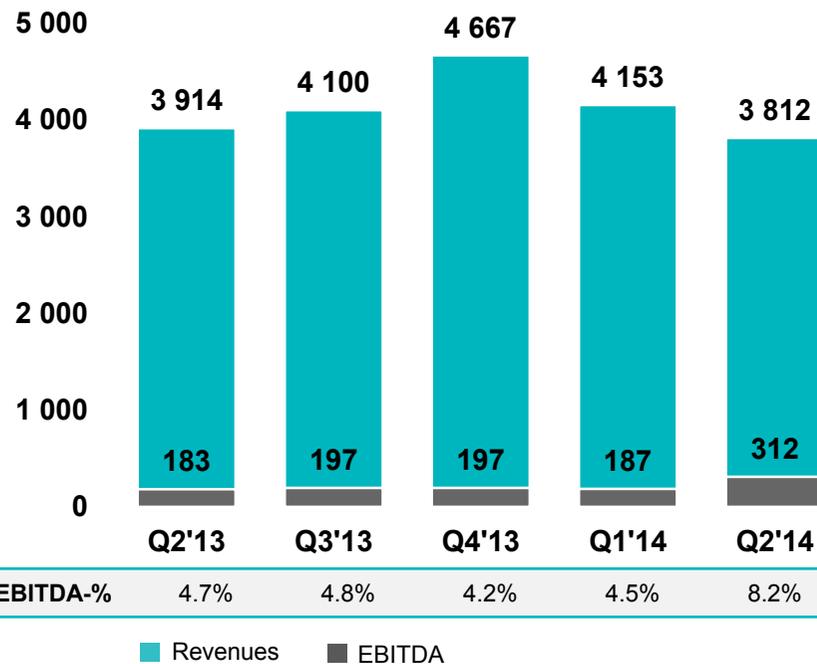
## > Financials

- One major project passed 20% completion
- Jackets expected to at least break even in 2014

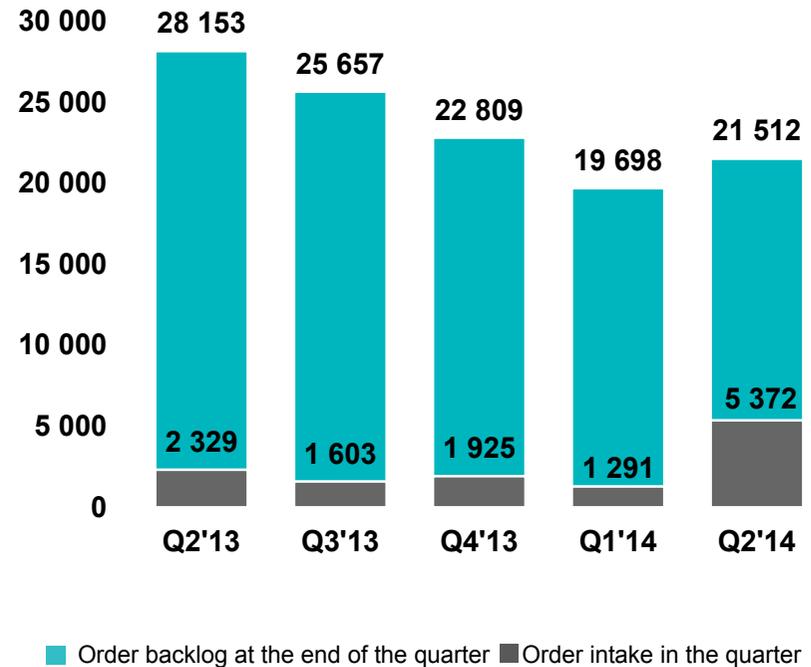
## > Orders

- Lol for two jackets to Sverdrup of ~NOK 3 bn
- Growth in existing contracts

Revenues, EBITDA and EBITDA margin  
NOK million



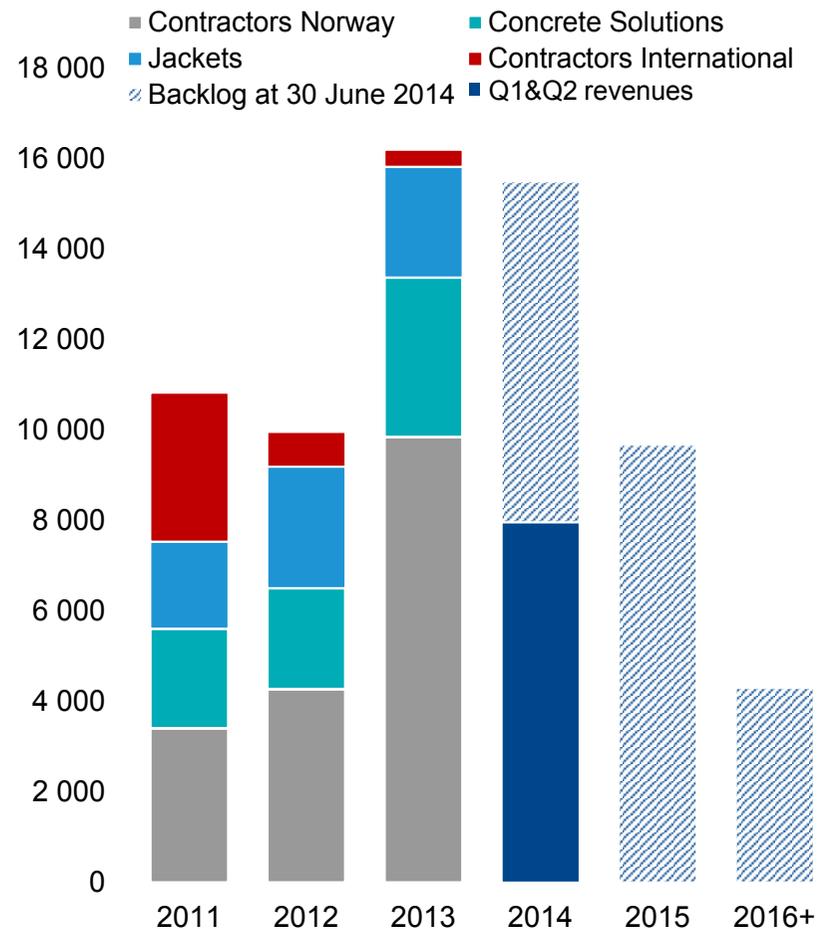
Order backlog and order intake  
NOK million



Note: All figures include incorporated joint ventures.

# Increased revenue visibility

Revenues and backlog by execution year (30 June 2014)  
NOK million



## > Upstream revenues 2014

- NOK 15-16 billion

## > EBITDA margin 2014

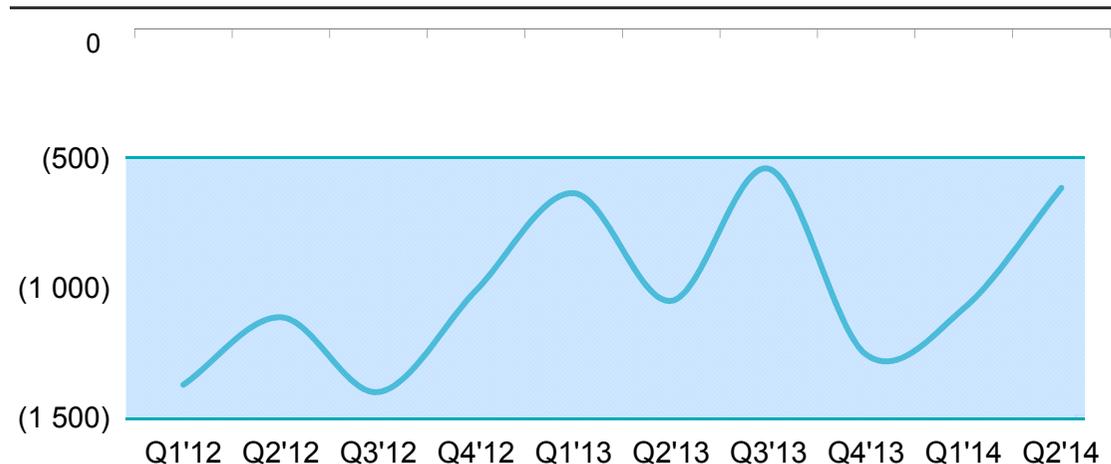
- Slower impact from improvements
- Procurement growth
- At least break even results in Jackets
- International business development

# Cash flow and working capital development

Amounts in NOK million	Q2 2014	Q1 2014 <sup>1</sup>	Q2 2013	YTD 2014	YTD 2013	FY 2013
Cash flow from operating activities	(212)	(62)	655	(274)	298	606
Cash flow from investing activities	(75)	(43)	(40)	(118)	(61)	208
Cash flow from financing activities	(172)	(8)	(176)	(181)	(181)	(356)
Translation adjustments	2	(2)	1	(0)	21	19
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>(457)</b>	<b>(115)</b>	<b>441</b>	<b>(573)</b>	<b>77</b>	<b>476</b>

- > Customer pre-payments<sup>2</sup> of NOK 23 million
- > Fluctuations in working capital must be expected
- > Capital tied up in the Nordsee Ost project

## Net current operating assets (NCOA) – Upstream segment NOK million



<sup>1</sup> Q1 2014 restated with regards to cash transferred to discontinued operations

<sup>2</sup> Invoicing in excess of cost and estimated earnings less amounts billed in advance but not received (on a project by project basis).

# Balance sheet

<i>Amounts in NOK million</i>	30.06.2014	31.03.2014	30.06.2013	31.12.2013
<b>Assets</b>				
Total non-current assets	2 137	2 137	2 232	2 150
Prepaid company tax	60	99	133	93
Current operating assets	2 363	3 533	2 874	3 121
Total cash and bank	972	1 430	1 146	1 545
Retained assets on business sold	744	884	-	916
<b>Total assets</b>	<b>6 275</b>	<b>8 082</b>	<b>6 385</b>	<b>7 825</b>
<b>Total equity</b>	<b>2 511</b>	<b>2 547</b>	<b>2 267</b>	<b>2 511</b>
Non-current interest bearing liabilities	483	480	474	479
Other non-current liabilities	184	172	189	170
Current operating liabilities	2 987	4 695	3 452	4 387
Current tax liabilities	61	39	4	56
Retained liabilities on business sold	50	148	-	223
<b>Total liabilities</b>	<b>3 764</b>	<b>5 536</b>	<b>4 119</b>	<b>5 315</b>
<b>Total equity and liabilities</b>	<b>6 275</b>	<b>8 082</b>	<b>6 385</b>	<b>7 825</b>
<b>Equity ratio</b>	<b>40 %</b>	<b>32 %</b>	<b>35 %</b>	<b>32 %</b>
<b>Net cash</b>	<b>493</b>	<b>953</b>	<b>723</b>	<b>1 069</b>

# Way forward and closing remarks



*Apprentices at Kvaerner Stord*

# Balanced portfolio, solid platform for new contracts

	2014	2015	2016	2017	2018	2019	Value at award
Eldfisk topside	■						NOK 5.5 B
Edvard Grieg topside	■	■					NOK 8 B
Aasta Hansteen compl.			■				Undisclosed
Nyhamna onshore	■	■	■	■	■	Options	NOK 11 B
Edvard Grieg jacket	■						NOK 1.1 B
Martin Linge jacket	■						NOK 1.2 B
Sverdrup jackets		■	■	■	■		NOK 3 B
Hebron GBS	■	■					USD 1.5 B
Enping Phase II engineering	■	■					Undisclosed

- Contractors Norway
- Concrete Solutions
- Jackets
- Contractors International

# Two years of improvements are yielding results

## Trønder-Avisa

Total Norway President Martin Tiffen: Kvaerner Verdal has fulfilled all of our expectations. The project is completed with good quality and within budget. What more can we ask for.



### - Et klart tegn på at Kværner har lyktes

Statoil-sjefen mener storkontrakten med Kværner er en markering på omstillingen i norsk leverandørindustri.



### «Heller én mann i Verdal enn 100 i Korea»

Lundin velger norsk fordi det er best.

## upstream

THE INTERNATIONAL OIL & GAS NEWSPAPER

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## Lundin counts savings from Norwegian choice

By Steve Marshall Oslo 04 April 2014 00:00 GMT

Lundin Petroleum estimates it has saved nearly Nkr1 billion (\$167 million) by building its Edvard Grieg platform topsides in Norway and believes local yards are still in with a shout for upcoming fabrication awards off the country.

The decision by the Swedish operator to award both the topsides and jacket contracts for the North Sea field facility to Norwegian player Kvaerner raised industry eyebrows amid a spate of earlier platform awards by the likes of Statoil to Asian yards that are perceived as relatively cheaper. However, managing director of subsidiary Lundin Norway, Torstein Sannes, believes the move has paid off, saying that while construction costs at South Korean yards are lower, this is offset by a higher risk of delays, less Norsok safety standards expertise, increased transport requirements and a need for more personnel to monitor project progress.



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### - Kværner har tettet kostnadsgapet

Statoil-sjefen berømmer det norske selskapet for å bli mer kostnadseffektive.

Artikkel av: Magnus Berg Johansen (Hegnar.no - 28.6.14 11:26)

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# Increasing competitive power for new contracts

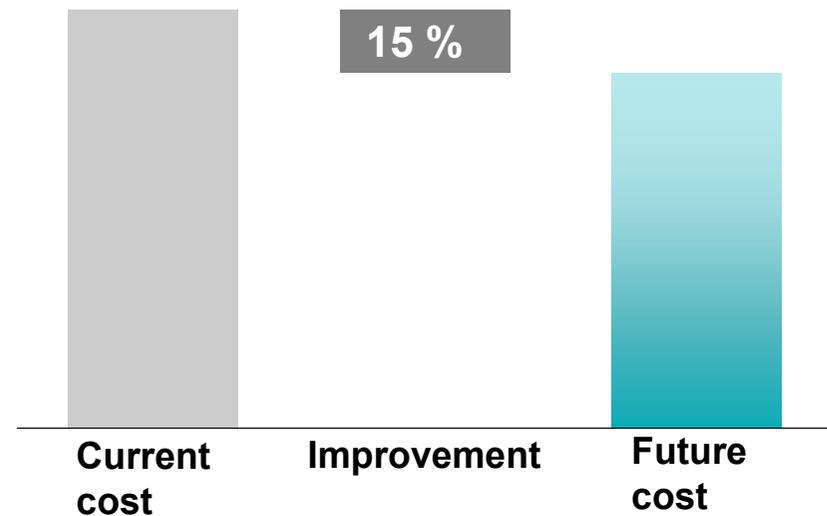
## > Internal improvements

- Jackets (ready)
- Procurement bulk material (ready)
- Engineering (ongoing)
- Topsides, floaters, onshore (ongoing)
- Concrete Solutions (ongoing)

## > Improvements together with partners and customers

- Strategic partnership COOEC (ready)
- Project JVs (KBR, Kiewit etc. ready)
- Global delivery models (ongoing)
- Simpler platform concepts (ongoing)

## Targeting 15 % cost reductions



# Several prospects well fit for our capabilities

R&D project in Canada for concrete subsea tanks concepts



Johan Sverdrup first phase  
Frame agreement & Lol for two jackets



Arctic driller  
Studies finalised,  
positioning for pre-  
FEEDs



Target markets

# Summary

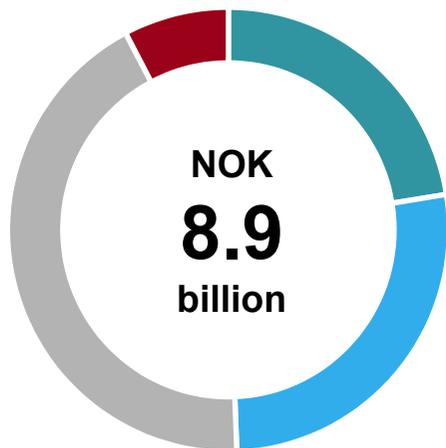
- **Continued high activity, more balanced portfolio**
  - **Predictable execution of backlog**
  - **Gaining momentum in improvements - win new projects**
  - **Attractive market prospects**
  - **Sustained dividend policy**
- **HSSE – core value and licence to operate**
  - **Maintain and develop home markets**
  - **International expansion**
  - **Hands-on management**

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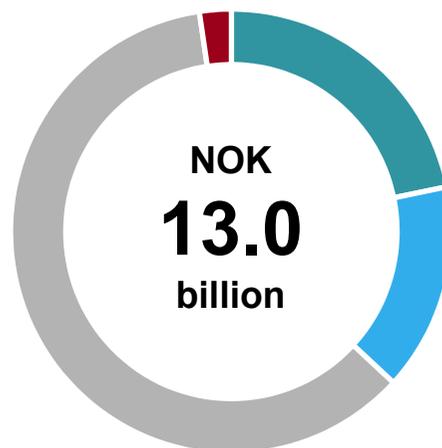
# APPENDIX

# Revenue distribution – continuing operations

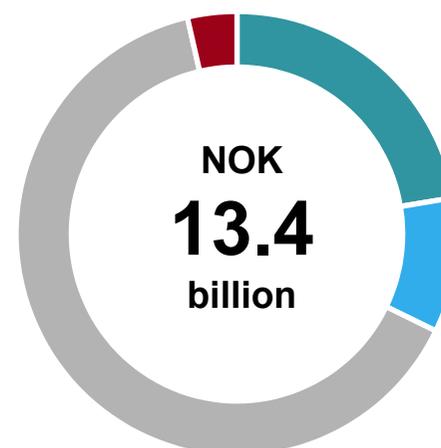
Share of revenues 2012  
Percent



Share of revenues 2013  
Percent



Share of revenues last 12 months  
Percent



■ Contractors International   ■ Concrete Solutions   ■ Jackets   ■ Contractors Norway

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