Annual report 2013

KVÆRNER™

User guide

This document is an interactive PDF (iPDF) file, a universal format adapted to both digital viewing and print-outs. It works as a regular PDF, but has interactive functions for navigation by clicking on buttons and contents.

Navigation

You can click on menus, buttons or the table of contents.
Click on the logo to go to the front cover.

- Left-hand arrow: flip one page backward (or use arrow keys or scroll wheel)
- Right-hand arrow: flip one page forward (or use arrow keys or scroll wheel)
- Previous view: back to previously viewed pages
- Next view: forward to previously viewed pages
- Find text: search for text in Adobe Reader/Acrobat
- Full screen view on/off

PDF readers

The document is designed for Adobe Reader/Acrobat 8 or later.
Some functions may not work in web browsers that support pdf plug-ins.
If you experience problems viewing in your web browser, please save/download and reopen the PDF in Adobe Reader.

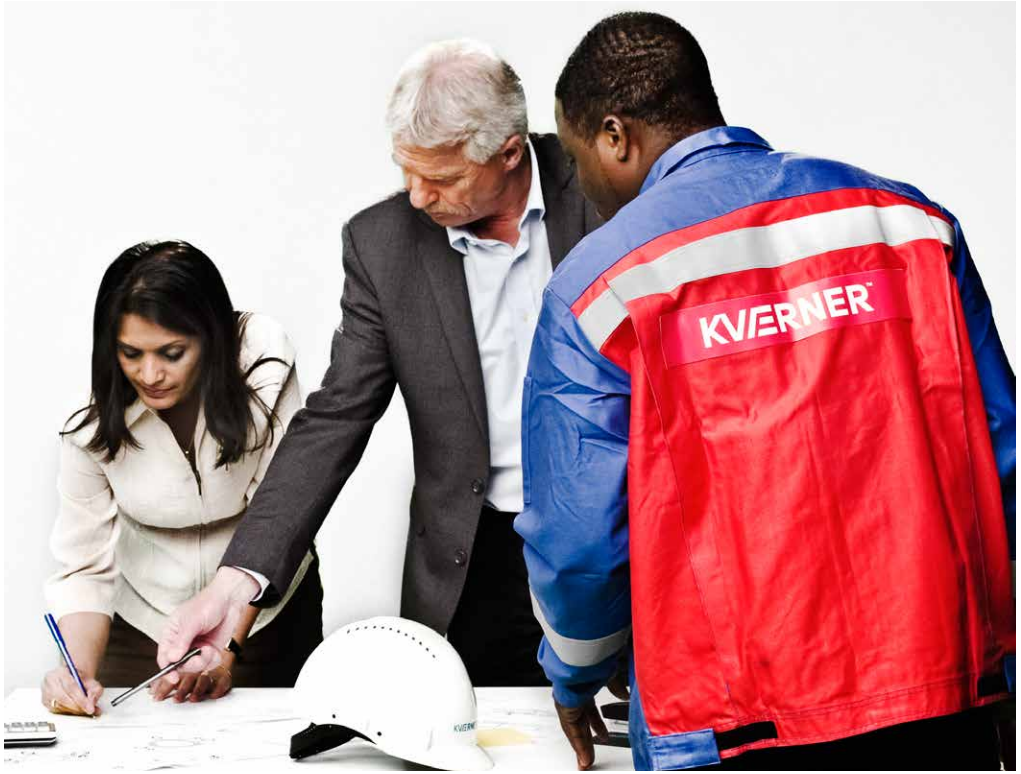
Download the free Adobe Reader here: http://get.adobe.com/uk/reader/otherversions

Print

The document is configured for printing on a horizontal A4 sheet in full size without margins.

Tablet

The document is optimised for iBooks, but the top navigation panel should function with all PDF readers for tablets supporting hyperlinks. The navigation buttons mentioned above may not be visible on your tablet, you will then have to use the tablets inherent functionality to browse through the document.



Contents

Message from the President & CEO

Kvaerner improved the HSSE performance and experienced growth in revenues and margins in 2013. In spite of intense competition, we enter 2014 with a stronger order book than one year ago, and the market holds several interesting prospects.

2013 has been a hectic year for Kvaerner. We have won new projects, and we have completed key deliveries to our customers. In all parts of the organisation, there has been high capacity utilisation connected to the parallel execution of a number of ongoing projects. This high activity level continues into 2014.

It is satisfying to note that our performance within HSSE is developing positively when we look at our lagging indicators. We had a significant reduction of both lost time incidents and sick leave last year compared to the year before. However, we also note that we still have serious unwanted incidents, more than once a month in average, and this tells us that our HSSE efforts must continue with full force in 2014.

Our HSSE target is zero unwanted incidents and zero harm to people, health, environment or property. Good HSSE performance is not only a responsible way to conduct business, it is also well documented that organisations with high HSSE performance deliver better financial results. It is encouraging to see that we in Kvaerner have several units and projects with long periods without any serious incidents or personal injury in 2013. This strengthens our belief in achieving our target of zero incident throughout all of Kvaerner's operations.

Financially, 2013 was a year of growing revenues founded on a record high order backlog.

The margin expansion was slower than we anticipated at the start of the year but the profitability improved compared to the year before. Our financial position is solid and in line with the dividend policy, a semi-annual dividend of NOK 0.61 per share is expected to be paid out in April.

It was an important milestone for Kvaerner when we in December 2013 divested our North American construction business to the USA based company Matrix Services Company. As part of Kvaerner, the business has improved its performance and we believe the new ownership will be positive for its further development. After the divestment, all of Kvaerner's operations are focused on delivering offshore installations and onshore plants to our upstream oil and gas customers.

Market analysts predict that 2014 and 2015 will present several opportunities for new projects. We still view the market as promising for our industry in macro terms. At the same time we are fully aware of the current challenges faced by the E&P companies, despite the fact that the oil price is currently stable on a relatively high level. We will continue our strategic approach to our chosen markets, and carefully select, bid for and execute target projects that fit our capabilities.

Continuous improvement to further strengthen our competitive edge is imperative for our success. Already in 2012, we communicated that we started activities to increase productivity, and implement a more industrialised approach to how projects are executed. We are pleased to note that the subject of improvements has gradually become a shared priority among all players in the industry. Kvaerner expects to gradually see the effects of the wide range of specific improvements being implemented through 2014. We have set a clear target for ourselves: 15 percent reduction of our total costs for a typical EPC delivery. A cost reduction of this magnitude will enable us to offer attractive prices to the customers on future projects.

At the start of 2014, our fabrication yard at Verdal is busy with the completion of two large steel jackets for the Edvard Grieg and the Martin Linge fields. Both substructures will be delivered in the spring of 2014 and there are no new jackets in today's order book. On a short and medium term basis we will use the skilled workforce at Verdal to contribute to other Kvaerner projects. The situation is however challenging and we are now considering if there is a future for jacket fabrication in Norway. We expect to conclude on the strategy for future opportunities at the yard during first half of 2014.

Kvaerner is entering 2014 with a strong order backlog. These contracts are not only our main foundation for value creation through the next few years, but the order book also provides a positive momentum for further developing and growing the company.

Summing up, our priorities are the following:

1) Execute on-going projects safely and according to plans and expectations
2) Continue the implementation of improvements, aiming at 15 percent reduction of total costs for a typical EPC project
3) Strategically grow the company's market position, both in home markets and in other target regions internationally

Kvaerner's mission in the oil and gas industry is to be the contractor who can realise the most demanding and amazing projects for the customers. We possess and continuously further develop state of the art technologies and methods for such business. However, Kvaerner's most important asset is an organisation of talented people, which includes many of the industry's most skilled and experienced fabrication operators, engineers, and project managers. Throughout 2013 we have been certifying 26 of our key people at level B in the International Project Management Association. In 2014, we will continue the efforts to be an organisation that people are proud to work for, and work with. Our aim is to create values for our customers and business partners, for our shareholders and our employees, and for the society we are a part of.

Jan Arve Haugan
President & CEO

KVÆRNER

Board of Directors' report 2013

Operational highlights

New contracts secured

- EPC contract for Hebron GBS
- Frame agreement for work at Nyhamna onshore facility
- Completion contracts for the Aasta Hansteen project

Deliveries

- Nordsee Ost offshore wind jackets
- Clair Ridge Drilling & production and Quarters Utility jackets

Strategic development

In December 2013, Kvaerner announced the divestment of the North American Construction business. This business area has been focusing on EPC deliveries of onshore plants for downstream processing and industrial production in USA and Canada. The divestment enables Kvaerner to focus its efforts on further developing its upstream oil and gas business. Kvaerner has previously published its financial results divided on two main segments: Upstream and Downstream & Industrials. As an effect of the divestment of the business area North American Construction, Kvaerner reports its financial results in one segment: Upstream. Kvaerner's delivery model is continuously being streamlined in order to reduce costs and improve efficiency.

Business overview

Principle operations

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. The company has offices, facilities, projects, and management of key subcontractors in about a dozen countries. The head office is located to Oslo, Norway. During 2013, a new operating model has been implemented with the objective to secure competitiveness by reducing the cost base, focus on execution, facilitate new delivery models and streamline the use of resources.

Kvaerner includes dedicated organisations focusing on concept development and engineering, procurement and project management, as well as multi-discipline fabrication, hook-up and commissioning and a small staff for common corporate functions.

Kvaerner's principle operations are organised in four business areas:

Contractors Norway has a long track record of delivering offshore platforms and onshore facilities to oil and gas companies. Kvaerner's modern and compact fabrication yard at Stord on the Norwegian West coast is one of the key assets, with approximately 1 600 experienced engineers, operators and fabrication managers. The unit for engineering, procurement and project management has experts with experience and documented successes from several of the world's most challenging projects.

Contractors Norway delivers offshore platforms and onshore plants as complete EPC (engineering, procurement, construction) deliveries, in close cooperation with other Kvaerner units and external partners and subcontractors.

Kvaerner and the yard at Stord is internationally recognised for the ability to effectively perform assembly, hook-up and commissioning for topsides to both fixed and floating offshore platforms as well as onshore receipt, deconstruction and disposal of offshore structures.

Jackets deliver conceptual and feasibility studies, front-end engineering and design (FEED), detailed engineering, procurement, overall project management, fabrication management, fabrication and delivery of steel substructures for offshore platforms. The business area with its approximately 800 highly skilled engineers, operators and project managers is also capable of delivering other steel structures for offshore oil and gas projects, and for onshore oil and gas facilities. Jackets operate a highly specialised and modern fabrication yard in Verdal in Mid-Norway, with design and engineering offices both in Oslo and in Trondheim.

After the delivery of close to 90 steel jacket substructures for 40 years, Kvaerner and the yard at Verdal is internationally recognised for the capabilities for complete EPC-deliveries of jackets, and for an efficient delivery model.

Kvaerner Piping Technology is a highly specialised unit located at the fabrication yard in Verdal. The products include delivery of cold bending, prefabrication as well as welding of pipes and pipe systems to the oil and gas process facilities and land based industries, both in Norway and internationally.

Concrete Solutions delivers concrete substructures for fixed and floating offshore oil and gas platforms. The concrete substructures have for decades been preferred solutions among oil companies with offshore field developments in regions with harsh or Arctic weather conditions. In addition, the concrete structures' inherent internal storage capacity and low maintenance needs make this an attractive solution also for projects located far from existing export pipelines and infrastructure.

Kvaerner's solid track record from delivering more than 20 concrete substructures for both fixed and floating platforms around the world has positioned the company as the oil industry's undisputed leader for such solutions.

Contractors International works closely integrated with Contractors Norway, and offers Kvaerner's solutions and capabilities to customers around the world.

Kvaerner has a network of offices around the world for studies and business development. The most prominent international locations are currently in London, Houston, Moscow, St. John's (Canada), and in Beijing.

The business area Onshore Americas was divested in December 2013 and is from fourth quarter 2013 presented as discontinued business.

Kvaerner has established alliances with selected business partners with capabilities of strategic interest. A key partner is the China Offshore Oil Engineering Co. Ltd (COOEC) and their best-value Chinese fabrication yard and engineering resources for cooperation on projects in other geographical regions, including Norway.

Project Execution Model

Proven through decades of experience from delivering some of the world's most demanding projects, Kvaerner has developed a proprietary Project Execution Model (PEM™). This delivery model provides a full overview of the project, the project team, customer and subcontractors. PEM™ documents overall scope, deliverables in each project phase, interdependencies and milestones, progress, quality and other key parameters. This systematic approach to project execution increases efficiency, allows flexibility for use of best-value suppliers, reduces risks and enhances predictability.

Objectives and strategic direction

Mission

The activities within the global oil and gas business spans from relatively simple development projects onshore or in quite shallow, calm waters offshore, via supply of standalone off-the-shelf equipment or maintenance services to development of new fields with very challenging characteristics or frame conditions.

Kvaerner's mission as a supplier in this industry is clear: We realize the world's most amazing and demanding projects.

Vision

Kvaerner has for more than 40 years delivered a significant part of the world's fixed and floating platforms, steel jackets and concrete substructures. The company has also been the key contractor for several innovative onshore oil and gas facilities, such as subsea-to-beach developments with onshore gas treatment plants.

Based on the long track record, the established position and the organisation of experienced experts, Kvaerner's vision is to become a top league international EPC player.

Strategic direction

In 2012, Kvaerner proved its competitive strength by winning a series of new contracts. The order backlog has been at record high levels through 2013. At the end of 2012 and into 2013, Kvaerner experienced that international competitors succeeded in winning several new projects of interest to Kvaerner. Hence, Kvaerner has in 2013 implemented a series of measures to further improve its delivery model and cost efficiency. The company expects to see positive effects of these improvements when bidding for projects in 2014 and onwards.

With this background, Kvaerner has set some clear, overall objectives for the coming years:

- Successfully execute the existing order backlog according to the customers' specifications and to own internal expectations
- Complete implementation of on-going improvement projects, in order to contribute to effective execution of on-going projects, and to increase competitive strength for future contracts
- Select prospects of strategic importance, successfully bid for and win new projects
- Leverage the execution of new projects to grow and develop Kvaerner further
- Gradually strengthen Kvaerner's position as a leading EPC player

Markets and target regions

Markets

The fundamental driver for Kvaerner's EPC-deliveries of offshore oil and gas installations and onshore facilities for upstream oil and gas production is the global demand for oil and gas as energy sources. Unexpected and significant drops in the demand for oil and gas may present risks for the oil and gas industry, including Kvaerner.

Market analysts expect a continued high demand for oil and gas, and that long term oil prices will remain at levels above USD 100. Kvaerner's market outlook remains good based on the fundamental demand for oil and gas and high price levels, which secure that the oil and gas companies will maintain their interest in investing in new field developments.

For 2014, market analysts expect a 5-8 percent growth in the oil companies' global investments in new exploration and production activities.

Kvaerner is in close dialogue with several oil and gas operators, and the company's own market analyses show a positive market development, with several prospects coming up for bidding and awards in 2014 and 2015.

Target regions

Kvaerner has identified a set of target regions; i.e. the North Sea, Atlantic Canada, Arctic Russia, and Asia-Pacific. These regions have been selected based on Kvaerner's mission; i.e., where it is expected to see the world's most demanding EPC projects over the coming years. The selection of regions also reflects where Kvaerner considers that the company can best leverage its competitive strengths.

Near term, The North Sea and the North East Atlantic Ocean continue to offer multiple opportunities. Several new discoveries and prospects over the last few years suggests that key customers for many years will continue to direct significant parts of their investment budgets into these areas. With the existing organisation of experts and modern fabrication facilities in place locally, Kvaerner will be able to leverage a particular competitive strength.

Market segments

Following the divestment of the onshore construction business, Kvaerner is now fully focused on upstream oil and gas production projects. Kvaerner will particularly pursue opportunities within these market segments:

- EPC projects for fixed and floating oil and gas production facilities
- EPC projects for steel and concrete substructures for offshore platforms
- EPC projects for onshore oil and gas upstream facilities
- EPC projects for larger rebuilds/refurbishment of offshore platforms/onshore plants
- Separate contracts for assembly, hook-up, completion, commissioning, offshore platforms and onshore plants
- Separate contracts for engineering management, procurement management, fabrication management or project management related to offshore platforms or onshore plants

Frame conditions

Several of the world's key oil and gas operators have in 2013 communicated that they will aim to reduce cost levels for new field developments, and that they will strive to achieve this by internal cost cuts and expected improvements among the contractors.

Competition among the contractors has also increased over the last few years. In the first half of 2013, both Kvaerner and other Norwegian suppliers experienced the loss of bids for new projects to fabrication yards in Asia.

Kvaerner has in 2013 started a group-wide process to strengthen the company's competitive edge. Opportunities for cost reductions and increased efficiency have been identified, and implementation of improvements will continue in 2014.

Kvaerner will seek to combine these efforts with possible further step change improvements, in close cooperation with the customers. The company expects to see the results of these improvements when tendering for new projects.

Report for 2013

Financials

Kvaerner presents its accounts in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. Unless otherwise specified, figures in brackets represent figures for previous year.

Restated comparative figures

Following implementation of revised IAS 19 Employee Benefits, change in segment reporting and reclassification of remaining legacies in Downstream & Industrials segment to discontinued operations after sale of Kvaerner's onshore construction business in North America, comparative information has been restated retrospectively to reflect these changes. Please see Note 8 and 31 for details on restatement impacts in the financial statements (page 36 and 68).

Profit and loss

Consolidated operating revenue for 2013 was NOK 12 960 million (NOK 8 867 million). The increase from last year is mainly due to high activity on projects for the North Sea.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to NOK 636 million, an increase of NOK 219 million from 2012 (NOK 417 million). The EBITDA margin for 2013 was 4.9 percent (4.7 percent). The improvement in the EBITDA and margin is reflecting phasing of projects, projects awarded early in the market cycle being completed and more recent awarded projects starting to recognising margin. One major project is yet to recognise margin.

Depreciation, impairment charges and amortisation totalled NOK 63 million, an increase of NOK 5 million from 2012 (NOK 58 million), mainly reflecting capital investments at the two Norwegian yards.

Consolidated earnings before interest and taxes (EBIT) were NOK 573 million (NOK 359 million). Net financial expenses amounted to NOK 96 million (NOK 15 million), and include net interest expense of NOK 57 million (NOK 4 million). The increased net interest expense reflects lower net cash position during the year compared to 2012. Foreign exchange loss in the year of NOK 31 million (NOK 7 million), of which NOK 24 million is related to accounting effect of liquidation of foreign operation.

The group aims to hedge currency risk for project exposures in accordance with well-established practices. Loss on foreign currency contracts in 2013 was NOK 7 million compared to profit of NOK 4 million in 2012.

Associated companies and joint ventures defined as financial investments reported a loss of NOK 78 million including impairments (loss of NOK 8 million). The 2013 result was impacted by negative results and impairment charges.

The tax expense was NOK 160 million (NOK 179 million), which corresponded to an effective tax rate of 40 percent (53 percent). The relatively high tax rate reflects unrecognised deferred tax assets on losses in some jurisdictions, but also negative results from associated companies with no corresponding tax benefit and withholding taxes. The 2012 effective tax rate was impacted by effects of prior year tax adjustments.

Profit from continuing operations amounted to NOK 239 million (NOK 158 million), and basic and diluted earnings per share from for continuing operations were NOK 0.89 (NOK 0.59).

Profit from discontinued operations was NOK 206 million (NOK 79 million), including gain on sale of the North American construction business of NOK 272 million. Basic and diluted earnings per share for discontinued operations were NOK 0.77 (NOK 0.29).

Consolidated net profit in 2013 was NOK 445 million (NOK 237 million), with basic and diluted earnings per share of NOK 1.66 (NOK 0.88).

Cash flow

Consolidated cash flow from operating activities depend on a number of factors, including progress on and delivery of projects, changes in working capital and pre-payments from customers. Net cash inflow from operating activities was NOK 606 million in 2013 (outflow of NOK 748 million). The improvement mainly reflects increased profit and reduced working capital in 2013, whereas 2012 was negatively impacted by build-up of working capital. Tax payments in 2012 were also significantly higher than in 2013.

Net cash inflow from investing activities in 2013 was NOK 208 million (outflow of NOK 91 million), including NOK 376 million from sale of the North American construction business. The capital expenditures for 2013 amounted to NOK 164 million (NOK 217 million) and was mainly related to the new gantry crane at the Stord yard in Norway. Completion work and testing has been finalised early 2014 and the crane is planned ready for operations in March 2014. Total investments of up to NOK 100 million related to the crane remain to be spent in 2014, with total expected investment of NOK 350 million, in line with budget. The crane investment will increase efficiency and production capacity at the yard. A total maintenance capex for the group of approximately NOK 30-50 million is expected annually. Net cash outflow from financing activities was NOK 356 million in 2013 (outflow of NOK 481 million), mainly reflecting dividend payments and payment of loan interests.

Balance sheet and liquidity

The group's total assets were NOK 7 825 million on 31 December 2013 (NOK 6 039 million).

Net current operating assets (NCOA) were negative NOK 1 266 million at year-end, a decrease of NOK 752 million from the end of 2012 (NOK 514 million). Adjusting for NCOA related to discontinued operations, NCOA at year-end 2012 end was negative NOK 1 110 million, resulting in a decrease of NOK 156 million during 2013. The group's NCOA is expected to be in the range negative NOK 500 million to negative NOK 1 500 million, with quarterly fluctuations. Equity as of 31 December 2013 totalled NOK 2 511 million (NOK 2 195 million). The group's equity ratio was 32.1 percent at year-end 2013, compared with 36.3 percent at year-end 2012. Consolidated interest-bearing debt amounted to NOK 479 million (NOK 469 million) as of 31 December 2013.

Bank facilities of NOK 3 000 million consist of a revolving credit facility of NOK 2 500 million and a term loan of NOK 500 million, both maturing in May 2016. The NOK 500 million term loan was refinanced and extended from May 2014 to May 2016 in January 2014 at improved terms. The facilities are provided by a syndicate of international banks. The term loan is fully drawn, whilst the revolving credit facility was undrawn at year-end 2013. The terms and conditions include restrictions that are customary for these kinds of facilities, including inter alia negative pledge provisions and restrictions related to acquisitions, disposals and mergers. There are also certain provisions included in the agreements relating to change of control. There are no restrictions for dividend payments and both the revolving credit facility and the term loan are unsecured.

The financial covenants are based on three sets of key financial ratios: An equity ratio based on consolidated total borrowings/consolidated total equity; a cash covenant calculated by consolidated total borrowings, less consolidated net current operating assets; and consolidated cash and cash-equivalent assets and an interest coverage ratio based on consolidated EBITDA/consolidated finance costs. The financial covenants are tested on a quarterly basis. The margin applicable to the facility is based on a price grid determined by the gearing ratio.

Consolidated non-current assets totalled NOK 2 150 million (NOK 2 218 million) as of 31 December 2013, of which goodwill amounted to NOK 1 071 million (NOK 1 157 million). Net interest-bearing cash amounted to NOK 1 069 million at the end of 2013 (NOK 650 million). The change between 2013 and 2012 is due to increased cash positions. Cash and cash equivalents was NOK 1 545 million at 31 December 2013 (NOK 1 069 million). With undrawn, committed, long-term credit facilities of NOK 2.5 billion, the Board considers consolidated capital adequacy and liquidity as good, and ensures that Kvaerner is well positioned to meet the challenges and opportunities over the coming years.

Segment reviews

Following the sale of Kvaerner's onshore construction business in North America in December 2013, the Downstream & Industrials segment is classified as discontinued operations. Consequently, Kvaerner only has one reportable segment; Upstream.

Upstream

The Upstream segment is divided into four separate business areas: Jackets, Concrete Solutions, Contractors Norway and Contractors International.

Operating revenues in 2013 totalled NOK 16 091 million (NOK 9 819 million). EBITDA was NOK 708 million (NOK 551 million), with an EBITDA margin of 4.4 percent, a reduction from 5.6 percent in 2012. The EBITDA reflects the phasing of projects and a project portfolio with limited contribution from projects awarded early in the market cycle and more recent awarded projects, except one, starting to recognising margin.

Order intake for the year amounted to NOK 18 662 million (NOK 21 285 million) including ExxonMobil releasing the option for full EPC contract for the Hebron GBS project in first quarter 2013 with order value of USD 1.5 billion to Kvaerner, the Nyhamna onshore framework agreement with A/S Norske Shell adjusted from NOK 6 to 11 billion in total as well as growth in existing projects. Order backlog as of 31 December 2013 was NOK 22 809 million (NOK 20 226 million).

Contractors Norway experienced high activity during the year with the three major projects; Eldfisk topside, Edvard Grieg topside and Nyhamna onshore. For Eldfisk, assembly activities have been on-going during the year with high activity at the Stord yard, and the start of commissioning. For Edvard Grieg, work in 2013 included detailed design, procurement and fabrication. In 2014 the main activities will move to Stord with assemblies. The Nyhamna onshore project is progressing as planned with design engineering and procurement work. Civil work is on-going at the Nyhamna site.

Also in the Jacket business area, activity was high during 2013. The two Clair Ridge jackets for BP were successfully delivered in second quarter, and the last wind jackets for the Nordsee Ost project were delivered in October. Fabrication of the Edvard Grieg and Martin Linge jackets has been performed at the yard in Verdal and with subcontractors. The two projects reached the assembly phase in third quarter and six roll-ups have been successfully completed. The assembly work will be on-going at the yard in Verdal until delivery of the two jackets in April 2014. The arbitration process for the Nordsee Ost project will take more time than earlier anticipated due to high complexity and resolution has been delayed. Please see Note 28 Contingent events (page 67), for further details.

Within Concrete Solutions, engineering, procurement and construction activities for the Hebron GBS project progresses in Newfoundland and Labrador, Canada, with engineering in St. John's and construction at the Bull Arm fabrication site. Concrete pouring of the major slip form up to an elevation or 27 metres was completed in September. At site, mechanical outfitting installation work is on-going as well as preparations for the next phase; construction at the deep water site is scheduled to start during summer 2014. The project is a 50/50 joint venture between Peter Kiewit Infrastructure and Kvaerner.

Within Contractors International, activities have been limited to smaller studies and projects during the year, following Woodside announcing in April that they would review alternative Browse LNG development concepts.

Downstream & Industrials

In December 2013 Kvaerner sold its onshore construction business in North America to Matrix Service Company. In the transaction, Matrix received ownership of certain assets of Kvaerner North American Construction, Inc. in the USA and the shares in Kvaerner North American Construction, Ltd. in Canada. Kvaerner retains the assets and liabilities related to the contract with Longview Power LLC, including any financial effects of the arbitration.

In September 2013 Kvaerner was informed that Longview Power LLC, the owner of the Longview Power Plant in Maidsville, West Virginia, had filed for protection under

Chapter 11 of the United States Bankruptcy Code. Kvaerner's on-going arbitration proceedings against Longview and other parties to recover excess costs of construction incurred is expected to be delayed by the filing. Please see Note 28 Contingent events for further details (page 67).

Going forward, Kvaerner will not have any operations in the USA within the Downstream & Industrials segment, and remaining legacies within the segment is presented as discontinued operations in the group's financial statements as from fourth quarter 2013. Profit from discontinued operations was NOK 206 million (NOK 79 million), including gain on sale of the North American construction business of NOK 272 million. Net cash inflow from the sale was NOK 376 million. Going forward, results in discontinued operations will be costs related to the on-going arbitration process up until final settlement. Please see Note 27 Discontinued operations (page 66) and Note 28 Contingent events (page 67) for further details.

Corporate and unallocated costs

For the full year, unallocated costs were NOK 71 million (NOK 134 million). Lower levels than in 2012 are reflecting reorganisation effects and cost savings. It is expected that the recurring level of net corporate costs will be approximately NOK 70-80 million annually.

Going concern

Based on the group's financial results and position described above, the Board of Directors confirms that the annual accounts for 2013 have been prepared under the assumption that the company is a going concern.

Parent company accounts

The parent company, Kværner ASA, had a net profit of NOK 114.4 million for 2013 (NOK 185.3 million). Kværner ASA has no employees and operating expenses are mainly shareholder costs for the parent holding company. The parent company has interest income from loans to subsidiaries and its main assets are shareholdings in and loans to subsidiaries. Equity ratio was 70.8 percent at year-end 2013 (52 percent).

Dividend policy

Kværner ASA's dividend policy is based on visibility and predictability. The Board announces the proposed semi-annual dividends in connection with the reporting of fourth quarter results and second quarter results, respectively. The ambition is to pay semi-annual dividends with increases, in order to give a stable and predictable dividend growth, balancing out the underlying volatility of earnings. In line with the policy, semi-annual dividends of NOK 0.55 per share and NOK 0.58 per share were paid in April and October 2013 respectively.

Allocation of net profit

Pursuant with the company's dividend policy, the Board of Directors proposes to the Annual General Meeting that a semi-annual dividend of NOK 0.61 per share should be paid in April 2014. The Board of Directors thereby proposes the following allocation of net profit:

Proposed dividend	NOK 164 million
Semi-annual dividend paid	NOK 156 million
Transferred from other equity	(NOK 206 million)
Total allocated	NOK 114 million

Total equity in Kværner ASA after the proposed dividend payment amounts to NOK 5 010 million (NOK 5 216 million). The Board of Directors have considered the proposed dividend in conjunction with equity and liquidity requirements in the Limited Company Act and based on the Board's best judgment, the proposed dividend are within these requirements.

Events after the balance sheet date

Financing

In January, Kværner ASA entered into a Second Amended and Restated Agreement under the NOK 3.0 billion loan agreement with its lenders, to extend the NOK 500 million loan facility agreement maturing in May 2014 to May 2016, at improved terms.

Completion contracts for Aasta Hansteen

Kvaerner was in January and February 2014 awarded two contracts with Technip and Hyundai Heavy Industries for completion work on the Aasta Hansteen project. The scope includes providing services and assistance to Technip for upending of the hull, installation of predefined equipment and preparation of the Aasta Hansteen Spar for mating with the topside. For Hyundai, Kvaerner will execute services for inshore and offshore hook-up and commissioning of the topside.

Corporate Governance

Kvaerner performs corporate governance within the relevant framework of several different legal regulations and principles in the respective jurisdictions in which it operates.

As Kvaerner exercise ultimate governance and control from its headquarters in Norway, and is listed on Oslo Børs (Oslo Stock Exchange), Norwegian legislation is a significant framework in terms of company and securities legislation, financial reporting and other corporate issues. As part of its corporate governance model, Kvaerner's Board of Directors has adopted the Norwegian Code of Practice for Corporate Governance. Kvaerner's detailed corporate governance statement can be found on www.kvaerner.com/cg. In general, corporate governance in Kvaerner is based on the model wherein shareholders, at the Annual General Meeting appoint the Board of Directors to act as their representatives in governing the company.

The Board of Directors sets the strategic direction, the overall governance structure, values and policies, in accordance with Norwegian legislation and frameworks. Kvaerner has a Code of Conduct and a set of global policies and procedures which provides direction on acceptable performance and guides decision-making in all parts of the company. The Kvaerner Code of Conduct was approved by the Board of Directors in March 2012. All Kvaerner policies are subject to an annual review and, when deemed necessary, updates are made. In 2013 several of the policies were updated to further develop and formalise processes and strengthen the risk methodology in all parts of the organisation.

As set out in the Norwegian Public Limited Liability Companies Act, Kvaerner's Board of Directors has established an Audit Committee, comprising the Directors Leif-Arne Langøy (Chairman), Live Haukvik Aker and Rune Rafdal. The Board has also established a Remuneration Committee, with the Directors Leif-Arne Langøy (Chairman), Tore Torvund and Vibeke Hammer Madsen as members.

Kvaerner encourages its employees as well as contract staff, partners, suppliers and customers to report any concerns in terms of compliance with law and/or ethical standards. The company has established a whistleblowing channel to the Corporate VP Compliance and an investigation team for follow-up of compliance issues.

Risk management

Risk management at corporate level

Kvaerner focuses on risk management in all parts of the organisation. Every year, a risk review is performed and presented to the Board of Directors. The annual risk review is executed in order to identify the most significant risk areas and to establish risk reducing actions within these areas. In this assessment, the consolidated view across all Kvaerner's units is looked into, top risk areas are identified and risk reducing measures agreed upon.

The annual risk review is divided into four areas: Finance; Projects; Health, Safety, Security and Environment (HSSE) and Business Integrity. Financial risks cover currency, interest rate, counterparty and liquidity risk. Project risks cover processes and organisation as well as project specific risks. HSSE risks cover risks within health, safety, security and environment. Business Integrity covers human rights, corruption and improper payments as well as fraud.

The Corporate Treasury function is responsible for managing financial market risk and the group's exposure to financial markets. Please see Note 5 Financial risk management and exposures (page 30), for a detailed description of the group's financial risks and Note 28 Contingent events (page 67) for an overview of significant current disputes. Kvaerner has defined procedures and routines for managing the group's financial market exposure.

The Kvaerner Corporate Risk Committee performs tender reviews. In 2013 Kvaerner established the Corporate Project Review and Support Team with responsibility to identify critical issues based on independent assessments and a mandate to initiate reviews when necessary. In addition, the team performs selected project milestone gate reviews as well as project reviews after start-up.

The Kvaerner Corporate Internal Audit Function Team performs compliance audits, i.e. compliance with the Kvaerner policies, laws and regulations and other audits resulting from the annual risk review. In 2013 four corporate internal audits were planned and executed.

A regular risk management procedure is the Monthly Operating and Quarterly Business Review meetings held between corporate management and the different business areas.

Risk management in the operations

Each legal entity is responsible for ensuring compliance with corporate procedures and systems and with all other applicable regulations and legal requirements.

The Project Execution Model (PEM™) is the methodology followed when executing projects. All risk management processes and controls shall be described according to the respective operating system of the business area unit. In each of the project phases there are defined milestones that the project needs to pass through and between all the phases there are defined gate reviews/audits.

All projects in Kvaerner have a register where identified risks and opportunities are categorised and assessed in terms of impact and probability. In 2013 several initiatives were launched to further develop the PEM™ as well as the risk methodology descriptions and these initiatives will continue to have high focus also in 2014.

Kvaerner works with several partners and several hundreds of suppliers and subcontractors around the world. Kvaerner performs risk based due diligences as part of the pre-qualification processes. All joint venture partners and third party representatives have to go through due diligence assessments and have to be approved by the President & CEO. In 2013 Kvaerner launched the Supplier Qualification and Information system database which is a key enabler for Kvaerner in order to increase supplier performance. This database provides a good tool for monitoring the suppliers in a system that integrates information on risk, quality, HSSE, anti-corruption and human rights. A supplier which does not meet Kvaerner's requirements will not be awarded any contracts until the necessary mitigating actions have been made.

Health, Safety, Security and Environment (HSSE)

Kvaerner's ambitions within HSSE are not only part of the company's core values but is regarded a licence to operate.

The HSSE operating environment

Kvaerner may have business activities in regions or operating environments where it is challenging to establish and maintain a strong HSSE performance. Independent of this, and above all other objectives, Kvaerner's principle for HSSE is to strive for zero harm to people, health, environment and property.

- The company continuously seeks to improve the HSSE culture and performance. Care for HSSE is a core value of Kvaerner and is expressed through its Just Care™ mindset. A key element in the Kvaerner's Just Care™ approach is that all employees accept personal responsibility for HSSE by actively caring for themselves, co-workers and the environment. Through Just Care™, the HSSE message effectively addresses individual employees. Managers act as positive HSSE role models and have a strong commitment to communication and training. This creates attitudes that integrate HSSE focus for all employees every day

Proactive HSSE activities

A common HSSE operating system sets expectations for the key elements in HSSE management and leadership. Regular reviews uncover possible gaps in relation to expectations, and the necessary activities for improvement are identified and initiated. Key HSSE performance indicators have been implemented. A strong focus on leading activities in the HSSE field, combined with defined targets measured against actual results, guides Kvaerner towards continual improvements in HSSE performance.

Just Rules is a set of concrete guidelines within Kvaerner's HSSE operating system. These have been established to control the most safety-critical activities in our operations. Just Rules is a mandatory part of Kvaerner's safety training for all employees, providing clear and simple check-lists and controls for operations.

To further establish its proactive approach to HSSE, Kvaerner uses a number of leading key performance indicators to monitor and further encourage HSSE performance. The benefits of using the leading indicators can be seen in further improvements in the lagging indicators. The use of leading indicators provides an accurate and continuous picture of the status of the control measures needed to prevent major incidents. Kvaerner has chosen to focus on inspections, task-risk analyses and risk observations as leading indicators, all of which showed a positive development throughout 2013.

Training and information to further build a common HSSE culture

Competence is crucial in Kvaerner's HSSE programme. To reach out to all employees in an efficient manner, Kvaerner uses dedicated training programmes at business area and project levels, as well as eLearning programmes for key areas within HSSE. Training packages at project level are tailored to individuals, both in terms of content and language. Line managers are trained to be role models and to drive HSSE improvements through specific safety academy programmes. During 2013, one percent of total man-hours worked were invested in HSSE training.

Sharing of best practice and learning from incidents

To ensure continuous improvements, best practices are captured and shared within the organisation. The annual one-day HSSE summit hosted by the President & CEO gathers key personnel from Kvaerner, subcontractors, suppliers and customers.

All incidents are identified and classified according to their severity. Investigations are initiated based on the severity and the potential consequence of the incident. All serious incidents and serious near misses are investigated in accordance with specific internal guidelines. Actions for improvement are identified and improvements are subsequently implemented. Following serious incidents, lessons learned packages are produced and shared throughout Kvaerner with the aim of preventing similar future incidents.

Performance achievements

Safety

During 2013, Kvaerner continuously improved its safety performance - a direct result of efforts to implement further safety systems. At year-end, a lost time incident frequency (LTIF) of 0.53 and a total recordable incident frequency (TRIF) of 2.64 were recorded, improving from corresponding 0.61 and 3.22 for 2012. These figures also include Kvaerner's subcontractors and are calculated per million man-hours worked. Hand, fingers and foot injuries accounted for 30 of the total of 50 injuries. Kvaerner has numerous examples of projects and units with long periods without any serious incidents or personal injury. This indicates that the zero incident target is achievable.

In 2013, 13 serious incidents or serious near misses were identified and thoroughly investigated. The majority of these incidents resulted from working at height and crane operations. Two of these incident caused injuries to personnel.

Occupational health

The company's sponsorship of and participation in the Aker Active programme are examples of health initiatives in 2013 focusing on physical exercise and nutrition.

Total sick leave for Kvaerner in 2013 was 197 157 sick leave hours for own employees, which constitutes 4.2 percent (4.48 percent) of total man-hours. The Kvaerner companies in Norway are signed up in the More Inclusive Working Life (IA) agreement. The IA Agreement is an instrument aimed at reducing sick leave and to increase the focus on job presence.

Environment

Kvaerner continuously works to reduce its environmental footprint. Total energy consumption by the business in 2013, based on recorded use of oil, gas and electricity, amounted to 91 500 megawatt-hours. Carbon emissions relating to this use are estimated at 8 300 tonnes. Corresponding figures for 2012 were 81 600 megawatt-hours and 4 500 tonnes of emissions. The methodology used derives from the Greenhouse Gas Protocol (GHG), and Global Reporting Initiative (GRI). Waste recorded in connection with the business totalled 8 535 400 tonnes, of which 62 percent was recycled. In 2012, the recorded waste amounted to 4 400 tonnes. The increase reflects both phasing of projects, especially use of wood for slip forming at the Hebron project, as well as improved recording systems. Kvaerner is evaluating ways to increase the recycling factor also on waste wood material.

The main energy consumption, carbon emissions and waste disposal are in relation to activities at the yards. The two Norwegian yards are certified according to the ISO 14001 environmental standard.

The HSSE leadership development initiatives, eLearning and the management system, incorporate clear components that focus on the environment. Collectively, these contribute to continuous improvements in environmental awareness and attitudes among managers and employees. This inspires the organisation to achieve further gains in environmental performance in Kvaerner's own activities, and to assist customers in making environmental improvements through the products developed and projects executed.

Security

Due to the global nature of Kvaerner's operations, the company is exposed to changes in the global risk situation. Its projects operate in a wide range of areas, which means that potential security threats may arise.

To mitigate possible risk situations, Kvaerner is linked to International SOS, which provides a global tool for risk assessment and risk control. All employees can be provided with a reliable and updated risk assessment and have access to information, as well as to local contacts and an existing network, at all times.

Corporate Social Responsibility (CSR)

Kvaerner strives to run all operations with integrity, in line with the Kvaerner values and governing documents, relevant laws and regulations, and the society's expectations. Kvaerner is committed to respect the basic human and trade union rights, and acknowledges the fundamental principles of human rights, including a specific focus on non-discrimination. Caring about HSSE are core values at Kvaerner. The company strives to have zero harm to people, health, environment and property. During 2013, these efforts resulted in a number of improvements (see separate HSSE chapter).

In 2012 Kvaerner set an ambitious goal for training within Business Integrity, covering anti-corruption and human rights, and 95 percent of all the employees went through extensive face-to-face training. In 2013, Business Integrity was integrated into the mandatory classroom introduction training for all new employees and into the familiarisation training for the contract staff. In-depth classroom courses are organised for new employees and contract staff holding exposed roles. In 2013 Kvaerner also launched an eLearning program to complement the classroom training.

In all projects Kvaerner is executing, the company seeks to employ and train local staff. It is important for Kvaerner to be a responsible employer, and Kvaerner contributes to local value creation by facilitating a higher degree of competence of both local hired employees and local contract staff. Local content is a key factor in many oil and gas projects and Kvaerner has long and documented experience in contributing to local content and establishing long-term local value creation through both the use of local suppliers and through training and effectively integrating local subcontractors.

Kvaerner commits to monitoring the performance of suppliers and to take immediate and relevant remedial steps in cases where the ethical performance of the supplier comes into question. In 2013 Kvaerner launched the Supplier qualification and information system database, a key enabler in allowing Kvaerner to improve supplier performance. In 2013 Kvaerner participated in the working group established by Transparency International Norway and the Norwegian federation of employers (NHO) which resulted in the publication of the handbook to companies on how to work with anti-corruption in the supply chain.

For further information regarding Kvaerner's CSR efforts and risk management, please see the separate CSR report published on the website www.kvaerner.com/csr.

People and organisation

Organisation structure and changes in 2013

In June 2013 Kvaerner adjusted the organisation structure to enhance focus on project execution, streamline resource utilisation, facilitate new delivery models and improve cost consciousness. The corporate staff functions were reduced through the year.

Executive management team (EMT)

The executive management team represents a wealth of national and international business experience. The eight EMT members have experience from senior positions in major oil and gas companies as well as from the supply industry, and have worked on some of the largest field development projects around the globe. The EMT members have also worked in a broad range of complementary and associated industries.

In June 2013, Steinar Røgenes joined Kvaerner from Aker Solutions to become executive vice president (EVP) for business area Contractors Norway. Jan Øyri, EVP Business support left Kvaerner in November 2013.

For a complete presentation of the EMT, please visit www.kvaerner.com/emt.

Developing people and teams

Kvaerner aims at attracting, retaining and developing talented and motivated people and teams who understand the customer's needs and requirements, in order to execute some of the world's most demanding projects. Hence, Kvaerner focuses strongly on continuous training of leaders, employees and teams at all levels of the organisation. In order to ensure safe operations and added value for the customers, shareholders and other stakeholders, leadership and project management education and practical training is strongly emphasised. All training is based on the company's core values, the Code of Conduct and the leadership principles. HSSE is one of the core values and is always covered in all training activities.

The Kvaerner Leadership Training programme (KLT) was established in 2011, providing practical leadership training for leaders at all levels of the organisation. Outstanding project management is a crucial success factor for Kvaerner. To that end, the company provides post-qualifying education for project managers in order to obtain individual formal project management certification.

All Kvaerner project deliveries are results of team efforts. The PEM™ is, together with highly skilled and fully aligned project teams, the key to success. The Kvaerner Training Center is established in order to train project management teams in practical application of the PEM™ and to obtain the necessary alignment of the project management teams.

Kvaerner has over decades seen the value of offering its employees programmes for developing skills also benefitting the company. To increase the number of engineers and operators with special qualifications in the organisation, Kvaerner has in 2013 established new and specific programmes to provide the opportunity for skilled workers and operators to obtain further education and training. Some of the programmes have been established in close cooperation with technical colleges and universities, and partly as a joint effort with other industrial companies. The programmes enable the participants to become certified as operators within various disciplines and levels, or to graduate as engineers at Bachelor or Master degree levels. The first participants in these new programmes graduated at the end of 2013. At the start of 2014, Kvaerner had more than 45 employees participating in these programs.

Kvaerner's projects are executed in different geographical areas and at remote locations, leading to various challenges such as complex working conditions. In order to meet project needs, Kvaerner focuses on providing on-site programmes and eLearning for appropriate training. In order to familiarise themselves with Kvaerner's way of working as quickly as possible, all new employees are required to participate in an induction day. Temporary employees participate in a mandatory orientation.

For further information about Kvaerner's efforts to develop the organisation and employees, please see the Corporate Social Responsibility Report for 2013 at www.kvaerner.com/csr.

Organisation and recruitment

As of 31 December 2013, the overall workforce comprised 4 156 individuals which included 2 832 permanent employees and 1 324 contract staff. Corresponding figures for 2012 were 2 966 permanent employees and 1 407 contract staff. Gender distribution at Kvaerner is approximately 17 percent women and 83 percent men. 96 percent of the permanent employees work in Norway while the remaining 4 percent work in USA, Finland, China, Australia, Canada and Russia.

Kvaerner emphasises both the retention of its experienced workforce and the inflow of graduates and apprentices. In 2013, Kvaerner recruited 227 new employees, of which 39 were women and 188 were men. 46 percent of the new employees were below 30 years of age, 39 percent were between 30 and 50 years old, and 15 percent were above the age of 50. The total voluntary employee turnover was four percent in 2013, a decrease from five percent in 2012.

It is essential for Kvaerner to retain competencies. The company offers an inspiring and challenging work place with a high degree of teamwork and good individual career and development opportunities. By practising a senior programme, Kvaerner is encouraging senior employees to prolong their working life beyond the age when they are eligible for retirement.

Kvaerner operates two fabrication yards in Norway at Stord and in Verdal. The inflow of a new generation skilled workers and operators is vital for the transfer of core knowledge and experience. Apprenticeships are an important method of recruiting to such professions, and Kvaerner has a continuous focus on recruiting new apprentices. In 2013, this resulted in the highest number of apprentices in the company's history with a total of 74 new apprentices recruited during the year, and a total of 159 apprentices under applicable agreements at year end compared to 126 apprentices at year end 2012.

Diversity and equal opportunity

As the nature of Kvaerner's operations calls for employees from different operating entities and geographical regions nationally and internationally, the principles of equal opportunity are well established in the company. No differences shall exist between treatment of genders or ethnic groups. Employment conditions and compensation packages are based on responsibility and personal performance, irrespective of gender or ethnicity.

The commitment to equal opportunities is clearly described in Kvaerner's policies and in the agreements the company has with national and international trade unions. Kvaerner will in 2014 continue its focus on training all employees in order to avoid any form of discrimination or harassment.

Approximately 16 percent of senior managers are women. Leadership training is an important contribution toward increasing the number of women promoted to managerial positions. From 2012 to 2013, Kvaerner succeeded in maintaining the share of women holding senior management positions at 16 percent, and the share completing leadership training, at 18 percent. Two of Kvaerner's five shareholder-elected Directors are women. All of the three Directors elected by and among the employees are men. This is in accordance with legal requirements, since women account for less than 20 percent of Kvaerner's workforce.

Kvaerner's management aims at using new recruitments as an opportunity to attract more qualified women, and thus increase the share of women in the organisation. The Board of Directors supports this approach.

Performance culture and employee remuneration

Kvaerner's global remuneration policy and remuneration guidelines is aimed at enabling the company to attract and retain employees with the right attitudes, skills and ability to deliver strong performance on a global basis. In order to foster a high level of engagement, Kvaerner provides both monetary and non-monetary rewards. The company's global remuneration policy is based on the following: Competitive, internally fair, consistent, and comprehensive compensation systems. The total compensation - consisting of fixed salary and incentives, or other benefits - shall reflect the employee's experience, level of responsibility and performance

Compensation by rewarding performance and results, with a minimal number of non-performance related rewards.

A focus on leadership development and leadership performance in order to offer a supportive working environment, encouraging open and direct dialogue.

Kvaerner's performance management process is a prerequisite when considering the link between performance and remuneration. Objectives are set and performance is measured on both a team and individual level. Objectives are determined on the basis of strategies and financial budgets. Both personal behaviour and commercial dimensions are evaluated and measured.

At a minimum once a year, the manager and the employee evaluate the results achieved. The dialogue at this meeting provides an important opportunity for recognition, rewards, consideration of career development and future direction for individual performance improvements.

Performance-based pay is regarded as an attractive part of total remuneration at Kvaerner. Variable pay programmes are in place for different positions in the organisation. Annual variable pay is offered to key management personnel. This is based on the commercial results for the business areas, the employee influence, key performance indicators, personal performance and to what extent these measures comply with Kvaerner's values. Further details about the remuneration of the EMT are provided in Note 9 Salaries, wages and social security costs (page 41) - in the consolidated financial statements.

Research & Development (R&D)

There is a growing demand for field development solutions which can help the oil companies to reduce their overall costs by leveraging standardised technologies and industrialised delivery models.

Part of Kvaerner's competitive strength is based on technology and methods which are attractive in the market because they add value to the customers' operations and reduce their costs by enabling a more effective project execution.

Kvaerner's R&D strategy has a clear focus on creating values and results. The company strives to identify the potential commercial opportunities before new R&D activities are started, and new developments are often executed with customers or business partners as sponsors. This approach increases the market interest in new technologies and methods.

In 2013, Kvaerner has performed a number of carefully selected R&D projects. Several activities have been directed at solutions for safe and cost efficient field developments in extreme Arctic conditions, including the development of a new drilling rig concept as well as a new concept for a concrete gravity based structure (GBS), based liquid natural gas (LNG) terminal for such harsh environments. Kvaerner has continued the development of a deep-water mono-floater platform, and launched the low cost concept "Generic Unmanned Wellhead Platform". This innovative solution leverages relatively low cost well control systems installed above the water surface, rather than subsea installations which in several cases are more expensive in terms of both investments and operations.

All of these examples were sponsored by potential customers, and Kvaerner plans to continue the development of these technologies in 2014.

Share capital

The company's shares are listed on Oslo Børs (Oslo Stock Exchange) and are freely transferable. No transferability restrictions are incorporated into the Articles of Association. There are 269 000 000 shares issued and outstanding, all of which are of the same class and with equal voting and dividend rights. Each share has a par value of NOK 0.34. The main shareholder is Aker Kværner Holding AS, holding 41.02 percent of the shares. Aker ASA owns 70 percent of Aker Kvaerner Holding, while the Norwegian Government owns 30 percent as of 31 December 2013. Proposition No. 88 (2006–2007) to the Storting (Norwegian Parliament) contains more detailed information concerning the establishment of Aker Kværner Holding AS and the agreement between Aker ASA and the Norwegian Government. The company is not party to any agreement that is conditional upon offerings of take-over in the company.

Kvaerner had 10 253 shareholders (10 125) on record as of 31 December 2013, of which 38 percent (40.3 percent) were non-Norwegian. The share price was NOK 11.50 at year-end 2013, compared to NOK 16.20 at year-end 2012.

During 2013 Kværner ASA acquired 1 834 575 treasury shares in the open market. The company sold 1 770 314 of its own shares during the year as part of the share purchase programme for Kvaerner employees and managers. The company also awarded 64 261 of its own shares as bonus shares to Kvaerner employees under previous Aker Solutions share purchase programmes. The company does not exercise any shareholder rights for the shares purchased by the company for use in the share purchase programmes for employees and managers, respectively. At year-end 2013, Kværner ASA held no treasury shares. For more information about the share purchase programmes, please see Note 9 Salaries, wages and social security costs (page 41), in the consolidated financial statements.

Outlook

Kvaerner has a strong order backlog which provides for a solid basic workload over the next few years. The company's first priority is to execute and deliver the existing projects according to plans and expectations.

Kvaerner see that the market continues to present many opportunities within the company's key segments, both at the Norwegian continental shelf and in other regions. In 2014 and 2015, Kvaerner expects to see several invitations to tender for new projects within all the company's business areas. However, the competition is expected to stay intense.

Kvaerner is building a culture for continuous improvement as a measure to stay ahead of the competition. A series of improvements to enhance productivity and reduce costs have been implemented. Kvaerner aims to achieve that these improvements will provide a cost reduction of 15 percent.

After the delivery of two large jackets in the spring of 2014, the Verdal yard currently has no new orders. The future situation is thus challenging for the yard which based on current status expect some surplus capacity from the summer of 2014. Assessments of opportunities for future operations are on-going and will be concluded during the first half of 2014.

Kvaerner expects the activity level to remain high in 2014 in most parts of the company. The company expects a certain surplus capacity in Jackets from the summer of 2014, but the situation will be influenced by the outcome of tendering activities for new projects. On a group level, Kvaerner intends to continue to grow the company's business and the company's position in the global markets through 2014.

Acknowledgements

2013 has been a hectic year for the entire Kvaerner organisation. With a record high order backlog, project execution has been the key focus. Simultaneously, Kvaerner has managed to perform a thorough analysis of opportunities for further improvement of its HSSE results, efficiency, cost base, and implemented a series of measures to enhance the company's performance. The Board of Directors is pleased to observe that Kvaerner is developing in a positive direction, and extends its gratefulness to the management and employees for the achievements they have delivered.

Vækerø, 17 March 2014
Board of Directors and President & CEO of Kværner ASA

Leif-Arne Langøy
Chairman

Tore Torvund
Deputy Chairman

Kjell Inge Røkke
Director

Vibeke Hammer Madsen
Director

Live Haukvik Aker
Director

Rune Rafdal
Director

Ståle Knoff Johansen
Director

Bernt Harald Kilnes
Director

Jan Arve Haugan
President & CEO

Annual accounts Kvaerner group

Consolidated income statement 01.01 - 31.12

Amounts in NOK million	Note	2013	2012R
Total revenue and other income	8	**12 960**	8 867
Materials, goods and services		**(9 579)**	(5 827)
Salaries, wages and social security costs	9	**(2 194)**	(2 014)
Other operating expenses	11	**(552)**	(609)
Operating profit before depreciation, amortisation and impairment		**636**	417
Depreciation	19	**(63)**	(54)
Amortisation	20	**-**	(3)
Operating profit		**573**	359
Financial income	12	**10**	30
Financial expenses	12	**(106)**	(45)
Share of profit or loss of equity accounted investees and impairment charges	22	**(78)**	(8)
Profit before tax		**399**	337
Income tax expense	13	**(160)**	(179)
Profit from continuing operations		**239**	158
Profit from discontinued operations	27	**206**	79
Profit for the year		**445**	237
Profit for the period attributable to:			
Equity holders of the parent company		**445**	237
Profit for the year		**445**	237
Earnings per share (NOK)			
Basic and diluted EPS continuing operations	6	**0.89**	0.59
Basic and diluted EPS discontinued operations	6	**0.77**	0.29
Basic and diluted EPS total operations	6	**1.66**	0.88

Restated figures are reflecting impacts from implementing IAS 19R Employee Benefits and reclassification of the Downstream & Industrials segment to discontinued operations. Reference is made to Note 31 for details.

The notes on pages 22 to 68 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income 01.01 - 31.12

Amounts in NOK million	2013	2012R
Profit for the year	**445**	237
Items that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges, net of tax		
- Fair value adjustment recognised in equity	**12**	(10)
- Reclassified to profit or loss	**12**	(6)
Translation differences - equity-accounted investees	**(3)**	1
Translation differences - foreign operations	**163**	(51)
Items that may be reclassified to profit or loss in subsequent periods	**185**	(65)
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) on defined benefit pension plans, net of tax	**(5)**	43
Items not to be reclassified to profit or loss in subsequent periods	**(5)**	43
Total other comprehensive income for the year, net of tax	**179**	(22)
Total comprehensive income for the year	**624**	215
Total comprehensive income attributable to:		
Equity holders of the parent company	**624**	215
Total comprehensive income for the year	**624**	215

Restated figures are reflecting impacts from implementing IAS 19R Employee Benefits. Reference is made to Note 31 for details.

The notes on pages 22 to 68 are an integral part of these consolidated financial statements.

Consolidated balance sheet as of 31 December

Amounts in NOK million	Note	2013	2012R
Assets			
Non-current assets			
Property, plant and equipment	19	**713**	620
Deferred tax assets	13	**193**	254
Intangible assets	20	**1 080**	1 157
Interest-bearing receivables related parties	7	**1**	44
Investments in associated companies and jointly controlled entities	22	**132**	106
Other non-current assets	21	**30**	37
Total non-current assets		**2 150**	2 218
Current assets			
Current tax assets	13	**93**	91
Trade and other current assets	14	**3 102**	2 654
Trade and other receivables related parties	7	**20**	6
Cash and cash equivalents		**1 545**	1 069
Retained assets on business sold	27	**916**	-
Total current assets		**5 676**	3 819
Total assets		**7 825**	6 039

Amounts in NOK million	Note	2013	2012R
Equity and liabilities			
Equity			
Share capital		**91**	91
Share premium		**729**	729
Retained earnings		**1 715**	1 578
Other reserves		**(24)**	(204)
Total equity	6, 30	**2 511**	2 195
Non-current liabilities			
Non-current interest-bearing liabilities	23	**479**	469
Employee benefits obligations	24	**170**	171
Deferred tax liabilities	13	**-**	1
Total non-current liabilities		**649**	641
Current liabilities			
Current tax liabilities	13	**56**	28
Provisions	17	**330**	338
Trade and other payables	16	**4 049**	2 818
Trade and other payables related parties	7	**8**	19
Retained liabilities on business sold	27	**223**	-
Total current liabilities		**4 666**	3 203
Total liabilities		**5 315**	3 844
Total liabilities and equity		**7 825**	6 039

Restated figures are reflecting impacts from implementing IAS 19R Employee Benefits. Reference is made to Note 31 for details.

The notes on pages 22 to 68 are an integral part of these consolidated financial statements.

Vækerø, 17 March 2014
Board of Directors and President & CEO of Kværner ASA

Leif-Arne Langøy
Chairman

Tore Torvund
Deputy Chairman

Kjell Inge Røkke
Director

Vibeke Hammer Madsen
Director

Live Haukvik Aker
Director

Rune Rafdal
Director

Ståle Knoff Johansen
Director

Bernt Harald Kilnes
Director

Jan Arve Haugan
President & CEO

Consolidated statement of changes in equity 01.01 - 31.12

Amounts in NOK million	Number of shares	Share capital	Share premium	Combined equity from parent	Retained earnings	Hedge reserve	Currency translation reserve	Pension reserve	**Total equity**
Equity as of 31 December 2011	269 000 000	91	729	-	1 757	(6)	(126)	-	**2 445**
Impact of implementing IAS 19R, net of tax		-	-	-	-	-	-	(49)	**(49)**
Equity as of 1 January 2012, restated	269 000 000	91	729	-	1 757	(6)	(126)	(49)	**2 396**
Profit for the period		-	-	-	237	-	-	-	**237**
Other comprehensive income		-	-	-	-	(15)	(50)	43	**(22)**
Total comprehensive income		-	-	-	237	(15)	(50)	43	**215**
Employee share purchase programme		-	-	-	(5)	-	-	-	**(5)**
Dividend		-	-	-	(412)	-	-	-	**(412)**
Equity as of 31 December 2012, restated	269 000 000	91	729	-	1 578	(22)	(176)	(6)	**2 195**
Profit for the period		-	-	-	445	-	-	-	**445**
Other comprehensive income		-	-	-	-	24	160	(5)	**179**
Total comprehensive income		-	-	-	445	24	160	(5)	**624**
Employee share purchase programme		-	-	-	(3)	-	-	-	**(3)**
Changes in treasury shares		-	-	-	(1)	-	-	-	**(1)**
Dividend		-	-	-	(304)	-	-	-	**(304)**
Equity as of 31 December 2013	269 000 000	91	729	-	1 715	3	(16)	(11)	**2 511**

Restated figures for previous years are reflecting impacts from implementing IAS 19R Employee Benefits. Reference is made to Note 31 for details.

The notes on pages 22 to 68 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows 01.01 - 31.12

Amounts in NOK million	Note	2013	2012R
Cash flow from operating activities			
Profit/(loss) for the period		**445**	237
Adjusted for:			
Income tax expense	13	**190**	131
Net interest cost		**96**	31
Depreciation, amortisation and impairment	19	**70**	66
Difference between pension premiums paid and pension expense, defined benefit schemes		**(12)**	14
Difference between income and dividends received from associates	22	**24**	27
Sales (gains)/losses		**(272)**	(42)
Interest paid and received		**6**	27
Income taxes paid		**(110)**	(284)
Changes in other net operating assets		**170**	(953)
Net cash from operating activities	8	**606**	(748)
Cash flow from investing activities			
Acquisition of property, plant and equipment	19	**(164)**	(218)
Proceeds from sale of property, plant and equipment, investments and operations		**376**	111
Change in other investments		**(4)**	16
Net cash from investing activities		**208**	(91)
Cash flow from financing activities			
Interest paid		**(53)**	(45)
Payment of dividend		**(304)**	(412)
Transactions in own shares		**1**	(24)
Net cash from financing activities		**(356)**	(481)
Effect of exchange rate changes on cash and bank equivalents		**19**	(29)
Net increase/(decrease) in cash and bank equivalents		**476**	(1 349)
Cash and cash equivalents at the beginning of the period		**1 069**	2 418
Cash and cash equivalents at the end of the period		**1 545**	1 069

Restated figures are reflecting impacts from implementing IAS 19R Employee Benefits. Reference is made to Note 31 for details.

The notes on pages 22 to 68 are an integral part of these consolidated financial statements.

Note 1 General information

Kværner ASA was incorporated on 12 January 2011 and is domiciled in Norway. Kværner ASA's registered office address is Drammensveien 264, 0283 Oslo, Norway.

As of 7 July 2011, Kvaerner was demerged from Aker Solutions and was listed on Oslo Børs (Oslo Stock Exchange) as a separate entity as of 8 July 2011.

Kværner ASA (the company) and its subsidiaries (together Kvaerner or the group) is a specialised provider of engineering, procurement and construction services for offshore platforms and onshore plants. See Note 8 Operating segments, for further details.

Note 2 Basis of preparation

General
The consolidated financial statements of Kværner ASA incorporate the financial statements of the company and its subsidiaries, and the group's interest in associates and jointly controlled entities and operations at 31 December 2013.

Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, relevant interpretations and additional requirements following the Norwegian Accounting Act as of 31 December 2013.

The consolidated financial statements were approved by the Board of Directors and President & CEO as shown on the dated and signed balance sheet.

The consolidated financial statements will be approved by the Annual General Meeting on 10 April 2014.

Basis of measurement
The consolidated financial statements are prepared on the historical cost basis, except for derivative financial instruments and defined benefit pension plan assets and liabilities which are measured at fair value.

Functional and presentation currency
The consolidated financial statements are presented in Norwegian kroner (NOK), which is Kværner ASA's functional currency.

All financial information presented in NOK has been rounded to the nearest million, except where otherwise indicated. As a result of rounding differences, numbers or percentages may not add up to the total.

Measurement of performance
The group's key measure of financial performance is EBITDA. EBITDA definition: Earnings before Interest (net financial items), Taxes, Depreciation and Amortisation.

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Changes in accounting policies
IAS 19 Employee Benefits
As of January 2013, Kvaerner implemented IAS 19 Amended Employee benefits with retrospective application for 2012. The revised standard requires immediate recognition of actuarial gains and losses in other comprehensive income and elimination of the corridor method. The standard further requires net interest income or expense calculations to use the discount rate used to measure the defined benefit asset or liability. Reference is made to Note 31 for details of implementation effects.

Amendments to IAS 1
As of January 2013, Kvaerner implemented Amendments to IAS 1 Presentation of Financial Statements. Amended IAS 1 affects presentation of comprehensive income only, where items must be split between those that may be reclassified to profit or loss and those which will remain in equity.

IFRS 13 Fair Value Measurement
The group's assets and liabilities measured at fair value are limited and immaterial. Implementation of IFRS 13 has not changed the measurement process and additional notes disclosure requirements have been limited due to immateriality.

Further details on these changes are described in the applicable accounting policies below.

Basis of consolidation
Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries
Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in associates
Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost.

The consolidated financial statements include the group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and further losses are not recognised except to the extent that the group has legal or constructive obligations or has made payments on behalf of the investee.

Jointly controlled entities

Jointly controlled entities are those entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent of the venturers for strategic, financial and operating decisions.

Investments in jointly controlled entities are accounted for using the equity method, with Kvaerner`s share of net result after tax recognised in profit or loss. Results from jointly controlled entities were tax is levied on the partners rather than the jointly controlled entity; Kvaerner's share of the tax will be included in the tax expense line.

Jointly controlled operations

Jointly controlled operations involve the use of assets and other resources of venturers rather than the establishment of a corporation, partnership or other entity. Each venturer uses its own assets and incurs liabilities which represent its own obligations under the agreement. The agreement also determines how the revenues are shared among the venturers. For the years reported, the group have not had any jointly controlled operations.

Transactions eliminated in consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Presentation of results

The purpose of the investment determines where its results are presented in profit or loss. When entities are formed to share risk in executing a project or are closely related to Kvaerner's operating activities, the share of the profit or loss is reported as part of other income in operating profit. Share of profit or loss from financial investments is reported as part of financial items.

Foreign currency

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate on that date. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated according to the functional currency at the exchange rates on the date the fair value was determined.

Foreign exchange translation differences are recognised in profit or loss, except for the differences arising from the translation of qualifying cash flow hedges (to the extent that the hedge is effective), which are recognised in other comprehensive income. Translation of monetary assets and liabilities related to operating activities shall be included in operating result.

Foreign operations

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates. The results and financial position of all group entities that have a functional currency different from the group's presentation currency are translated to the group's presentation currency of NOK as follows:

- Assets and liabilities, including goodwill and applicable consolidation adjustments, for each balance sheet presented, are translated at the closing rate on the date of that balance sheet
- Income and expenses for each income statement are translated at the average exchange rates for the year, calculated on the basis of 12 monthly rates

Foreign exchange differences arising from this translation are recognised in other comprehensive income, and presented as a separate component in equity.

Exchange differences arising from the translation of the net investment in foreign operations are included in other comprehensive income as a translation reserve. These translation differences are reclassified to the income statement upon disposal of the related operations.

Exchange differences arising from non-current monetary receivable or payable by a foreign operation where settlement is neither planned nor likely in the foreseeable future, forms part of the net investment in that entity and are recognised in other comprehensive income. These translation differences are reclassified to the income statement upon disposal of the related operations or when settlement of the receivable or payable is planned or is considered likely to happen in the foreseeable future.

FINANCIAL INSTRUMENTS

Financial assets

The group initially recognises loans and receivables on the date that they originate. All other financial assets are recognised on the trade-date, being the date that the group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has substantially transferred all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount presented only when the group has the legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group classifies its financial assets according to the following categories: at fair value through profit or loss; loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, with transaction costs expensed in profit or loss as incurred, and are subsequently carried at fair value with any changes therein recognised in profit or loss.

The group's financial assets at fair value through profit or loss comprise derivative financial instruments which are not designated as hedges.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognised at fair value, plus any attributable transaction costs, are subsequently carried at amortised cost using the effective interest method, less any impairment losses.

The group's loans and receivables comprise "trade and other receivables" in the balance sheet.

Cash and cash equivalents include cash on hand, demand deposits held at banks and other short-term highly liquid investments with original maturity of three months or less. Restricted cash primarily relates to projects executed through joint ventures. The amounts fluctuate with the projects' life cycle and are usually released when the project is delivered or close to delivery.

Available-for-sale
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are initially recognised at fair value, plus any attributable transaction costs, and are subsequently carried at fair value with any changes therein recognised in other comprehensive income and presented in the fair value reserve in equity. If fair value is lower than book value and the fall in value is significant or long term, then impairment will be recognised in the income statement.

Financial liabilities
The Kvaerner group initially recognises financial liabilities on the trade-date, being the date that the group becomes party to the contractual provisions of the instrument. Financial liabilities are derecognised when the group's contractual obligations are discharged, cancelled or expire.

The group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are initially recognised at fair value, less any attributable transaction costs, and are subsequently carried at amortised cost using the effective interest method.

The group's other financial liabilities comprise interest-bearing liabilities, bank overdrafts and trade and other payables in the balance sheet.

Derivative financial instruments
The group holds derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financial and investment activities.

Embedded derivatives may exist where commercial contracts are to be settled in a currency different from the functional currency of the contracting parties, typically for the group's activities in countries that do not have an international convertible currency, or where customers wish to use foreign currency settlements as part of their own hedging strategy.

Embedded foreign exchange derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

All derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The gain or loss on re-measurement of the group's embedded derivatives and other derivatives that do not qualify for hedge accounting is recognised immediately in profit or loss.

Where derivatives qualify for hedge accounting, recognition of any gain or loss depends on the nature of the item being hedged.

Hedging activities
Kvaerner engages in these types of hedging relationships:

- Hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction with variability in cash flows (cash flow hedge)
- Hedges of the fair value of assets or liabilities (fair value hedge)

On initial designation of the derivative as a hedging instrument, the group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The group makes an assessment, at inception and on an on-going basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognised in other comprehensive income and presented as a hedge reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss within finance income and expenses. The amount accumulated in hedge reserves is reclassified as profit or loss in the periods when the hedged item affects profit or loss.

Hedge accounting is discontinued when the group revokes the hedging relationship, or when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in comprehensive income as a hedge reserve at that time, remains in the hedge reserve and is recognised in the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in the hedge reserve is recognised immediately in profit or loss.

Fair value hedges

The change in fair value of the hedging instrument is recognised in profit or loss together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of the hedging instrument is recognised in profit or loss within finance items. The gain or loss relating to the ineffective portion is recognised in profit or loss within other gains or losses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to profit or loss over the period to maturity.

Revenue recognition

Engineering and construction contracts

Revenues from contracts to provide construction, engineering, design or similar services are recognised using the percentage-of-completion method, based primarily on contract costs incurred to date compared to estimated total contract costs.

When the final outcome of a contract cannot be reliably estimated, contract revenue is recognised only to the extent costs incurred are expected to be recoverable. The revenue recognised in one period will be the revenues attributable to the period's progress and the progress to date effect of any changes to the estimated final outcome. Losses on contracts are fully recognised when identified.

Contract revenues include variation orders and incentive bonuses when it is probable that they will result in revenue that can be measured reliably. Disputed amounts and claims are recognised when it is probable the customer will accept the claim and the amount can be measured reliably.

See Note 4 Accounting estimates and judgements, for further details of revenue recognition criteria in respect of engineering and construction contracts.

Goods sold and other services rendered

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is usually when goods are shipped to customers.

Revenue from other services rendered is recognised in proportion to the stage of completion of the transaction at the balance sheet date, or is invoiced based on hours performed at agreed rates. The stage of completion is normally assessed based on the proportion of costs incurred for work performed to date compared to the estimated total contract costs.

No revenue is recognised if there is significant uncertainty regarding recovery of consideration due.

When the group acts in the capacity of an agent rather than as the principal in the transaction, the revenue recognised is the net amount earned by the group.

Other income

Other income include share of profit from associated companies and jointly controlled operations closely related to the group's operating activities, gains and losses related to sale of operating assets and further revenue from FEED, studies and other projects.

Expenses-construction contracts

Contract costs include costs that relate directly to the specific contract and allocated costs that are attributable to general contract activity. Costs that cannot be attributed to contract activity are expensed as incurred and are classified as other operating expenses.

Bidding costs are capitalised when it is probable that the company will be chosen as a party to the resulting customer contract. All other bidding costs are expensed as incurred.

Finance income and expenses

Finance income and expenses comprise interest receivable on funds invested, dividend income, foreign exchange gains and losses, interest payable on borrowings calculated using the effective interest rate method, fair value gains or losses on financial assets at fair value through profit or loss, gains or losses on hedging instruments that are recognised in profit or loss and reclassification of amounts previously recognised in other comprehensive income.

Foreign currency gains and losses are reported on a net basis.

Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Goodwill not deductible for tax purposes
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against amounts that can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, interest cost on qualifying assets, an appropriate proportion of production overheads, and where relevant, the estimated costs of dismantling and removing the items and restoring the site on which they are located.

Where components of property, plant and equipment have different useful lives, they are accounted for as separate components.

Subsequent costs

The group capitalises the cost of a replacement part or a component of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. All other costs are expensed as incurred.

Depreciation

Depreciation expenses are recognised on a straight line basis based upon the costs of the assets less any residual value over the estimated useful lives of the assets.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets. Where the fair value of net assets acquired exceeds consideration paid, the resulting gain arising on an acquisition is recognised directly in the income statement. Goodwill recognised on acquisitions of subsidiaries is presented within intangible assets.

Acquisitions of equity accounted investees do not result in goodwill as the full cost of acquisition is included in the carrying value of the investment.

Goodwill is carried at cost less accumulated impairment losses (see Impairment). Gains and losses on the disposal of an entity or an interest in an entity include the carrying amount of goodwill relating to the ownership interest sold.

Research and development

Expenditures on research activities undertaken with the prospect of obtaining new scientific or technical knowledge and understanding is recognised in profit or loss as incurred.

Expenditures on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible as well as being a separable asset. Capitalised costs include the cost of materials, external contractors, direct labour and capitalised interest on qualifying assets arising. Other development expenditures are recognised in profit or loss as incurred.

Amortisation

Except for goodwill, intangible assets, all of which have finite useful lives, are amortised on a straight-line basis over their estimated useful lives, from the date they are available for use.

Construction work in progress

Construction work in progress represents the value of construction work performed less payments by customers. The value of construction work performed is measured at revenue recognised to date less progress billings and recognised losses. If payments by customers exceed revenues recognised, the difference is presented as advances from customers.

IMPAIRMENT

Financial assets

The Kvaerner group recognises impairment of financial assets measured at amortised cost, including trade receivables, when there is objective evidence that it will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being unlikely.

Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories, deferred tax assets and employee benefit assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment annually or more frequent if impairment indicators are identified.

An impairment loss is recognised if the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount.

Recoverable amount

The recoverable amount of an asset or a CGU is the greater of their net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows independently of other assets or CGUs. Subject to the operating segment limit, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed, reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill is allocated to groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

Impairment loss recognition

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs) and then, to reduce the carrying amount of the other non-financial assets in the CGU (or group of CGUs) on a pro rata basis.

Reversals of impairment

An impairment loss on goodwill is not reversed. An impairment loss on other assets is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

OTHER ACCOUNTING POLICIES

Provisions

A provision is recognised in the balance sheet when the group has a present obligation as a result of a past event, it is probable that the group will be required to settle the obligation and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a market based pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the liability-specific risks. The unwinding of the discount is recognised as a finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Leases

Payments made under an operating lease are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss as incurred.

Defined benefit plans

As of January 2013, Kvaerner implemented IAS 19 Amended Employee benefits with retrospective application.

The group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of plan assets is deducted. When the actuarial calculation results in a benefit to the group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

The discount rate is the yield at the balance sheet date on high-quality corporate bonds with maturities consistent with the terms of the obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, and the return on plan assets (excluding interest). The group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans are recognised as employee benefits in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs. The group recognises gains and losses on settlements of defined benefit plans when the settlements occur.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been published, but are not yet effective and have not been applied in preparing these consolidated financial statements.

The most relevant changes for Kvaerner are:
IFRS 11 Joint Arrangements, effective for annual reporting periods beginning from 1 January 2014, replaces IAS 31 Interests in joint ventures and removes the choice of equity or proportionate consolidation accounting for jointly controlled entities. Adoption of this IFRS is not expected to affect the group financial statements, as the group is already applying similar principles.

IFRS 10 Consolidated Financial Statements, effective from annual reporting periods beginning from 1 January 2014 requires consolidation on the basis of control rather than ownership. Adoption of this IFRS will not affect the group's financial statements directly, but indirectly through Aker ASA's revised assessment that they have control of Kværner ASA and Aker Solutions ASA under the new standard. Following this change, Aker Solutions will be reported as a related party of Kvaerner as from 2014.

Note 4 Accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the Kvaerner group's reported revenues, expenses, assets and liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are continuously reviewed, based on historical experiences and expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimation uncertainties that may impact the next financial year are detailed below.

Revenue recognition
The percentage-of-completion method is used to account for construction contracts. This method requires estimates of the final revenue and costs of the contract, as well as measurement of progress achieved to date as a proportion of the total work to be performed.

The main uncertainty when assessing contract revenue is related to recoverable amounts from variation orders, claims and incentive payments which are recognised when, based on management's judgment, it is probable that they will result in revenue and are reliably measurable. This assessment is adjusted upon management's evaluation of liquidated damages to be imposed by customers typically relating to contractual delivery terms. In many projects there are frequent changes in scope of work resulting in a number of variation orders. Normally contracts with customers include procedures for submission of variation orders for agreement. At any point in time, there will be unapproved variation orders and claims included in the project revenue where recovery is assessed as probable and other criteria are met. Even though management has extensive experience in assessing the outcome of such negotiations, uncertainties exist.

Cost to complete depends on productivity factors and the cost of inputs. Weather conditions, the performance of subcontractors and others with an impact on schedules, commodity prices and currency rates can all affect cost estimates. Experience, systematic use of the project execution model and focus on core competencies reduces but do not eliminate the risk that estimates may change significantly. A risk contingency is included in project cost based on the risk register that is prepared for every project and is updated throughout the project as the need for contingencies lapses or new risks are identified.

Progress measurement based on costs has an inherent risk related to the cost estimate as described above. In situations where cost is not seen to properly reflect actual progress, alternative measures such as hours or plan progress are used to achieve more precise revenue recognition. The estimation uncertainty during the early stages of a contract is mitigated by a policy of normally not recognising revenue in excess of costs on large projects before the contract reaches 20 percent completion.

In the group's view there are two projects that are subject to significant estimation uncertainty and where the outcome could have a material impact on the consolidated financial statements. These are the Longview project and the Nordsee Ost project, which are further described in Note 28 Contingent events.

Pre-contract costs
Costs will normally incur prior to securing the contract, including costs for assigned tenders and tenders that are not yet awarded. These tender costs are capitalised when it is probable that Kvaerner will obtain the contract. If balance sheet recognition requirements are not met, the costs will be expensed as other operating expenses.

If an assumed probable tender is awarded to competitors, the capitalised tender costs will be expensed in the period the project is awarded as other operating expenses. Tender costs that have been expensed in previous periods are not reinstated as contract cost if the contract is obtained or the probability of obtaining the contract has increased.

Warranties
A provision is made for expected warranty expenditures. The warranty period is normally two years. Based on experience, the provision is often set at one percent of the contract value, but can also be a higher or lower amount following a specific evaluation of the actual circumstances for each contract. The evaluations are based on experience from earlier projects. Factors that could affect the estimated warranty cost include the group's quality initiatives and project execution model. Reference is made to Note 17 Provisions, for further information about provisions for warranty expenditures on delivered projects.

Goodwill
In accordance with the stated accounting policy, the group tests whether goodwill has suffered any impairment, annually or more frequently if impairment indicators are identified. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require the use of estimates and judgments. Further details about assumptions used for value-in-use calculations to support carrying value of goodwill are included in Note 20 Intangible assets.

Investments in associated companies and jointly controlled entities
Investments in associates and jointly controlled entities are accounted for using the equity method. The carrying amount of the investment including goodwill or other intangible assets identified on the acquisition, are tested for impairment annually or more frequently if there are indicators of impairment. Reference is made to Note 22 Equity-accounted investees for recognised value of investments in associated companies and jointly controlled entities.

Income taxes
The Kvaerner group is subject to income taxes in numerous jurisdictions. Significant judgement is required to determine the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Provisions for anticipated tax audit issues are based on estimates of eventual additional taxes.

Income tax expense is calculated based on reported income in the different legal entities. Deferred income tax expense is calculated based on the differences between the assets' carrying value for financial reporting purposes and their respective tax basis that are considered temporary in nature.

The total amount of income tax expense and allocation between current and deferred income tax requires management's interpretation of complex tax laws and regulations in the many tax jurisdictions where Kvaerner operates. Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the near future, planned transactions or planned tax optimising measures. Economic conditions may change and lead to a different conclusion regarding recoverability, and such change may affect the results for each reporting period.

Tax authorities in different jurisdictions may challenge calculation of taxes payable from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense in the period of change. During the period when tax authorities may challenge the taxable income, management is required to make estimates of the probability and size of possible tax adjustments. Such estimates may change as additional information becomes known. Further details about income taxes are included in Note 13 Income taxes.

Pension benefits
The present value of pension obligations depends on a number of factors determined on the basis of actuarial assumptions. These assumptions include financial factors such as the discount rate, expected salary growth and return on assets as well as demographical factors concerning mortality, employee turnover, disability and early retirement. Assumptions about all these factors are based on the situation at the time the assessment is made. However, it is reasonably certain that such factors will change over the very long periods for which pension calculations are made. Any changes in these assumptions will affect the calculated pension obligations. Further information about the pension obligations and the assumptions used are included in Note 3 Significant accounting policies and Note 24 Employee benefits – pensions.

Note 5 Financial risk management and exposures

Financial risks
The Kvaerner group is exposed to a variety of financial risks: currency risk, interest rate risk, price risk, credit risk, liquidity risk and capital risk. Market risk affects the value of financial instruments held. The objective of financial risk management is to manage and control financial risk exposure and thereby increase the predictability and minimise the potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposure and applies hedge accounting in order to reduce profit or loss volatility.

The group's approach to risk management includes identifying, evaluating and managing risk in all activities using a top-down approach with the purpose of avoiding sub-optimisation and utilising correlations observed from a group perspective.

Risk management is present in every project and is the responsibility of the project managers in cooperation with Corporate Treasury to identify, evaluate and hedge financial risk under policies approved by the Board of Directors. The group has well-established principles for overall risk management, as well as policies for the use of derivatives and financial investments.

Currency risk
The Kvaerner group operates internationally and is exposed to currency risk on commercial transactions, recognised assets and liabilities. Commercial transactions and recognised assets and liabilities are subject to currency risk when payments are denominated in a currency other than the respective functional currency of the group company. The group's exposure to currency risk is primarily related to USD, GBP, CAD, and EUR but it is also exposed to several other currencies on a smaller scale, including KZT due to foreign currency translation reserve in equity that will be recycled over profit or loss on closure of branch with no cash or equity effect expected.

The purpose of the group's hedging policy is generally to secure that entities hedge their entire contractually bidding currency risk exposure in any project using forward contracts. Corporate Treasury manages internal exposures by entering into external forward contracts. The group has a large number of contracts involving foreign currency exposures and the currency risk policy has been well-established for many years.

For segment reporting purposes, each legal entity designates all currency hedge contracts with Corporate Treasury, except for those classified as embedded derivatives, as cash flow hedges. External foreign exchange contracts are designated at group level as hedges of currency risk on a gross basis. Close to one hundred percent of these hedges are done back-to-back and qualify for hedge accounting. When hedges do not qualify for hedge accounting in the external reporting, a correction is performed at group level and is included in the "unallocated" part of the segment reporting. See Note 18 Derivative financial instruments, for information regarding the accounting treatment of hedging and embedded derivatives.

The Kvaerner group's exposure to the main foreign currencies

2013

Amounts in million	GBP	USD	EUR
Cash	-	84	9
Related party foreign currency loans	-	-	-
Balance sheet exposure	**-**	**84**	**9**
Estimated forecast receipts from customers	-	1	17
Estimated forecast payments to vendors	(4)	(1)	(14)
Cash flow exposure	**(4)**	**-**	**3**
Forward exchange contracts	**3**	**(15)**	**22**
Net exposure	**(1)**	**69**	**34**

2012

Amounts in million	RUB	USD	EUR	KZT
Cash	199	24	11	105
Related party foreign currency loans	-	2	-	-
Balance sheet exposure	**199**	**26**	**11**	**105**
Estimated forecast receipts from customers	-	3	115	-
Estimated forecast payments to vendors	-	(9)	(131)	-
Cash flow exposure	**-**	**(6)**	**(16)**	**-**
Forward exchange contracts	**-**	**60**	**34**	**-**
Net exposure	**199**	**80**	**29**	**105**

Estimated forecasted receipts and payments in the tables above are calculated based on the group's hedge transactions through Corporate Treasury. These are considered to be the best estimate of the currency exposure given that all currency exposure is hedged, in accordance with the group's policy. A foreign currency sensitivity analysis indicates that changes in the foreign currency rates have only minor effects on equity and profit and loss. A ten percent weakening of the NOK against the currencies listed as of 31 December would have increased/(decreased) equity and profit and loss by the amounts shown in the table below. The selected rate of ten percent reflects the recent years' changes in currency rates. Changes in currency rates change the values of hedging derivatives. Hedges that qualify for hedge accounting are reported in the profit and loss according to the progress of projects. The deferred value of the cash flow hedges is reported as hedging reserve in equity. Any changes to currency rates will therefore affect equity.

The value of hedging instruments that do not qualify for hedge accounting cannot be deferred from profit and loss. Changes in profit and loss are based on changes in fair values of the hedges that do not qualify for hedge accounting and any ineffectiveness in hedges that are hedge accounted. The analysis includes only project-related items and assumes that all other variables, in particular interest rates, remain constant. Calculations are based on amounts and foreign currency exchange rates as of 31 December 2013. The analysis is performed on the same basis as it was for 2012.

Although hedge accounting is not applied to all foreign exchange contracts, these contracts are still economically hedged. The effect on profit and loss under financial items in the table below will have an opposite effect on future operating income or expense as progress on projects increases. Equity in the following table is the hedge reserve that follows from the cash flow hedges.

	2013		2012	
Amounts in NOK million	Profit before tax	Equity [1]	Profit before tax	Equity [1]
USD	**1**	**2**	-	(1)
EUR	**11**	**8**	6	(8)
GBP	**-**	**3**	-	(2)

1) The effects to equity that follow directly from the effects to profit and loss are not included.

A ten percent strengthening of the NOK against the above currencies as of 31 December 2013 would have had the equal but opposite effect on the above amounts, on the basis that all other variables remain constant. The sensitivity analysis does not include effects on the consolidated result and equity from changed exchange rates used for consolidation of foreign subsidiaries.

The primary currency-related risk is the risk of reduced competitiveness abroad in the case of a strengthened NOK. This risk relates to future commercial contracts and is not included in the sensitivity analysis above.

Translation exposure
Translation exposure occurs when foreign operations are translated for inclusion in the financial statements of the Kvaerner group.

The Kvaerner group has several investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is normally only hedged to the extent of agreed future payments.

Significant exchange rates applied for group consolidation

	Average rate		Closing rate	
Currency	**2013**	2012	**2013**	2012
USD	**5.8875**	5.8152	**6.0795**	5.5878
CAD	**5.7010**	5.7997	**5.7085**	5.6204
EUR	**7.8185**	7.4979	**8.3858**	7.3711

The next table illustrates the group's exposure to translation risk. Had the Norwegian currency depreciated by ten percent during 2013, the consolidated financial statements would be affected by the changes in the table. The sensitivity analysis is only a translation sensitivity and does not reflect changes in competitiveness, derivatives or other effects from currency fluctuations. Sensitivity analysis per currency have been made. The total result is given in the presented table.

	Total			**10% depreciation**			**Change**		
Amounts in NOK million	Revenue	EBITDA	Equity	Revenue	EBITDA	Equity	Revenue	EBITDA	Equity
2013	**12 960**	**636**	**2 510**	**13 483**	**693**	**2 619**	**522**	**57**	**108**
2012 [1]	10 748	473	2 202	11 121	569	2 419	373	96	217

1) 2012 figures are not restated.

Interest rate risk
The Kvaerner group's interest rate risk arises from interest-bearing liabilities with related parties and external loans. Interest-bearing liabilities issued at variable rates expose the group to cash flow interest rate risk.

An increase of 100 basis points in interest rates during 2013 would have increased/(decreased) equity and profit or loss by the amounts shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2012.

Amounts in NOK million	**2013**	2012
Cash and cash equivalents	**15**	11
External loan	**(5)**	(5)
Cash flow sensitivity (net)	**10**	6

Price risk
The Kvaerner group is exposed to fluctuations in market prices in the operating businesses related to individual contracts, including changes in market price for raw materials, equipment and development in wages. These risks are managed in the bid process by locking in committed prices from vendors as a basis for offers to customers or through escalation clauses with customers.

Credit risk
Customer credit risk
Credit risk is the risk of financial loss to the group if customer or counterparty to financial investments/instruments fails to meet its contractual obligations, and arises principally from external receivables. Assessment of credit risk related to customers and subcontractors is an important requirement in the bid phase and throughout the contract period. Such assessments are based on credit ratings, income statement and balance sheet reviews and on using credit assessment tools available (e.g. Dun & Bradstreet). Sales to customers are settled in cash.

Based on estimates of incurred losses in respect of trade and other receivables, the group establishes a provision for impairment. Provisions for loss on debtors are based on individual assessments. Provisions for loss on receivables are low, and there are no historical losses of any significance.

Revenues are mainly related to large and long-term projects closely followed up in terms of payments up front and in accordance with agreed milestones. Normally, lack of payment is due to disagreements related to project deliveries and is solved together with the customer or escalated for resolution through arbitration or other mechanisms provided for in the contract.

Customers are typically large and highly reputable oil companies with a low credit risk, which reduces the credit risk significantly. However, the contractual counterparty may be a special purpose asset owning vehicle or similar entity of the customer. In these cases an evaluation of credit risk takes into account the facts and circumstances of such arrangements, and credit risk is mitigated where possible by requiring parent company guarantees, customer pre-payments, obtaining contractor liens and other such actions. The risk of counterparties not meeting their contractual obligations will normally be related to legal disputes, see Note 28 Contingent events.

The maximum exposure to credit risk as at the reporting date equals the book value of each category's financial assets. The group does not hold collateral as security.

Derivative credit risk
Derivatives are only traded against approved banks, through Corporate Treasury. All approved banks are participants in the group's loan syndicate and have the highest ratings at Moody's and S&P. Credit risk related to derivatives is therefore considered to be insignificant.

Liquidity risk
Liquidity risk is the risk that the group could encounter difficulty in meeting the obligations associated with its financial liabilities. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity reserves to meet its liabilities when due. The nature of the group's business dictates a close monitoring of liquidity. Payment from customers is often monthly cash-calls and involves large sums of cash.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Corporate Treasury maintains flexibility in funding by maintaining availability under committed credit lines, see Note 23 Interest-bearing liabilities.

Management monitors rolling weekly and monthly forecasts of the group's liquidity reserve on the basis of expected cash flow. For information regarding capital expenditures and net operating assets, see Note 8 Operating segments.

Financial liabilities and the period in which they are mature

2013

Amounts in NOK million	Note	Book value	**Total undiscounted cash flow [1)]**	6 mths and less	6-12 mths	1-2 years	2-5 years
Interest-bearing liabilities	23	(479)	**(550)**	(12)	(10)	(21)	(507)
Trade and other payables related parties	7	(8)	**(8)**	(8)	-	-	-
Trade and other payables [2)]	16	(4 049)	**(4 049)**	(4 049)	-	-	-
Total		(4 536)	**(4 607)**	(4 069)	(10)	(21)	(507)

1) Nominal currency value including interest.
2) In trade and other payables derivative financial instruments liabilities of NOK 12 million (2012: NOK 39 million) are included. Reference is made to Note 18 for further details of derivative financial instruments and the period in which they mature.

2012

Amounts in NOK million	Note	Book value	Total undiscounted cash flow [1)]	6 mths and less	6-12 mths	1-2 years	2-5 years
Interest-bearing liabilities	23	(469)	(529)	(10)	(11)	(508)	-
Trade and other payables related parties	7	(19)	(19)	(19)	-	-	-
Trade and other payables	16	(2 818)	(2 818)	(2 808)	(10)	-	-
Total		(3 306)	(3 366)	(2 837)	(21)	(508)	-

1) Nominal currency value including interest.

The Kvaerner group policy for the purpose of optimising availability and flexibility of cash within the group is to operate a centrally managed cash-pooling arrangement. Such arrangements are either organised with a bank as a service provider, or as a part of the operation of the internal treasury function. An important condition for the participants (legal entities) in such cash-pooling arrangements is that the group as an owner of such pools that is financially viable and capable of servicing its obligations concerning repayment of any net deposits made by the entities.

Capital management
The group's objective for managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt. Kværner ASA's dividend policy is based on visibility and predictability. The ambition is to pay semi-annual dividends with increases, in order to give a stable and predictable dividend growth, balancing out the underlying volatility of earnings.

The group monitors capital on the basis of equity ratio (gross debt/total equity), cash (gross debt less NCOA and cash and cash equivalents) and interest coverage ratio (EBITDA/net finance cost). The ratios are calculated from gross debt, including all interest-bearing liabilities as shown in Note 25 Financial instruments, EBITDA and finance cost. The reported ratios are well within the requirements of the loan agreements.

Guarantee obligations
The group has provided the following guarantees on behalf of wholly owned subsidiaries as of 31 December 2013 (all obligations are per date of issue):

Amounts in NOK million	2013	2012
Parent company guarantees to group companies [1]	**48 578**	42 767
Counter guarantees for bank/surety bonds	**2 462**	2 016
Total	**51 040**	44 783

1) Kværner ASA has provided indemnities to Aker Solutions of NOK 25 billion in respect of parent company guarantees issued by Aker Solutions on behalf of Kvaerner group companies (2012: NOK 32 billion).

Note 6 Earnings per share

Kværner ASA's share capital has a value of NOK 91 460 000 which was obtained through the issuance of 269 000 000 shares upon the demerger in July 2011. Each share has a nominal value of NOK 0.34.

	2013	2012R
Profit/(loss) attributable to ordinary shares (NOK million):		
Net profit - continuing operations	**239**	158
Net profit - discontinued operations	**206**	79
Net profit - total operations	**445**	237
Weighted average number of shares outstanding	**268 611 353**	268 780 114
Earnings per share (NOK):		
Basic and diluted EPS - continuing operations	**0.89**	0.59
Basic and diluted EPS - discontinued operations	**0.77**	0.29
Basic and diluted EPS - total operations	**1.66**	0.88

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 through The Resource Group AS. All entities controlled by Aker ASA are considered related parties to Kvaerner. These entities are referred to as entities controlled by Aker in this note.

On 23 April 2013 Kvaerner signed an agreement with Fornebuporten AS, a related party, for a long term lease for Kvaerner`s new headquarters at Fornebu scheduled for completion in second quarter 2015. The lease contract is for approximately 8 000 square metres at market terms, refer to Note 10 Operating leases for more details. The term of the agreements is 12 years with options for five plus five years.

Kvaerner operates in an industry where it is common to establish associated companies and joint ventures to deliver large and complex projects to customers. In such arrangements two or more suppliers have responsibility for parts of a project. The group holds stakes in several associated companies and joint ventures related to significant projects in the portfolio, and these meet the definition of a related party. See Note 22 Equity-accounted investees.

In accordance with International Accounting Standards 24 Related Party Disclosures, 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.

Kværner ASA has entered into an agreement with employee representatives that regulates use of grants to employee unions for activities related to professional updating. The grant in 2013 was NOK 484 500 (2012: NOK 465 000).

2013

Amounts in NOK million	Entities controlled by Aker	Associated companies	Joint ventures/ operations	Other related parties	**Total [1]**
Income statement					
Operating revenues	1	1	218	-	**220**
Operating expenses	(2)	(117)	-	(2)	**(121)**
Net financial items	-	1	2	-	**3**
Balance sheet as of 31 December					
Trade and other receivables	-	1	19	-	**20**
Non interest-bearing receivables	-	-	-	-	**-**
Interest-bearing non current receivables	-	-	1	-	**1**
Trade and other payables	-	(8)	-	-	**(8)**

1) Figures include discontinued operations.

2012

Amounts in NOK million	Entities controlled by Aker	Associated companies	Joint ventures/ operations	Other related parties	Total [1]
Income statement					
Operating revenues	-	-	157	1	158
Operating expenses	(1)	(106)	-	-	(107)
Net financial items	-	-	2	-	2
Balance sheet as of 31 December					
Trade and other receivables	-	-	5	-	5
Non interest-bearing receivables	-	1	-	-	1
Interest-bearing non current receivables	-	-	44	-	44
Trade and other payables	-	(19)	-	-	(19)

1) Figures include discontinued operations.

Trade receivables and trade payables are derived from ordinary business operations.

Receivables and payables to related party are included in separate captions in the balance sheet.

Please see Note 22 Equity-accounted investees for information of Kvaerner's joint ventures, associated companies and joint controlled entities.

Note 8 Operating segments

For segment reporting, effective as from 1 January, management receives financial information that includes activities of certain jointly controlled entities as if they were proportionately consolidated. Under IFRS as adopted by the European Union, Kvaerner accounts for jointly controlled entities using the equity method, presenting its share of net results as a component of operating revenue and other income when closely related to Kvaerner's operating activities. Following the above, comparative figures for the Upstream segment have been restated.

Kvaerner's business has previously been divided into two reportable operating segments: Upstream and Downstream & Industrials. Following the sale of Kvaerner's onshore construction business in North America in December 2013, Kvaerner does not have any remaining operations within the Downstream & Industrials segment. Remaining legacies within the segment are presented as discontinued operations in the group's financial statements as from fourth quarter 2013. Consequently, Kvaerner will only have one reportable segment as from fourth quarter 2013; Upstream. The Upstream segment includes four separate business areas: Contractors Norway delivering topsides, floaters and onshore upstream facilities; Jackets delivering large steel jackets for oil and gas installations; Concrete Solutions delivering concrete substructures and Contractors International delivering topsides, floaters and onshore upstream facilities.

The Upstream segment targets its activities towards the upstream oil and gas field development industry, both onshore and offshore. Kvaerner's ambition is to maintain home markets in the North Sea, and to expand its upstream activities internationally.

The business areas within the Upstream segment may meet the definition of a segment but have been aggregated based upon criteria in IFRS.

Measurement of segment performance
Performance is measured by segment operating profit before Interest, Taxes, Depreciation and Amortisation (EBITDA) and operating profit (EBIT), as included in the internal management reports. Segment profit, together with key financial information as described below, gives management relevant information in evaluating the results of the operating segment and is relevant in evaluating the results of the segment relative to other entities operating within the industry. The President & CEO will normally not review financial items or total liabilities on segment level.

Inter-segment pricing is determined according to an arm's length principle.

The accountings principles of the reportable segment are the same as described in Note 2 Basis of preparation and Note 3 Significant accounting policies, except for hedge accounting. When contract revenues and contract costs are denominated in a foreign currency, the subsidiaries hedge the exposure with Corporate Treasury. The hedge accounting is applied independently of whether the hedge qualifies for hedge accounting in accordance with IFRS or not. The correction of any non-qualifying hedges to ensure that the consolidated financial statements are in accordance with IFRS, is made as an adjustment at Kvaerner's corporate level. This means that the group's segment reporting reflects all hedges as qualifying even though they may not qualify in accordance with IFRS.

2013 - Operating segments

Amounts in NOK million	Note	Upstream	Other/Eliminations [1]	Total
Operating revenue and other income				
Construction contracts		15 091	(3 080)	**12 011**
Services revenue		158	-	**158**
Other income		791	0	**791**
External operating revenue		16 040	(3 080)	**12 960**
Inter-segment revenue		51	(51)	-
Total operating revenue and other income		16 091	(3 131)	**12 960**
EBITDA		708	(72)	**636**
Depreciation and amortisation	19, 20	(63)	-	**(63)**
EBIT		645	(72)	**573**
Assets				
Current operating assets		3 114	7	**3 121**
Non-current operating assets		1 813	(0)	**1 813**
Operating assets		4 927	7	**4 934**
Tax-related assets				**286**
Investment in associates and jointly controlled entities				**132**
Investments in other companies				**9**
Financial receivables				**3**
Cash and cash equivalents				**1 545**
Retained assets on business sold				**916**
Total assets				**7 825**

Amounts in NOK million	Note	Upstream	Other/Eliminations [1]	Total
Liabilities				
Current operating liabilities		4 371	16	**4 387**
Non-current operating liabilities		165	5	**170**
Operating liabilities		4 536	21	**4 557**
Tax-related liabilities				**56**
Current interest-bearing liabilities				-
Non-current interest-bearing liabilities				**479**
Retained liabilities on business sold				**223**
Total liabilities				**5 315**
Net current operating assets		(1 257)	(9)	**(1 266)**
Cash flow				
Cash flow from operating activities		728	(122)	**606**
Acquisition of property, plant and equipment [2]	19	174	9	**183**
Order intake (unaudited)		18 662	(48)	**18 615**
Order backlog (unaudited)		22 809	-	**22 809**
Own employees (unaudited)		2 789	44	**2 833**

1) Other/Eliminations include figures for the Downstream & Industrials segment for cash flow from operating activities and acquisition of property, plant and equipment.
2) Compared to capital expenditure in the cash flow statement acquisition of property, plant and equipment includes NOK 28 million for assets not paid and excludes NOK 9 million for intangible assets.

2012 - Operating segments

Amounts in NOK million	Note	Upstream	Other/Eliminations [1)]	**Total**
Operating revenue and other income				
Construction contracts		8 518	(902)	7 616
Services revenue		743	-	743
Other		413	21	434
External operating revenue		9 675	(881)	8 794
Other income		72	1	73
Inter-segment revenue		72	(72)	-
Total operating revenue and other income		9 819	(953)	8 867
EBITDA		551	(134)	417
Depreciation and amortisation	19, 20	(57)	(1)	(58)
EBIT		495	(135)	359
Assets				
Current operating assets		1 665	996	2 661
Non-current operating assets		1 694	106	1 800
Operating assets		3 359	1 102	4 461
Tax-related assets				344
Investment in associates and jointly controlled entities				106
Investments in other companies				9
Financial receivables				50
Cash and cash equivalents				1 069
Total assets				6 039

Amounts in NOK million	Note	Upstream	Other/Eliminations [1]	**Total**
Liabilities				
Current operating liabilities		2 674	501	3 175
Non-current operating liabilities		131	40	171
Operating liabilities		2 805	541	3 346
Tax-related liabilities				29
Current interest-bearing liabilities				-
Non-current interest-bearing liabilities				469
Total liabilities				3 844
Net current operating assets		(1 009)	495	(514)
Cash flow				
Cash flow from operating activities		(611)	(137)	(748)
Acquisition of property, plant and equipment	19	210	9	218
Order intake (unaudited)		21 285	(50)	21 235
Order backlog (unaudited)		20 226	(3)	20 223
Own employees (unaudited)		2 515	451	2 966

1) Other/Eliminations include figures for the Downstream & Industrials segment for operating assets, operating liabilities, net current operating assets, cash flow from operating activities, acquisition of property, plant and equipment and employees.

Major customers
For the group, revenue from the three largest customers represented NOK 10.4 billion, or 80 percent, of total revenue of NOK 13.0 billion (2012: NOK 5.1 billion and 58 percent). Of this, one customer represented 39 percent (2012: 29 percent), the second represented 29 percent (2012: 16 percent) and the third represented 12 percent (2012: 12 percent) of the total revenue of the Kvaerner group.

For the Upstream segment, revenue from the three largest customers represented NOK 12.3 billion, or 76 percent, of the segment's total revenue of NOK 16.1 billion (2012: NOK 5.1 billion and 52 percent). Of this, one customer represented 32 percent (2012: 26 percent), the second represented 24 percent (2012: 15 percent) and the third represented 21 percent (2012: 11 percent) of the total revenue of the Upstream segment.

Geographical information
Geographical segment revenue is based on the geographical location of customers' operations. Non-current segment assets are based on the geographical location of the assets.

	Operating revenues		Non-current segment assets	
Amounts in NOK million	**2013**	2012	**2013**	2012
Norway	**11 513**	5 482	**1 824**	1 683
Europe	**794**	1 586	**3**	3
North America	**554**	180	**4**	104
Rest of the world [1]	**99**	1 619	**59**	102
Total	**12 960**	**8 867**	**1 889**	**1 892**

1) Includes operations in Kazakhstan and the Russian Federation.

Note 9 Salaries, wages and social security costs

Amounts in NOK million	Note	2013	2012R
Salaries and wages including holiday allowance		**1 750**	1 590
Social security tax/National insurance contribution		**263**	228
Pension cost	24	**113**	125
Other employee costs		**67**	71
Salaries, wages and social security costs		**2 194**	2 014

Employee share purchase programmes
Kvaerner's share purchase programme was implemented in 2012. The 2013 programme is similar to the one offered in 2012, with an employee as well as a managers' share purchase programmes. The two share purchase programmes are expected to contribute to increased employee attention and commitment to Kvaerner's overall value creation. The programmes imply that employees and managers employed in the Norwegian subsidiaries of Kvaerner were offered to buy shares in Kværner ASA at a discounted price.

The employees included in the scope of the share purchase programme were offered the opportunity to buy Kværner ASA shares for a minimum amount of NOK 10 000 and a maximum amount of NOK 60 000. The employees were offered a 12 months interest free loan from Kvaerner as funding for the shares purchased.

Kvaerner also offered defined key personnel employed by its subsidiaries the opportunity to buy Kværner ASA shares. The programme allowed managers to buy shares for an amount limited to 25 percent of their base salary. The managers were not offered loans as funding for the purchase of shares.

The participants in the share purchase programmes were offered a price reduction of 25 percent on the share price in addition to a discount of NOK 1 500, the latter representing a cost of NOK 0.6 million (2012: NOK 0.7 million) in the group accounts. The price reduction is determined representing fair value as the shares have a locked-in period of three years. The employees retain the rights to the shares regardless of whether they remain employees of Kvaerner.

In total, 1 770 314 (2012: 1 915 778) Kværner ASA shares were distributed to employees and managers under the 2013 programmes at a price of NOK 10.04 (2012: NOK13.05) per share.

Guidelines for remuneration to the President & CEO and the executive management of Kvaerner
The main purpose of the executive remuneration programme is to encourage a strong and sustainable performance-based culture, which supports growth in shareholder value. The total remuneration to executives consists of a market competitive based salary, standard employee benefits and participation in the company's executive variable pay programme.

General
The company practices standard employment contracts and standard terms and conditions regarding notice period and severance pay for the President & CEO and the executive management.

The executive and senior management positions are evaluated and graded in an international grading system in order to enable national and international market salary benchmarks. The market salary benchmark shall be performed on annual basis and the results of such benchmark for the members of the executive management team (EMT) shall be reported to the Kvaerner Board's Remuneration Committee. For the executives' direct reports and selected key positions, the results shall be reported to the EMT. The target is to maintain a total compensation level which is competitive compared to market median.

Benefits
The President & CEO and the members of the executive management team participate in the standard pension and insurance plan applicable to all employees in the company.

Variable pay programme
The company has a deliberate policy of offering limited fixed benefits, and rather securing market competitiveness by offering participation in an executive variable pay programme. The objective of the programme is to recognise and reward the achievement of financial- and operational results as well as personal performance. The variable pay programme potential is maximised to 94.5 percent of the annual base salary. The earnings under the programme are dependent on the annual achievement of the financial targets, the company's key performance indicators and personal performance rating. 50 percent of the earnings under the variable pay programme is paid-out the following year, while the other 50 percent is deferred for three years and paid-out along with a retention element which includes an element related to the development of Kværner ASA's share price. Payment of the retention element is provided the executive if still employed by the company at the time of payment. The maximum annual payment under the programme is limited to one annual base salary. The surplus shall be transferred and paid-out the forthcoming year.

The variable pay programme for executives in Kvaerner will from 2014 be adjusted to include a restricted share programme element. The shares will be bought by Kvaerner the year following the earning, and allocated to the executives three years after earning.

Severance pay
Severance pay is applicable in case the company requests the resignation of the executive out of concern for the affairs of Kvaerner or there is a mutual understanding between the company and the executive to the effect that the employment shall be terminated. If so, the executive would be entitled to severance pay corresponding to three or six months regular fixed salary. Severance pay does not imply the accrual of holiday allowance or pension entitlements.

Share options programmes
The company does not offer share options programmes to any managers or employees.

Guidelines for settlement and approval of executive compensation
The Kvaerner Board's Remuneration Committee assists in the discharge of the Board of Directors' responsibilities with respect to compensation of the President & CEO and the executives.

The committee is comprised of three Directors from the Board of Directors, each of whom shall be free of any relationship that, in the opinion of the Board of Directors, would interfere with his or her exercise of independent judgement. The Chairman of the Remuneration Committee shall be appointed by the Board of Directors. The President & CEO of the company and/or his representative(s) may participate in the meeting of the Remuneration Committee. The President & CEO of the company and his representative(s) shall not participate in the Remuneration Committees' discussion of the President & CEO's terms and conditions.

According to the Remuneration Committee charter, the committee shall carry out annual compensation review for the President & CEO and propose any changes of the compensation to the Board of Directors. The Board of Directors approves the compensation for the President & CEO.

The executive wage settlement shall be recommended by the administration and shall be approved by the Remuneration Committee in accordance with the one-over-one principle set out in the Kvaerner People Policy.

Remuneration to members of the executive management team

2013

Amounts in NOK		Base salary [1]	Variable pay [2]	Other benefits [3]	Total paid	Pension benefit earned/ cost to company [4]	**Total remuneration**
Jan Arve Haugan	01.01.2013 - 31.12.2013	4 859 894	1 566 667	13 668	6 440 229	275 287	**6 715 516**
Eiliv Gjesdal	01.01.2013 - 31.12.2013	2 166 994	924 687	5 556	3 097 237	117 002	**3 214 240**
Sverre Myklebust	01.01.2013 - 31.12.2013	2 080 183	685 230	89 723	2 855 136	390 528	**3 245 664**
Steinar Røgenes	01.06.2013 - 31.12.2013	993 983	-	8 892	1 002 875	80 482	**1 083 356**
Anthony Paul (Tony) Allen	01.01.2013 - 31.12.2013	2 982 671	1 236 315	149 598	4 368 584	450 486	**4 819 071**
Bjørn Gundersen	01.01.2013 - 31.12.2013	2 166 994	977 387	12 469	3 156 850	189 668	**3 346 518**
James Harry (Jim) Miller	01.01.2013 - 31.12.2013	3 127 599	1 777 360	73 594	4 978 552	90 079	**5 068 631**
Henrik Inadomi	01.01.2013 - 31.12.2013	1 888 293	104 539	9 495	2 002 327	86 037	**2 088 364**
Jan Øyri	01.01.2013 - 31.10.2013	1 805 426	918 338	4 451	2 728 215	113 876	**2 842 091**
Lars Eide	01.01.2013 - 31.05.2013	717 037	526 700	4 714	1 248 451	61 109	**1 309 560**
Janne Harstad Rasten (acting)	01.01.2013 - 30.04.2013	407 300	253 384	3 771	664 455	62 582	**727 037**
		23 196 373	**8 970 606**	**375 931**	**32 542 911**	**1 917 138**	**34 460 048**

Variable pay earned for the persons above in 2013 for payment in 2014 and future periods: **20 124 783**

1) Base salary represents salary paid out in 2013 while holding an executive position, and includes holiday pay.
2) The variable pay amounts include Kvaerner performance related pay earned in previous years' variable pay programme paid in 2013.
3) Other benefits include telephone, insurance agreements, car allowance, housing etc.
4) Pension benefits include the standard employee and management pension scheme, a pension compensation scheme related to the transfer from a defined benefit scheme to a defined contribution scheme and a disability pension scheme.

2012

Amounts in NOK		Base salary 1)	Variable pay 2)	Other benefits 3)	Total paid	Pension benefit earned/ cost to company 4)	**Total remuneration**
Jan Arve Haugan	01.01.2012 - 31.12.2012	4 438 462	120 000	12 574	4 571 036	67 193	4 638 229
Eiliv Gjesdal	01.01.2012 - 31.12.2012	2 103 576	581 911	7 409	2 692 895	106 893	2 799 789
Sverre Myklebust	01.07.2012 - 31.12.2012	1 046 949	-	138 406	1 185 355	138 410	1 323 765
Anthony Paul (Tony) Allen	01.01.2012 - 31.12.2012	2 829 010	2 173 881	140 830	5 143 721	730 322	5 874 042
Bjørn Gundersen	01.01.2012 - 31.12.2012	2 104 004	894 657	16 980	3 015 641	187 280	3 202 920
James Harry (Jim) Miller	01.01.2012 - 31.12.2012	3 016 139	1 587 893	71 770	4 675 803	69 847	4 745 650
Jan Øyri	01.01.2012 - 31.12.2012	1 995 295	465 533	9 314	2 470 142	127 585	2 597 727
Lars Eide	01.01.2012 - 31.12.2012	2 104 911	1 080 817	14 085	3 199 812	125 808	3 325 620
Janne Harstad Rasten (acting)	01.10.2012 - 31.12.2012	495 512	-	6 009	501 521	41 241	542 762
Nina Udnes Tronstad	01.01.2012 - 30.06.2012	993 552	461 122	7 323	1 461 998	91 301	1 553 299
Jan Tore Elverhaug	01.01.2012 - 30.09.2012	1 770 171	609 702	11 486	2 391 358	176 317	2 567 675
		22 897 582	**7 975 515**	**436 185**	**31 309 281**	**1 862 198**	**33 171 479**

Variable pay earned for the persons above in 2012 for payment in 2012 and future periods: **25 449 002**

1) Base salary represents salary paid out in 2012 while holding an executive position, and includes holiday pay.
2) As from the annual report for 2012 the variable pay relates to amounts paid in 2012 and holiday allowance paid in 2012 for variable amount paid in 2011. The amount listed is for the period of membership of the executive management team. Variable pay listed for Anthony Paul (Tony) Allen includes buy out from share purchase programme with previous employer.
3) Other benefits include telephone, insurance agreements, car allowance, housing etc.
4) Pension benefits include the standard employee and management pension scheme, a pension compensation scheme related to the transfer from a defined benefit scheme to a defined contribution scheme and a disability pension scheme.

Remuneration to the Board of Directors

2013

Amounts in NOK	Board fees [1]	Audit Committee fees [1]	Remuneration Committee fees [1]
Kjell Inge Røkke	593 000		31 000
Tore Torvund [2]	502 000		31 000
Vibeke Hammer Madsen	323 000		31 000
Rune Rafdal [3]	161 500		
Ståle Knoff Johansen [3]	161 500		
Bernt Harald Kilnes [3] [4]	161 500	83 000	
Bruno Weymuller [2] [5]	398 000	83 000	
Lone Fønss Schrøder [2] [5]	323 000	161 000	

1) Final fees for work performed in 2013 related to Board meetings, Audit Committee and Remuneration Committee will be approved by the Annual General Meeting (AGM) on 10 April 2014. The fees listed in the table are the fees approved by the AGM on 10 April 2013 for the period until the AGM in 2014.
2) Directors resident outside Scandinavia are granted additional fee of NOK 12 500 per physical Board meeting.
3) Directors appointed by and from the employees. Board fees to employee elected Directors are reduced in accordance with agreement with employee representatives.
4) In one Board meeting, deputy Director Kjell Arne Skålevik met for Director Bernt Harald Kilnes.
5) The Directors Bruno Weymuller and Lone Fønss Schrøder left the Board in April 2013.

The new Board of Directors was elected by the General Meeting on 10 April 2013. Kjell Inge Røkke stepped down as the Chairman of the Board and continued as a Director. The new Chairman of the Board is Leif-Arne Langøy. Live Haukvik Aker was elected as Director in 2013. All Directors are elected for a two year period.

2012

Amounts in NOK	Board fees [3]	Audit Committee fees [3]	Remuneration Committee fees [3]
Kjell Inge Røkke [1]	570 000	-	30 000
Tore Torvund [2] [4]	485 000	-	30 000
Bruno Weymuller [2] [4]	385 000	80 000	-
Lone Fønss Schrøder [2]	310 000	155 000	-
Vibeke Hammer Madsen [1]	310 000	-	30 000
Rune Rafdal [2] [5]	155 000	-	-
Ståle Knoff Johansen [2] [5]	155 000	-	-
Bernt Harald Kilnes [2] [5]	155 000	80 000	-

1) Members of the Board of Directors elected for one year.
2) Members of the Board of Directors elected for two years.
3) Final fees for work performed in 2012 related to Board meetings, Audit Committee and Remuneration Committee was approved by the AGM on 10 April 2013. The fees listed in the table are the fees approved by the AGM on 12 April 2012 for the period until the AGM in 2013.
4) Directors resident outside Scandinavia are granted additional fee of NOK 12 500 per physical Board meeting.
5) Directors appointed by and from the employees. Board fees to employee elected Directors are reduced in accordance with agreement with employee representatives.

According to Aker policies, fees to Directors employed in Aker companies will be paid to the Aker companies, not to the Directors in person.

Nomination Committee
The Articles of Association stipulate that the company shall have a Nomination Committee. The Nomination Committee shall have no less than three members, who shall normally serve for a term of two years.

The current members of the Nomination Committee are:
Kjetil Kristiansen (Chairman), Mette Wikborg and Leif Teksum. Kvaerner's General Meeting has adopted guidelines governing the duties of the Nomination Committee.

Audit Committee
The current Audit Committee comprise the following three Directors:
Leif-Arne Langøy (Chairman), Live Haukvik Aker and Rune Rafdal.
The fees to the Audit Committee, approved by the Annual General Meeting in April 2013, are related to the previous Audit Committee. The fees to the current Audit Committee are subject to approval by the Annual General Meeting 10 April 2014.

Remuneration Committee
The current Remuneration Committee comprise the following three Directors:
Leif-Arne Langøy (Chairman), Tore Torvund and Vibeke Hammer Madsen.
The fees to the Remuneration Committee, approved by the Annual General Meeting in April 2013, are related to the previous Remuneration Committee. The fees to the current Remuneration Committee are subject to approval by the Annual General Meeting 10 April 2014.

Directors' and members of executive management team's shareholding		Shares [3]
Jan Arve Haugan [1]	President & CEO	183 547
Eiliv Gjesdal	EVP & CFO	22 989
Steinar Røgenes	EVP Contractors Norway	6 603
Anthony Paul (Tony) Allen	EVP Contractors International	35 440
Bjørn Gundersen	EVP Concrete Solutions	10 575
James Harry (Jim) Miller	EVP Americas	6 897
Henrik Inadomi	SVP and Legal Counsel	4 981
Ståle Johansen [2]	Director	4 732
Rune Rafdal [2]	Director	6 329
Bernt Harald Kilnes [2]	Director	11 868

1) Jan Arve Haugan and related parties.
2) Directors appointed by and from the employees.
3) The overview includes only direct ownership of Kvaerner shares and does not include;
- Chairman Leif-Arne Langøy holdings of 44 827 shares through a privately owned company.
- Director Kjell Inge Røkke's indirect ownership in Aker ASA through the Resource Group TRG AS and subsidiaries which he co-owns with his wife.

Note 10 Operating leases

Kvaerner has entered into various operating lease contracts, mainly related to rental of buildings and equipment. The lease terms vary from short term contracts to contracts with duration up to 12 years. None of the leases include significant contingent rent. The majority of the contracts are renewable at the end of the lease period at market rates.

On 23 April 2013 Kvaerner signed an agreement with Fornebuporten AS for a long term lease for Kvaerner's new headquarters at Fornebu, scheduled for completion in second quarter 2015. The lease contract is for approximately 8 000 square metres at market terms, representing an all-inclusive annual average lease payment of NOK 27 million for the initial lease term. The term of the agreement is 12 years with options for five plus five years. Fornebuporten AS is owned by Aker ASA, and the lease agreement is therefore a related party transaction.

Total non-cancellable operating lease commitments

Amounts in NOK million	2013	2012
Contracts due within one year	**81**	52
Contracts running from one to five years	**168**	55
Contracts running for more than five years	**202**	2
Total	**450**	109

Minimum lease payments recognised in the income statement

Amounts in NOK million	2013	2012
Buildings	**80**	47
Plant, equipment and machinery	**51**	39
Total	**130**	85

Sublease payments and contingent rent recognised in the income statement for the years ended 31 December 2013 and 2012 were insignificant. The group has not entered into any non-cancellable sublease contracts.

Note 11 Other operating expenses

Other operating expenses amount to NOK 552 million in 2013 and NOK 609 million in 2012. The expenses include audit fees, operating lease costs (Note 10 Operating leases) and other expenses mainly related to premises, electricity, maintenance, travelling and IT-equipment.

Fees to auditor

Amounts in NOK million	2013	2012
Audit [1]	**6**	10
Other assurance services	**0**	0
Other services	**0**	1
Total fees to KPMG	**7**	11
Total audit fees - other auditor	**0**	0
Total continuing operations	**7**	11
Total discontinued operations	**1**	4
Total	**8**	15

1) Audit fees for 2012 include fees related to finalisation of 2011 audit of NOK 3 million.

Note 12 Finance income and expenses

Recognised in profit and loss

Amounts in NOK million	**2013**	2012R
Interest income on bank deposits measured at amortised cost	**3**	23
Interest income related party	**3**	2
Other finance income	**3**	5
Finance income	**10**	30
Interest expense on financial liabilities measured at amortised cost	**(63)**	(54)
Interest expense related party	**(0)**	25
Net foreign exchange loss	**(31)**	(7)
Net finance cost pension	**(4)**	(8)
Other finance cost [1]	**(7)**	(1)
Finance expenses	**(106)**	(45)
Net finance expenses recognised in profit and loss	**(96)**	(15)

1) For 2013 NOK 7 million relates to loss on foreign currency contracts.

See Note 25 Financial instruments for information of the finance income and expense generating items.

Note 13 Income taxes

Income tax expense

Amounts in NOK million	**2013**	2012R
Income tax expense		
Current tax expense	**110**	299
Prior year adjustment	**(3)**	8
Total current tax expense	**107**	307
Current year's deferred tax expense	**53**	(177)
Prior year deferred tax adjustment	**-**	49
Total deferred tax expense/(income)	**53**	(128)
Total tax expense	**160**	179

Effective tax rate

Amounts in NOK million	**2013**	2012R
Profit before tax, total	**399**	337
Expected income taxes (28 percent) of profit before tax	**113**	95
Tax effects of:		
Prior year adjustments (current and deferred tax) [1]	**(3)**	57
Permanent differences [2]	**12**	1
Effect of unrecognised timing differences and tax loss [3]	**11**	15
Change in tax rates [4]	**5**	-
Differences in tax rates from 28 percent	**5**	2
Other [5]	**17**	8
Total tax expense	**160**	179
Effective tax rate	**40%**	53%
Tax effect of differences	**47**	85

1) Prior year adjustments in 2012 mainly related to management's reassessment of the level of non-deductible expenses.
2) Permanent differences mainly relates to net non-tax deductible expenses (currency, write offs, entertainment etc).
3) Effect of non-recognised timing differences and tax losses is mainly related to tax losses in international operations.
4) Change in tax rate is related to impact of tax balances due to change in Norwegian tax rate from 28 to 27 percent as from 2014, impacting on year end deferred tax balances.
5) Other items are related to withholding taxes and provision related to tax audit.

Recognised deferred tax assets and liabilities

2013

Amounts in NOK million	Assets	(Liabilities)	Net
Property, plant and equipment	33	-	33
Pensions	44	-	44
Projects under construction	-	(765)	(765)
Tax loss carry-forwards	785	-	785
Provisions	88	-	88
Intangible assets	-	(0)	(0)
Other	8	-	8
Total	**958**	**(765)**	**193**

2012

Amounts in NOK million	Assets	(Liabilities)	Net
Property, plant and equipment	42	-	42
Pensions	45	-	45
Projects under construction	-	(214)	(214)
Tax loss carry-forwards	260	-	260
Provisions	101	-	101
Intangible assets	0	-	0
Other	19	-	19
Total	466	(214)	253

Change in net recognised deferred tax assets and liabilities

Amounts in NOK million	**2013**	2012
Balance as of 1 January	**253**	93
Recognised in profit and loss	**(53)**	149
Recognised in equity	**5**	2
Other adjustments [1)]	**(11)**	9
Translation differences and other	**0**	(0)
Balance as of 31 December	**193**	253

1) Other adjustments in 2013 and 2012 are related to reclassifications to other receivables/prepaid taxes and sold operations.

2013

Amounts in NOK million	Balance as of 1 January	Recognised in profit and loss	Other adjustments	Translation differences	**Balance as of 31 December**
Property, plant and equipment	42	(9)	1	(0)	**33**
Net pensions	45	(1)	1	0	**44**
Projects under construction	(214)	(551)	-	(0)	**(765)**
Tax loss carry-forwards	260	527	1	(3)	**785**
Provisions	101	(13)	-	0	**88**
Intangible assets	0	(0)	0	(1)	**(0)**
Other	19	(6)	(9)	4	**8**
Total	253	(53)	(6)	0	**193**

2012

Amounts in NOK million	Balance as of 1 January	Recognised in profit and loss	Other adjustments	Translation differences	**Balance as of 31 December**
Property, plant and equipment	35	3	4	0	**42**
Net pensions	40	6	(1)	-	**45**
Projects under construction	(115)	(104)	5	(0)	**(214)**
Tax loss carry-forwards	44	211	(1)	6	**260**
Provisions	97	(19)	22	(0)	**101**
Intangible assets	(23)	8	14	1	**0**
Other	15	45	(34)	(7)	**19**
Total	93	149	11	(0)	**253**

Tax loss carry-forwards

Amounts in NOK million	**2013**	2012R
Recognised tax losses carried forward	**2 910**	930
Unrecognised tax losses carried forward	**62**	47
Total tax losses carried forward - continuing operations	**2 972**	977

Recognised tax losses are related to the Norwegian operations and have indefinite expiry dates.
Unrecognised tax losses are related to international offices and expire after more than five years. In addition to tax losses above for continuing operations, unrecognised tax losses in the group's discontinued operations in North America amounts to NOK 176 million and NOK 225 million as per year end 2013 and 2012 respectively.

Tax losses are recognised in the balance sheet to the extent that forecasts and realistic expectations about results show that Kvaerner will be able to use the tax losses before they expire.

Current tax assets relate to excess prepaid taxes and unused tax credits in Norway for tax paid abroad.

Note 14 Trade and other current assets

Amounts in NOK million	Note	2013	2012
Trade receivables		**776**	808
Less provision for impairment of receivables		**-**	(14)
Trade receivables, net		**776**	794
Advances to suppliers		**6**	6
Work in progress	15	**2 102**	1 282
Accrued operating revenue		**122**	411
Other receivables		**82**	84
Derivative financial instruments	18	**6**	19
Other current assets		**-**	46
Total trade and other receivables	25	**3 094**	2 641
Other		**8**	13
Total		**3 102**	2 654

Impairment losses in 2013 was nil (2012: 1.6 million).

Aging of trade receivables

Amounts in NOK million	2013	2012
Current	**604**	301
Past due 0-30 days	**143**	114
Past due 31-90 days	**5**	132
Past due 91 days to one year	**24**	72
Past due more than one year	**-**	189
Total	**776**	808

Note 15 Construction contracts

Amounts in NOK million	Note	2013	2012
Value of work performed on uncompleted contracts		**16 860**	15 124
Invoiced to customers		**14 757**	13 843
Work in progress to be invoiced		**2 103**	1 282
Trade receivables		**147**	187
Net receivables on construction contracts		**2 250**	1 469
Advances from customers	16	**16**	143

Largest projects in progress at year end 2013 (unaudited):

Project	Customer	Estimated delivery
Upstream segment:		
Nyhamna onshore	Shell	2018
Hebron gravity based structure	ExxonMobil	2016
Edvard Grieg topside	Lundin	2015
Eldfisk topside	ConocoPhillips	2014
Martin Linge jacket	Total	2014
Edvard Grieg jacket	Lundin	2014

Note 16 Trade and other payables

Amounts in NOK million	Note	2013	2012
Trade creditors		**1 190**	957
Advances from customers		**16**	143
Accrued operating and financial costs		**2 520**	1 321
Derivative financial instruments	18	**12**	39
Sundry taxes		**229**	183
Other current liabilities		**82**	175
Total		**4 049**	2 818

Note 17 Provisions

Amounts in NOK million	Warranties	Other	Total
Balance as of 31 December 2011	78	336	**414**
Provisions made during the year	2	3	**5**
Provisions used during the year	(6)	(56)	**(62)**
Provisions reversed during the year	(11)	(7)	**(18)**
Currency translation differences	(0)	(0)	**(1)**
Balance as of 31 December 2012	63	275	**338**
Provisions made during the year	37	(1)	**36**
Provisions used during the year	(13)	(25)	**(38)**
Provisions reversed during the year	(4)	0	**(4)**
Currency translation differences	-	0	**0**
Provisions reclassified to retained liabilities on business sold	-	(1)	**(1)**
Balance as of 31 December 2013	83	248	**330**
Expected timing of payment as of 31 December 2013			
Non-current	37	-	**37**
Current	46	248	**293**
Total	83	248	**330**

Warranties
The provision for warranties relates to the possibility that Kvaerner, based on contractual agreements, needs to perform guarantee work related to products and services delivered to customers. The provision has been estimated based on historical warranty data associated with similar products and services. See Note 4 Accounting estimates and judgements, for further description.

Other
Other provisions mainly relate to provision for remaining modification work for Transocean Barents Drilling Rig, delivered in June 2009, planned to be performed during summer 2014.

Note 18 Derivative financial instruments

The Kvaerner group uses derivative financial instruments to hedge foreign exchange risks. Further information regarding the group's risk management policies is available in Note 5 Financial risk management and exposures.

Forward foreign exchange contracts
The table below presents the fair value of the derivative financial instruments and a maturity analysis of the derivative's undiscounted cash flows. Given the Kvaerner group hedging policy and the assumption that the projects are cash neutral, this table also indicates when the cash flows related to project expenses are expected to impact profit and loss. The majority of project revenues are recognised in accordance with International Accounting Standard 11, Construction Contracts (IAS 11) using the percentage-of-completion method. This may result in different timing of cash flows related to project revenues and revenue recognition. Loss of NOK 7 million related to ineffective hedges has been recognised in the income statement.

2013

Amounts in NOK million	Assets at fair value	Liabilities at fair value	**Net fair value**	**Total undiscounted cash flow [1)]**	6 mths or less	6-12 mths
Cash flow hedges	4	(1)	**3**	**3**	3	-
Embedded derivatives	2	(9)	**(7)**	**(7)**	(7)	-
Not hedge accounted	-	(2)	**(2)**	**(2)**	(2)	-
Total	6	(12)	**(6)**	**(6)**	(6)	-

2012

Amounts in NOK million	Assets at fair value	Liabilities at fair value	**Net fair value**	**Total undiscounted cash flow [1)]**	6 mths or less	6-12 mths
Cash flow hedges	1	(33)	(32)	(32)	(23)	(9)
Embedded derivatives	12	(2)	10	10	5	5
Not hedge accounted	6	(4)	2	2	2	-
Total	19	(39)	(20)	(20)	(16)	(4)

1) Undiscounted cash flows are translated to NOK using the exchange rates as of the balance sheet date.

Derivative financial instruments are classified as current assets or liabilities. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity is more than 12 months and as a current asset or liability if the maturity is less than 12 months. If the hedged item is related to projects, such as work in progress or trade receivables, the hedging derivative is classified as a current asset or liability.

Foreign exchange derivatives
Kvaerner hedges the group's future transactions in foreign currencies against external banks, with currency exposure hedged back-to-back in order to meet the requirements for hedge accounting. All other hedges are not designated as hedges for accounting purposes and will have an effect on profit or loss. Most hedges qualifying for hedge accounting are classified as cash flow hedges (hedges of highly probable future revenues and/or expenses). The company has entered into currency forward contracts in 2012 and 2013 which are classified as embedded derivatives.

The hedged transactions in foreign currency that are subject to cash flow hedge accounting are highly probable future transactions expected to occur at various dates during the next one to two years, depending on progress in the projects. Gains and losses on forward foreign exchange contracts are recognised in comprehensive income and reported as hedging reserve in equity until they are recognised in the income statement in the period or periods during which the hedged transactions affect the income statement. This is generally within 12 months from the balance sheet date.

The following table shows the unsettled cash flow hedges' impact on profit or loss and equity (not adjusted for tax).

Forward exchange contracts

Amounts in NOK million	2013	2012
Fair value of all hedging instruments	**3**	(32)
Hedging reserve from settlements	**2**	5
Recognised in profit and loss	**(2)**	5
Deferred in equity (hedging reserve)	**3**	(22)

The purpose of the hedging instrument is to secure a situation where the hedged item and the hedging instrument together represent a predetermined value independent of fluctuations of exchange rates. Revenue and expense on the underlying construction contracts are recognised in the income statement in accordance with progress. The NOK 3 million that are currently recorded directly in the hedging reserve, will be reclassified to income statement over approximately the next six months.

Note 19 Property, plant and equipment

Amounts in NOK million	Buildings and sites	Machinery, equipment and software	Under construction	Total
Historical cost as of 1 January 2012	622	786	47	**1 455**
Additions	62	156	-	**218**
Disposals	(1)	(22)	-	**(23)**
Transfers	44	(4)	(40)	**-**
Currency translation differences	(1)	(5)	(0)	**(6)**
Historical cost as of 31 December 2012	726	911	7	**1 644**
Accumulated depreciation as of 1 January 2012	(402)	(585)	-	**(987)**
Depreciation for the year [1]	(20)	(43)	-	**(63)**
Disposals	1	21	-	**22**
Currency translation differences	1	4	-	**4**
Accumulated depreciation as of 31 December 2012	(419)	(604)	-	**(1 023)**
Book value as of 31 December 2012	306	307	7	**620**
Historical cost as of 1 January 2013	726	911	7	**1 644**
Additions [2]	38	141	3	**183**
Disposals	(13)	(74)	-	**(87)**
Transfers	-	7	(7)	**-**
Currency translation differences	0	3	0	**4**
Balance as of 31 December 2013	751	989	4	**1 743**
Accumulated depreciation as of 1 January 2013	(419)	(604)	-	**(1 023)**
Depreciation for the year [1]	(30)	(41)	-	**(70)**
Disposals	10	56	-	**66**
Currency translation differences	-	(2)	-	**(2)**
Balance as of 31 December 2013	(439)	(591)	-	**(1 030)**
Book value as of 31 December 2013	312	398	4	**713**

1) Depreciation includes Kvaerner's North American contruction business that was sold in fourth quarter 2013 with NOK 8 million for 2012 and NOK 7 million for 2013, and explains the difference to the consolidated income statement.
2) Additions include NOK 9 million related to Kvaerner's North American contruction business that was sold in December 2013.

Kvaerner has not entered into any financial lease contracts as of 31 December 2013. At year end 2013 Kvaerner has contractual commitments for acquisition of property, plant and equipment relating to updgrades at the Stord yard amounting to approximatey NOK 75 million.

Depreciation
Assets are mainly depreciated on a straight-line basis over their expected economic useful lives as follows:

Machinery, equipment and software	3 - 15 years
Buildings	8 - 30 years
Sites	No depreciation

Estimates for residual values are reviewed annually.

Note 20 Intangible assets

Amounts in NOK million	Intangible assets excl. goodwill	Goodwill	Total
Balance as of 1 January 2012	3	1 182	**1 186**
Amortisation	(3)	-	**(3)**
Disposals	-	(19)	**(19)**
Additions	-	-	**-**
Currency translation differences	-	(6)	**(6)**
Balance as of 31 December 2012	-	1 157	**1 157**
Amortisation	-	-	**-**
Disposals	-	(89)	**(89)**
Additions	9	-	**9**
Currency translation differences	-	4	**4**
Balance as of 31 December 2013	9	1 071	**1 080**

Intangible assets other than goodwill have finite useful lives and are amortised over their expected economic useful life, ranging between five to ten years.

Research and development costs
For the year ended 31 December 2013, the group capitalised NOK 9.1 million (2012: NOK nil) related to development activities, mainly for a cost estimating model. NOK 12.1 million (2012: NOK 4.7 million) has been expensed for research and development as the criterias for capitalisation were not met. Research and development costs paid by customers were NOK 0.6 million in the period.

Goodwill
Allocation of goodwill by operating segment

Amounts in NOK million	**2013**	2012
Upstream	**1 071**	1 071
Contractors Norway	**421**	421
Jackets	**186**	186
Concrete Solutions	**198**	198
Contractors International	**266**	266
Downstream & Industrials	**-**	86
Total	**1 071**	1 157

Impairment testing of goodwill
Goodwill originates from a number of historic acquisitions. Goodwill was allocated to the five business areas, based on relative fair value estimates of the businesses at the time demerger from Aker Solutions in 2011.

The group performs an impairment test annually to ensure that the recoverable amount related to recorded goodwill exceeds the related carrying value.

Recoverable amounts are based on value in use calculations. The calculations use cash flow projections based on management approved budget and strategic forecasts for the period 2014-2017 and an annual growth rate of 2.0 percent for subsequent periods. The pre-tax discount rate (weighted average cost of capital) used is calculated based on the post-tax rate using an iterative process that gives the same net present value of cash flows pre- and post-tax. The post-tax discount rate applied in the testing is 9.5 percent, and pre-tax discount rates range from 11.4 percent to 12.3 percent for the different business areas.

Based on the impairment test performed in 2013, the recoverable amount for the recorded goodwill exceeds the related carrying values, and consequently the analysis indicates that no impairment is required. There is considerable headroom compared to the carrying amount for all business areas. From a total group perspective market value of equity at year end 2013 was approximately 23 percent higher compared to the book value of equity, which provides further comfort that no impairment is required.

Cash flow estimates are sensitive to changes in volume, margin and discount rate assumptions. There is room for the following adverse changes in these parameters, isolated for one parameter at the time, without need for impairment: Revenue reduction of 67 percent, EBIT margin reduction of 2.4 percentage points and increase in post-tax discount rate of 7.4 percentage points. A combination of the following adverse changes would require an impairment of NOK 18 million: Revenue reduction of 15 percent, EBIT margin reduction of two percentage points and increase in post-tax discount rate of one percentage point.

Note 21 Other non-current assets

Amounts in NOK million	Note	2013	2012R
Pension funds	24	**14**	12
Interest-bearing non-current receivables		**2**	7
Other non-current operating assets		**5**	11
Other investments		**9**	7
Total		**30**	37

Note 22 Equity-accounted investees

Jointly controlled entities are accounted for using the equity method. Associated companies and jointly controlled entities are defined as related parties to Kvaerner. See Note 7 Related parties, for overview of transactions and balances between Kvaerner and the associated companies and joint ventures.

Joint Venture Agreement with KGNT Holding LLP
Kvaerner is party to a 50/50 percent owned joint venture – Kvaerner Caspian BV – with the Kazakh company KGNT Holding LLP. The joint venture company is targeting offshore EPC and onshore module fabrication projects in the Kazakhstan sector of the Caspian Sea. The joint venture is committed to an investment plan up to 2022 to maintain its lease arrangements. If the joint venture is not successful in winning projects or maintaining its lease arrangements, the remaining investment may be impaired in future reporting periods.

Joint Venture Agreement with Peter Kiewit Infrastructure Co
Kiewit-Kvaerner Contractors (KKC) is a partnership under Newfoundland and Labrador law, owned 50 percent by each of the partners Peter Kiewit Infrastructure Co and Kvaerner.

Investments in associated companies and jointly controlled entities

2013

Amounts in NOK million	Book value as of 1 January	Additions/ Disposals	Dividend	Profit/ (loss) [1]	Currency translation differences	**Book value as of 31 December**
Kiewit-Kvaerner Contractors (KKC)	-	-	(251)	305	0	**54**
Kvaerner COOEC Engineering&Technology (Qingdao) Ltd	-	-	-	(2)	(0)	**(2)**
Concrete Structures AS	6	-	(1)	4	-	**9**
Siva Verdal Eiendom AS	14	-	-	-	-	**14**
Kvaerner Vostco Contractors Ltd	-	0	-	(0)	-	**0**
Kvaerner Caspian B.V.	77	-	-	(16)	(3)	**58**
Zvezdochka Engineering OOO	11	-	-	(11)	-	**-**
Total	106	-	(252)	280	(3)	**132**

1) Purpose of investment decides presentation in the income statement. The line Share of profit/(loss) from equity accounted investees and impairments in the consolidated income statement includes negative net results, and impairment charges related to Kvaerner Caspian and Zvezdochka Engineering, NOK 51 million and NOK 11 million respectively. Remaining results are presented within operating profit.

2012

Amounts in NOK million	Book value as of 1 January	Additions/ Disposals	Dividend	Profit/ (loss)	Currency translation differences	**Book value as of 31 December**
Kvaerner Caspian B.V.	83	-	-	(8)	2	77
Kiewit-Kvaerner Contractors (KKC) [1]	-	20	(89)	68	-	-
Power Maintenance and Constructors, LLC [2]	16	(16)	-	-	(1)	-
Siva Verdal Eiendom AS	14	-	-	-	-	14
Concrete Structures AS	4	-	(1)	2	-	6
Zvezdochka Engineering OOO [3]	-	11	-	-	-	11
Total	117	15	(89)	63	1	106

1) KKC addition of NOK 20 million is reclassification from other balance sheet lines.
2) Power Maintenance and Constructors, LLC was sold in fourth quarter 2012, with proceeds equal to net carrying value.
3) Zvezdochka Engineering addition is reclassification from other non-current assets.

Summary of financial information for significant equity accounted investees (100 percent basis)

2013

Amounts in NOK million	Business office	Percentage held [3]	Assets	Liabilities	Equity	Revenues	Net profit/(loss)
Kvaerner Caspian B.V. [1] [4]	Zoetermeer, The Netherlands	50.0%	227	63	164	65	36
Kiewit-Kvaerner Contractors (KKC) [1]	Newfoundland, Canada	50.0%	342	238	105	6 765	609
Siva Verdal Eiendom AS [2]	Verdal, Norway	46.0%	58	17	41	9	1
Concrete Structures AS [2] [4]	Oslo, Norway	50.0%	25	11	14	49	8
Zvezdochka Engineering OOO [2]	Arkhangelsk, Russia	50.0%	2	0	1	1	(1)
Kvaerner COOEC JV [1]	Qingdao, China	60.0%	1	5	(3)	-	(3)
Kvaerner Vostco Contractors Ltd. [1]	London, UK	50.0%	0	0	0	-	(1)

1) Jointly controlled entity.
2) Associated company.
3) Percentage of voting rights equals percentage held.
4) Unaudited, estimated figures.

2012

Amounts in NOK million	Business office	Percentage held [3]	Assets	Liabilities	Equity	Revenues	Net profit/(loss)
Kvaerner Caspian B.V. [1]	Zoetermeer, The Netherlands	50.0%	188	75	112	17	(15)
Kiewit-Kvaerner Contractors (KKC) [1]	Newfoundland, Canada	50.0%	612	563	50	1 940	136
Siva Verdal Eiendom AS [2]	Verdal, Norway	46.0%	61	21	40	10	2
Concrete Structures AS [2]	Oslo, Norway	50.0%	17	10	7	41	5
Zvezdochka Engineering OOO [2]	Arkhangelsk, Russia	50.0%	3	-	3	2	(1)

1) Jointly controlled entity.
2) Associated company.
3) Percentage of voting rights equals percentage held.

Note 23 Interest-bearing liabilities

This note provides information about the contractual terms of the Kvaerner group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the group's exposure to capital risk, including interest rates, foreign currency and liquidity risk, see Note 5 Financial risk management and exposures.

Bank debt

The term loan and revolving credit facilities agreement of NOK 3 000 million is split in two tranches; a term loan of NOK 500 million and a revolving credit facility of NOK 2 500 million, both maturing in May 2016 after an amendment and extension of maturity date for the term loan from May 2014 to May 2016. The facilities are provided by a syndicate of high quality international banks. The term loan was fully drawn per end of year 2013 whilst the revolving credit facility was undrawn per same. The terms and conditions include restrictions which are customary for these kind of facilities, including inter alia negative pledge provisions and restrictions related to acquisitions, disposals and mergers. There are also certain provisions of change of control included in the agreement. There are no restrictions for dividend payments. The facilities are unsecured.

The financial covenants are based on three sets of key financial ratios; an equity ratio based on consolidated total borrowings/consolidated total equity, a cash covenant calculated by consolidated total borrowings less consolidated net current operating assets and consolidated cash and cash equivalent assets and an interest coverage ratio based on consolidated EBITDA/ consolidated finance costs. The financial covenants are tested on a quarterly basis. As of 31 December 2013 the company is in compliance with all covenants. The margin applicable to the facility is based on a price grid determined by the gearing ratio.

2013

Amounts in NOK million	Currency	Nominal currency value	**Book value** [1]	Interest margin	Interest rate	Effective interest rate	Maturity date	Interest terms
Revolving credit facility	Multi currency	2 500	**-**	2.10% - 2.50%	-	-	3 May 2016	IBOR + Margin [2]
Term loan	NOK	500	**479**	2.00% - 3.00%	4.65%	4.73%	3 May 2016	NIBOR + Margin [2]
Total credit facility		3 000	**479**					
Total non-current borrowings			**479**					

2012

Amounts in NOK million	Currency	Nominal currency value	**Book value** [1]	Interest margin	Interest rate	Effective interest rate	Maturity date	Interest terms
Revolving credit facility	Multi currency	2 500	-	2.10% - 2.50%	-	-	3 May 2016	IBOR + Margin [2]
Term loan	NOK	500	469	1.50% - 2.00%	3.95%	4.01%	3 May 2014	NIBOR + Margin [2]
Total credit facility		3 000	469					
Total non-current borrowings			469					

1) The book value is calculated by reducing the nominal value on NOK 500 million by total issue costs related to the credit facility.
2) The margin applicable to the facility is decided by a price grid based on the gearing ratio. Commitment fee is 40 percent of the margin.

Note 24 Employee benefits - pensions

The Kvaerner group's pension costs represent the future pension entitlement earned by employees in the financial year. In a defined contribution plan the company is responsible for paying an agreed contribution to the employee's pension assets. In such a plan the annual contribution is also the cost. In a defined benefit plan it is the company's responsibility to provide a certain pension benefit. The measurement of the cost and the pension liability for such arrangements are subject to actuarial valuations.

Pension plans in Norway

The main pension arrangement in Norway is a general pension plan organised by the Norwegian state. This arrangement provides the main general pension entitlement of all Norwegians. All pension arrangements by employers, consequently represent limited additional pension entitlements.

Norwegian employers are obliged to provide an employment pension plan, which can be organised as a defined benefit plan or as a defined contribution plan. Kvaerner closed its defined benefit plans in 2008 and are now providing defined contribution plans for all of their employees under 63 years of age.

Defined contribution plan

The annual contribution expensed for the defined contribution plan was NOK 88 million (2012: NOK 93 million). Kvaerner's contributions to this plan are the maximum level accepted by Norwegian tax legislation. The estimated contributions expected to be paid in 2014 is NOK 91 million.

Defined benefit plan

Employees who were 58 years or more in 2008, when the plan was closed, are still in the defined benefit plan. This is a funded plan and represent most of the funded pension liability reported in the tables on page 61. Kvaerner's contribution to this plan in 2013 was NOK 25 million (2012: NOK 33 million), expected contribution for 2014 is NOK 26 million. Contributions will reduce as the employees retire during the next four years.

The net pension obligation is sensitive to deviations in mortality for the members versus the mortality table used for calculating the obligation. As payments of the funds are relatively close in time – in a pension perspective – the net pension obligation is sensitive to drops in the values of the investments.

Compensation plan

To ensure that the employees were treated fairly on the change from the defined benefit plan to the defined contribution plan, the company introduced a compensation plan. The employees are entitled to a compensation amount being the difference between calculated pension capital in the defined benefit plan and the value of the defined benefit plan at the age of 67 years. The compensation amount will be adjusted annually in accordance with the adjustment of the employees` pensionable income, and accrued interest according to market interest. The compensation plan is an unfunded plan, and the obligation is calculated by actuary on a yearly basis. The first payment to employees from this plan will start in four years.

As the family members are entitled the pension compensation if the members die, changes in mortality will have limited effect on the obligation. The pension liability is sensitive to terminations as the compensation is reduced if the employee leaves the company before the age of 50.

AFP- early retirement arrangement

AFP is an early retirement arrangement organised by Norwegian employers, the main Labour Union organisation in Norway (LO) and the Norwegian state. The "old AFP" arrangement was established to provide pension between the age of 62 and 67 for employees who retired before the general retirement age of 67. This pension plan is now closed, estimated remaining employer contributions to cover the plan deficit have been provided for. Payments from the plan are finished in 2015.

A "new AFP" plan was established from 2011 to provide additional life long pensions to employees that retire early to compensate for the reduction in the ordinary pension entitlements. In this plan the employees are given a choice of retirement age, but with lower pension with earlier retirement. The Norwegian Accounting Standards Board has issued a comment concluding that the "new AFP" plan is a multi-employer defined benefit plan. The "new AFP" plan exposes the participating entities to actuarial risk associated with employees of other entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating entities. Sufficient information is not available to use defined benefit accounting and the "new AFP" plan is accounted for as a defined contribution plan.

Pension plans outside Norway

All pension plans outside Norway are defined contribution plans. Contributions to these abroad plans for Kvaerner were NOK 2 million in 2013 (2012: NOK 3 million). The estimated contributions expected to be paid in 2014 is NOK 3 million.

Implementation of Amended IAS 19 Employee Benefits

As of January 2013, Kvaerner implemented IAS 19 Amended Employee benefits with retrospective application for 2012. The revised standard requires immediate recognition of actuarial gains and losses in other comprehensive income and elimination of the corridor method. Refererence is made to Note 31 Implementation of revised IAS 19 Employee Benefits and classification of segment to discontinued operations for details of implementation effects.

Components of net periodic pension cost including payroll tax

Amounts in NOK million	2013	2012R
Defined benefit plans		
Service cost [1]	**12**	30
Administration cost	**1**	2
Curtailments and settlements	**13**	-
Net periodic pension cost defined benefit plans	**26**	32
Pension cost defined contribution plans	**88**	93
Net periodic pension cost	**113**	125
Net interest cost/(income)	**4**	8
Net periodic pension cost including net interest cost	**117**	133

1) According to the actuarial calculations for 2013 the service cost is NOK 27 million. The reversal of an accrual related to AFP of NOK 15 million is the reason for the low service cost in the table above for 2013.

Status of pension plans reconciled with the balance sheet including payroll tax

2013

Amounts in NOK million	Funded	Unfunded	Total
Projected benefit obligation (PBO)	351	164	**515**
Plan assets at fair value	360	-	**360**
Net employee benefit assets/(employee benefit obligations)	9	(164)	**(155)**
As presented in the balance sheet net of disposal groups			
Employee benefit assets	14	-	**14**
Employee benefit obligations	(6)	(164)	**(170)**
Total	9	(164)	**(155)**

2012R

Amounts in NOK million	Funded	Unfunded	Total
Projected benefit obligation (PBO)	373	151	524
Plan assets at fair value	364	-	364
Net employee benefit assets/(employee benefit obligations)	(8)	(151)	(160)
As presented in the balance sheet net of disposal groups			
Employee benefit assets	12	-	12
Employee benefit obligations	(4)	(167)	(171)
Total	7	(167)	(160)

Movement in pension obligation and plan asset

Amounts in NOK million	2013	2012R
Projected benefit obligation as of 1 January	**524**	579
Service cost including cost related to the compensation plan	**12**	30
Interest cost on projected benefit obligation	**18**	14
Acquisition and disposal	**(6)**	11
Payroll tax of employer contribution assets	**(3)**	(4)
Benefits paid	**(36)**	(34)
Remeasurements loss/(gain) to other comprehensive income	**6**	(71)
Projected benefit obligation as of 31 December	**515**	524
Plan assets at fair value as of 1 January	**364**	359
Interest income on plan assets	**12**	4
Acquisition and disposal	**(18)**	4
Contributions paid into the plan	**25**	33
Payroll tax of employer contribution assets	**(3)**	(4)
Benefits paid by the plan	**(19)**	(19)
Remeasurements loss/(gain) to other comprehensive income	**(1)**	(12)
Plan assets at fair value as of 31 December	**360**	364

Included in other comprehensive income (OCI)

Amounts in NOK million	2013	2012R
Remeasurements loss/(gain) from changes in:		
Discount rate	**(9)**	(68)
Other financial assumptions	**(1)**	(1)
Mortality table	**10**	15
Experience defined benefit obligation (DBO)	**(3)**	(22)
Experience assets	**2**	16
Investment management cost	**8**	-
OCI losses/(gains)	**7**	(60)

Analyses of the plan assets (Norwegian plans)

Plan assets comprise:

Amounts in NOK million	2013	2012R
Equity instruments		
- Oil & Gas	**11**	19
- Maritime Transportation	**1**	-
- Energy Infrastructure	**2**	4
- Oilfield Services & Equipment	**2**	4
- Telecom Services	**4**	2
Bonds		
- Goverment	**6**	12
- Finance	**7**	25
- Private and Government enterprise	**78**	65
- Municipalities	**240**	222
Fund/Private Equity	**8**	10
Plan assets	**360**	364

The fair value of the equities is based on their quoted prices at the reporting date without any deduction for estimated future selling cost. The equity portfolio is invested globally. The investments in bonds are done in the Norwegian market and most of the bonds are not listed on any exchange. Approximately 38 percent of the total bond portfolio is categorized as loans and receivables and value at amortized cost. The valuation of the remaining 62 percent is based on official prices provided by the Norwegian Securities Dealers Association. The Bond investment has on average a high credit rating. Most of the investments are in Norwegian municipalities with a credit rating of AA. The investments in fund/private equity are mainly funds that invest in listed securities and where the fund value is based on quoted prices.

Overview of pension obligations and assets

Amounts in NOK million	2013	2012R	2011	2010	2009
Projected benefit obligation	**515**	524	542	496	569
Plan assets at fair value	**360**	364	359	346	341
Net employee benefit assets/ (employee benefit obligations) [1]	**(155)**	(160)	(183)	(150)	(228)

1) Figures before 2012 are stated exclusive of social taxes and unrecognised gain.

Change in unrecognised (gain/loss projected benefit obligation [1]	-	-	47	(36)	20
Change in unrecognised gain/(loss) plans assets [1]	-	-	-	(9)	8

1) The revised IAS 19 Employee Benefits requires immediate recognition of actuarial gains and losses in other comprehensive income.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date.

Norwegian plans	2013	2012 Revised
Discount rate [1]	**4.10%**	3.80%
Asset return	**4.10%**	3.80%
Salary progression [1]	**3.75%**	3.50%
Pension indexation	**1.90 - 2.50%**	1.90 – 2.50%
G - multiplier [1] [2]	**3.50%**	3.25%

1) The actuarial assumptions used in the Compensation Plan were 3.70 percent for discount rate, 3.50 percent for salary progression and 3.25 percent for G-multiplier.
2) 1G is NOK 85 245 as of 31 December 2013.

The discount rate in 2013 and 2012 is based on the Norwegian high quality corporate bond rate. The assumptions used are in the line with recommendations from the Norwegian Accounting Standards Board.

Assumptions regarding future mortality are based on mortality table K2013. The mortality table K2013 is a dynamic mortality model replacing the previous static mortality table K2005. A dynamic mortality table differs from a statistical mortality table in that, in the former, the mortality rate in each age group is assumed to change over time whereas in the latter the mortality rate is assumed to be constant throughout the period of insurance. The dynamic model expected improvements in life expectancy over time, and that is expected for the Kvaerner employees as well. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	2013
Longevity at age of 65 for current pensioners	
Males	20.4
Females	23.2
Longevity at age of 60 for current members aged 40	
Males	23.7
Females	26.9

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the actuarial assumptions set out above. An entity shall disclose a sensitivity analysis for each significant actuarial assumption. Possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Defined benefit obligation	
Effects in NOK million	**Increase**	**Decrease**
Discount rate (1% movement)	(45)	53
Future salary growth (1% movement)	9	(8)
Future pension growth (1% movement)	51	(44)

Note 25 Financial instruments

Financial instruments are classified into level 1, 2 and 3 in the measurement hierarchy based on how objective the measuring method is. Level 1 indicates use of quoted prices in an active market for identical assets and liabilities. Kvaerner has limited financial instruments beyond cash and short term receivables and payables. Cash, receivables and payables are measured at fair value based on observable prices, or at amortised cost.

Level 2 implies fair value measurements based on price inputs, other than quoted prices, which are derived from observable market transactions in an active market for identical assets or liabilities. Kvaerner's financial instruments within this category is related to derivative financial instruments, where fair value is determined based on forward prices on foreign currency exchange rates, see Note 18 Derivative financial instruments. Fair value measurements in level 3 indicates use of unobservable inputs; fair value calculations on the basis of input and assumptions that are not from observable market transactions. Kvaerner has no such level 3 assets or liabilities.

Non-current loans

Non-current loans consist of a term loan with duration of three years. The carrying amount is measured at amortised cost. Fair value is equal to the book value of NOK 479 million (2012: 469 million). Credit facilities have floating interest and the notional amount is a reasonable approximation of fair values.

Note 26 Group companies as of 31 December 2013

Company name	City	Country of incorporation	Ownership (percent) [1]
Kværner ASA	Oslo	Norway	100
Kværner AS	Oslo	Norway	100
Kværner Engineering AS	Oslo	Norway	100
Kværner Stord AS	Stord	Norway	100
Kværner Verdal AS	Verdal	Norway	100
Kværner Concrete Solutions AS	Oslo	Norway	100
Kværner Jacket Technology Trondheim AS [2]	Trondheim	Norway	100
Kværner Jacket Technology AS	Oslo	Norway	100
Kværner Piping Technology AS	Verdal	Norway	100
Kværner Contracting Spain AS [3]	Oslo	Norway	100
Kværner Contracting Italy AS [4]	Oslo	Norway	100
Kværner Contracting Russia AS [5]	Oslo	Norway	100
Norwegian Contractors AS	Sandvika	Norway	100
Aker Solutions Contracting AS	Oslo	Norway	100
Kværner Resources AS	Oslo	Norway	100
Kvaerner Finland Oy	Ulvila	Finland	100
Kvaerner Contracting Ltd	London	UK	100
Kvaerner Resources Ltd	London	UK	100
Kvaerner Field Development Inc	Houston	USA	100
Kvaerner Strategic Operations Inc	Canonsburg	USA	100
Kvaerner Americas Holdings Inc	Canonsburg	USA	100
Kvaerner Americas Inc	Canonsburg	USA	100
Kvaerner North American Construction Inc	Canonsburg	USA	100
Kvaerner Industrial Constructors Inc	Canonsburg	USA	100
Kvaerner Industrial Constructors Holdings Inc	Canonsburg	USA	100
Kvaerner Oil & Gas Australia Pty Ltd	Perth	Australia	100
Kvaerner Canada Ltd [6]	St. John's	Canada	100
Kvaerner Engineering & Technology (Beijing) Co Ltd	Beijing	China	100

1) Ownership equaling the percentage of voting shares.
2) Previously named Kværner Sakkyndig Virksomhet AS.
3) Previously named Aker Kværner Contracting International (Spain) AS.
4) Previously named Aker Kværner Contracting Italy AS.
5) Previously named Aker Contracting Russia AS.
6) Previously named Kvaerner Newfoundland Ltd.

During 2013 Dovre Maling AS and Vind Sammenstilling AS has been merged with Kværner Verdal AS. Kvaerner North American Construction Ltd was sold in December 2013, reference is made to Note 27 Discontinued operations for more information regarding the sale.

Note 27 Discontinued operations

In July 2012, Kvaerner sold the on-going operations and related assets of EPC Centre Houston, and a net positive EBITDA effect of NOK 42 million from the divestment and adjustments resulting from management's reassessment of the retained assets and liabilities was recognised.

In December 2013 Kvaerner sold its onshore construction business in North America to Matrix Service Company. In the transaction, Matrix received ownership of certain assets of Kvaerner North American Construction, Inc. in the USA and the shares in Kvaerner North American Construction, Ltd. in Canada. Kvaerner retains the assets and liabilities related to the contract with Longview Power LLC, including any financial effects of the arbitration.

The transaction was settled in cash in December 2013. Following the sale of the onshore construction business, Kvaerner will not have any remaining operations in the USA within the Downstream & Industrials segment, and remaining legacies within the segment are presented as discontinued operations in the group financial statements. Comparative information for discontinued operations is restated. The results for the discontinued business is reported separately under the heading Profit from discontinued operations in the group's income statement. Reference is made to Note 28 Contingent events for more information on the Longview project.

Sales proceeds and assets sold

Amounts in NOK million	2013
Sales proceeds	599
Cash and cash equivalents sold	223
Net sales proceeds	**376**
Net operating assets sold	(55)
Goodwill	93
Sales related accruals	33
Foreign currency effects	32
Net gain on sale	**272**

Summary of financial data for discontinued operations

Amounts in NOK million	2013	2012
Operating revenue and other income	1 666	1 887
Operating profit	**268**	53
Of which:		
Operations	(37)	11
Gain on sale of business [1]	304	42
Net profit after tax	**206**	79
Basic and diluted earnings per share (NOK)	0.77	0.29

1) Further, foreign currency effects of NOK 32 million have been expensed and recycled over profit and loss following the sale, implying a net gain on sale of NOK 272 million.

Cash flow from discontinued operations

Amounts in NOK million	2013	2012
Cash flow from operating activities	45	(4)
Cash flow from investing activities	271	28
Cash flow from financing activities	(604)	(188)
Effect of exchange rate changes on cash and bank equivalents	16	(26)
Net increase/(decrease) in cash and bank equivalents	**(272)**	(190)
Cash and cash equivalents at the beginning of the period	328	518
Cash and cash equivalents at the end of the period	**56**	328

Note 28 Contingent events

Given the scope of the Kvaerner group's worldwide operations, group companies are inevitably involved in legal disputes in the course of their activities. Provisions have been recognised to cover the expected outcome of any disputes and litigation proceedings in accordance with applicable accounting rules. Such provisions will be based on the management's best evaluations and estimates of a likely outcome of the dispute and will be subject for review by in-house or external legal advisors. However, the final outcome of such disputes and litigation proceedings will always be subject to uncertainties, and resulting liabilities may exceed recorded provisions. The disputes and litigation proceedings are continuously monitored and reviewed, and recognised provisions are adjusted to reflect management's best estimates of most recent facts and circumstances. Litigation and arbitration costs are recognised as they occur.

Significant current disputes

Longview project

Kvaerner North American Construction Inc, a subsidiary of Kvaerner, initiated arbitration against both the costumers Longview Power, LLC and Foster Wheeler North America Corp. the supplier of the boiler for the Longview project in 2011. Kvaerner North American Construction Inc experienced an increase in the cost of construction of the project from a number of causes, including force majeure events; changes to the project; and third party actions in furnishing engineering services, equipment and materials; all of which directly and adversely impacted Kvaerner North American Construction Inc's project work. The arbitration is intended to recover excess construction costs and other damages incurred by Kvaerner North American Construction Inc in execution of the project. Kvaerner's claims and customer's counterclaims are substantial.

Longview Power LLC, the owner of the Longview Power Plant in Maidsville, West Virginia, filed for protection under Chapter 11 of the United States Bankruptcy Code in August 2013. The initiated Chapter 11 process will interfere with Kvaerner's claims and will subsequently lead to delays in the cost recovery.

Nordsee Ost project

In 2010, Kværner Verdal AS entered into a contract with a subsidiary of RWEI for the delivery of 48 jackets for windmill turbines and one jacket for a transformer station for the Nordsee Ost Windmill Farm. The Kvaerner subsidiary has requested to be compensated for additional costs and schedule impacts of various changes to the scope of work and associated matters. The parties are in disagreement about the scope of these changes and the related consequences or the financial and schedule consequences associated therewith. In 2012, the arbitration related to the on-going Nordsee Ost project was filed. The last wind jackets for the Nordsee Ost project were delivered in October 2013. The arbitration process for the project will take more time than earlier anticipated due to high complexity and resolution has been delayed. It is currently not possible to estimate when the arbitration will be finalised.

There are still substantial uncertainties with respect to the final financial outcome of the above projects and to avoid prejudicing Kvaerner's position, no estimate of the expected final outcome is disclosed.

Note 29 Subsequent events

The Board propose dividend of NOK 0.61 per share

The Board of Directors has in line with the dividend policy proposed to pay a semi-annual dividend of NOK 0.61 per share in April 2014, confirming a predictable dividend growth. Subject to approval by the Annual General Meeting (AGM), the dividend payment will take place on or about 25 April 2014 to shareholders of record as per the date of the AGM scheduled for 10 April 2014. The shares will be traded exclusive dividend from and including 11 April 2014.

Financing

In January, Kværner ASA entered into a Second Amended and Restated Agreement under the NOK 3.0 billion loan agreement with its lenders, to extend the NOK 500 million loan facility agreement maturing in May 2014 to May 2016 at improved terms.

Completion contracts for Aasta Hansteen

Kvaerner was in January and February awarded two contracts with Technip and Hyundai Heavy Industries for completion work on the Aasta Hansteen project. The scope includes providing services and assistance to Technip for upending of the hull, installation of predefined equipment and preparation of the Aasta Hansteen Spar for mating with the topside. For Hyundai, Kvaerner will execute services for inshore and offshore hook-up and commissioning of the topside.

Note 30 Capital and reserves

Share capital

Kværner ASA has one class of shares, ordinary shares, with equal rights for all shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at General Meetings.

Total outstanding shares are 269 000 000 at par value of NOK 0.34 per share. All issued shares are fully paid.

Dividends	2013	2012
Paid dividend per share (NOK)	**1.13**	1.53
Total dividend proposed (NOK million)	**164**	148
Semi-annual dividend per share proposed by the Board of Directors (NOK)	**0.61**	0.55

Dividends paid in 2013 consist of a dividend payment of NOK 0.55 per share in April and NOK 0.58 per share in October.

Hedging reserve

The hedging reserve relates to cash flow hedges of future revenues and expenses against exchange rate fluctuations. The income statement effects of such instruments are recognised in accordance with the progress of the underlying construction contract as part of revenues or expenses as appropriate. The hedging reserve represents the value of such hedging instruments that are not yet recognised in the income statement. The underlying nature of a hedge is that a positive value on a hedging instrument exists to cover a negative value on the hedged position, see Note 18 Derivative financial instruments.

Currency translation reserve
The currency translation reserve includes exchange differences arising from the translation of the net investment in foreign operations.

Note 31 Implementation of revised IAS 19 Employee Benefits and classification of segment to discontinued operations

As of 1 January 2013 Kvaerner has adopted the revised IAS 19 Employee Benefits with retrospective application. The revised standard requires immediate recognition of actuarial gains and losses in other comprehensive income and the corridor method can no longer be used. Expected return on plan assets will be calculated using the same interest rate as applied for discounting the pension obligation. In addition, net interest for plan assets and liabilities are recognised within financial items. Reference is made to Note 3 Significant accounting policies.

As from fourth quarter 2013 the Downstream & Industrials segment has been classified to discontinued operations with comparative numbers restated, reference is made to Note 27 Discontinued operations.

Following the revised accounting standard and reclassification of the Downstream & Industrials segment, the financial statements for 2012 have been restated as follows (sub-total lines only):

Amounts in NOK million	2012 Reported	Effect of IAS 19	Segment re-classified to discontinued	**2012 Restated**
Condensed consolidated income statement				
Total revenue	10 748	-	(1 881)	**8 867**
Operating expenses	(10 275)	6	1 819	**(8 450)**
EBITDA	473	6	(62)	**417**
Depreciation and amortisation	(66)	-	8	**(58)**
Operating profit	407	6	(53)	**359**
Net financial income/(expense)	(31)	(8)	24	**(15)**
Profit from associated companies and jointly controlled entities	(7)	-	(0)	**(8)**
Profit before tax	369	(2)	(30)	**337**
Income tax expense	(131)	1	(49)	**(179)**
Profit from continuing operations	238	(1)	(79)	**158**
Profit discontinued operations	-	-	79	**79**
Net profit	238	(1)	0	**237**
Basic and diluted earnings per share (NOK)	0.89	(0.01)	0.00	**0.88**

Amounts in NOK million	2012 Reported	Effect of IAS 19	**2012 Restated**
Condensed consolidated statement of comprehensive income			
Net profit/(loss) for the period	238	(1)	**237**
Actuarial gains/(losses) on defined benefit pension plans	-	43	**43**
Total other comprehensive income, net of tax	(65)	43	**(22)**
Total comprehensive income	173	42	**215**
Condensed consolidated balance sheet			
Deferred tax assets	251	3	**254**
Other non-current assets (including pension funds)	47	(16)	**31**
Total assets	6 052	(13)	**6 039**
Equity and liabilities		-	
Total equity	2 202	(8)	**2 195**
Employee benefit liabilities	177	(6)	**171**
Total equity and liabilities	6 052	(13)	**6 039**

The company has not presented a restated balance sheet as of 31 December 2011 reflecting the retroactive implementation of IAS 19R as it concluded that the effect of the change was not material to the opening balance sheet presentation.

Annual accounts Kværner ASA

Income statement 01.01 - 31.12

Amounts in NOK thousands	Note	2013	2012
Operating revenue	2	**15 088**	10 664
Operating expenses	2	**(47 507)**	(46 474)
Operating loss		**(32 419)**	(35 810)
Net financial items	3	**190 664**	294 506
Profit before tax		**158 245**	258 696
Income tax expense	4	**(43 887)**	(73 406)
Profit for the period		**114 358**	185 290
Net profit for the year and dividends are distributed as follows:			
Dividends paid		**156 020**	142 568
Proposed dividend		**164 090**	147 950
Transferred from other equity		**(205 752)**	(105 228)
Profit for the period		**114 358**	185 290
Group contribution with tax effect		161 579	206 763
Group contribution without tax effect		-	2 000 000

Balance sheet as of 31 December

Amounts in NOK thousands	Note	2013	2012
Assets			
Deferred tax asset	4	**460**	-
Investments in group companies	5	**2 692 749**	2 577 540
Non-current interest-bearing receivables from group companies	7	**4 274 332**	6 975 174
Non-current interest-bearing receivables from related parties	8	**-**	14 485
Total non-current assets		**6 967 541**	9 567 199
Non interest-bearing receivables from group companies	7	**4 017**	18 589
Other current receivables	9	**5 834**	35 724
Cash and cash equivalents	7	**102 749**	414 653
Total current assets		**112 600**	468 966
Total assets		**7 080 141**	10 036 165
Liabilities and shareholders' equity			
Issued capital		**91 460**	91 460
Share premium reserve		**729 027**	729 027
Other equity		**4 189 443**	4 395 928
Total equity	6	**5 009 930**	5 216 415
Deferred tax liability	4	**-**	456
Non-current interest-bearing borrowing	10	**479 178**	468 983
Total non-current liabilities		**479 178**	469 439
Interest-bearing current borrowing from group companies	7	**1 128 203**	1 843 606
Other current borrowings		**-**	8 007
Provision for dividend	6	**164 090**	147 950
Other current liabilities to group companies	7	**280 429**	2 311 874
Other current liabilities	9	**18 311**	38 874
Total current liabilities		**1 591 033**	4 350 311
Total liabilities and shareholders' equity		**7 080 141**	10 036 165

Vækerø, 17 March 2014
Board of Directors and President & CEO of Kværner ASA

Leif-Arne Langøy
Chairman

Tore Torvund
Deputy Chairman

Kjell Inge Røkke
Director

Vibeke Hammer Madsen
Director

Live Haukvik Aker
Director

Rune Rafdal
Director

Ståle Knoff Johansen
Director

Bernt Harald Kilnes
Director

Jan Arve Haugan
President & CEO

KVÆRNER

Statement of cash flows 01.01 - 31.12

Amounts in NOK thousands	2013	2012
Profit before tax	**158 245**	258 696
Taxes paid	**-**	(40 785)
Changes in accounts receivable	**29 890**	(12 945)
Changes in other net operating assets	**(7 866)**	(30 607)
Change in long term receivables in related party Kvaerner Caspian BV	**14 485**	600
Capitalised loan costs	**10 195**	9 354
Net cash from operating activities	**204 949**	184 313
Decrease in long term borrowings to group companies	**2 715 414**	(131 985)
Increase/(reduction) in short term debt	**(721 929)**	(54 246)
Group contribution paid	**(2 205 635)**	-
Proceeds from employee share purchase programme	**(19 155)**	(28 573)
Repurchase of shares	**18 422**	28 880
Dividends paid	**(303 970)**	(411 568)
Net cash from financing activities	**(516 853)**	(597 492)
Net increase (decrease) in cash and bank deposits	**(311 904)**	(413 179)
Cash and bank deposits at the beginning of the period	**414 653**	827 832
Cash and bank deposits at the end of the period	**102 749**	414 653

Notes to the financial statements

Note 1 Accounting principles

Kværner ASA was incorporated on 12 January 2011 and is domiciled in Norway. Kværner ASA's registered office address is Drammensveien 264, 0283 Oslo, Norway.

The accounts are presented in conformity with Norwegian legislation and Norwegian generally accepted accounting principles. The functional and presentation currency is Norwegian kroner (NOK).

Foreign currency translation
Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

Revenue recognition
Operating revenue comprise parent company guarantees recharged entities within the Kvaerner group. The revenue is recognised over the the guarantee period.

Tax
Tax expense in the income statement comprises current tax and changes in deferred tax. Tax payable is calculated as 28 percent of total tax expense in income statement. Deferred tax at 31 December 2013 is calculated as 27 percent of temporary differences between accounting and tax values as well as any tax losses carried forward at the year end. A net deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the asset can be utilised.

Classification and valuation of balance sheet items
Current assets and current liabilities include items due within one year or items that are part of the operating cycle. Other balance sheet items are classified as non-current assets/debt.

Current assets are valued at the lowest of cost and fair value. Current debt is valued at nominal value at time of recognition.

Non-current debt is initially valued at transaction value less attribute transaction cost. Subsequent to initial recognition, interest-bearing long-term debt is stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts.

Investment in subsidiaries and associates
Subsidiaries and investments in associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends/group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

Cash in cash pool system
Kværner ASA has a cash pool that includes parent company's cash as well as net deposits from subsidiaries in the group. Correspondingly, the parent company's current debt to group companies will include their net deposits in the group's cash pool system.

Subsidiaries have entered into agreements with the parent company to hedge their foreign exchange exposure. In the parent company, this risk is hedged in the external financial market. All agreements are recognised at fair value with any gains or losses recognised against the income statement.

All transactions are according to arms length principles.

Share capital
Cost related to purchase and sale of own shares are accounted for directly against equity, including any transactions costs.

Cash flow
The cash flow is presented using the indirect method.

Note 2 Operating revenue and operating expenses

Operating revenue relates to parent company guarantees recharged entities within the Kvaerner group. Total recharged guarantees in 2013 amounts to NOK 41.1 million and has been fully paid by the entities. Remaining recharged amount will be recognised as revenue over the guarentee period.

There are no employees in Kværner ASA and hence no salary or pension related costs, and no loan or guarantees related to the executive management team. Group management and corporate staff are employed by other Kvaerner companies and costs for their services as well as other parent company costs are recharged to Kværner ASA. Total parent company cost for 2013 amounts to NOK 47.5 million (2012: NOK 46.5 million).

Fees to KPMG for statutory audit of the parent company amounted to NOK 2.8 million (2012: NOK 3.5 million) excluding VAT.

NOK 3 million (2012: NOK 2.9 million) has been allocated to payable fees to the Board of Directors for 2013.

See Note 9 Salaries, wages and social security costs in the group accounts for further details regarding remuneration of the President & CEO.

Note 3 Net financial items

Amounts in NOK thousands	**2013**	2012
Interest income from group companies	**337 263**	360 414
Interest expense to group companies	**(64 167)**	(28 957)
Net interest group companies	**273 096**	331 457
Interest income from external companies	**358**	13 671
Interest expense to external companies	**(62 513)**	(51 098)
Net interest external	**(62 155)**	(37 427)
Net other financial items	**(20 277)**	476
Net financial items	**190 664**	294 506

Note 4 Tax

Amounts in NOK thousands	2013	2012
Taxable income		
Profit before tax	**158 245**	258 696
Group contribution with tax effect	**(161 579)**	(206 763)
Temporary differences	**3 334**	(53 834)
Permanent differences	**-**	1 901
Taxable income	**-**	-
Temporary differences and deferred tax		
Unrealised gain/(loss) on forward exchange contracts	**(1 705)**	1 629
Basis for deferred tax	**(1 705)**	1 629
Deferred tax asset	**460**	-
Deferred tax liability	**-**	456
Tax expense		
Tax expense on taxable income	**(45 242)**	(57 894)
Correction from previous years	**439**	(439)
Change in tax rate	**(17)**	-
Deferred tax expense on temporary differences	**934**	(15 074)
Total tax expense in income statement	**(43 887)**	(73 406)
Rate of taxation	**28%**	28%
Tax payable in the balance sheet		
Payable tax for the year	**(45 242)**	57 894
Tax payable on group contribution	**45 242**	(57 894)
Total payable tax	**-**	-

Note 5 Investments in group companies

Amounts in NOK thousands	Registered office	Share capital	Number of shares held	Book value [1)]	Percentage owner-/ voting share
Kværner AS	Oslo, Norway	250	10 000	2 692 749	100%

Kværner ASA has in 2013 given group contribution to subsidiary Kværner AS. Group contribution with tax effect is NOK 161.5 million (2012: NOK 206.8 million). The equity value of this is booked against the shares in the subsidiary, increasing the book value with NOK 116.3 million (2012: NOK 2 148.9) million after tax.

Kværner AS results 2013

Amounts in NOK thousands	
Profit for the period	(754 178)
Equity per 31 December 2013	1 818 231

1) Impairment test performed by 31 December 2013 supports the book value of subsidiary Kværner AS.

Note 6 Shareholders' equity

Amounts in NOK thousands	Number of shares	Share capital	Share premium	Other equity	**Total**
Equity as of 31 December 2011	269 000 000	91 460	729 027	4 500 849	**5 321 336**
Shares buy back	(2 164 580)	-	-	(28 573)	**(28 573)**
Shares issued to employees through share programmes	2 164 580	-	-	28 880	**28 880**
Profit for the period	-	-	-	185 290	**185 290**
Dividends paid	-	-	-	(142 568)	**(142 568)**
Proposed dividend	-	-	-	(147 950)	**(147 950)**
Equity as of 31 December 2012	269 000 000	91 460	729 027	4 395 928	**5 216 415**
Shares buy back	(1 834 575)	-	-	(19 155)	**(19 155)**
Shares issued to employees through share programmes [1] [2]	1 834 575	-	-	18 422	**18 422**
Profit for the period	-	-	-	114 358	**114 358**
Dividends paid	-	-	-	(156 020)	**(156 020)**
Proposed dividend	-	-	-	(164 090)	**(164 090)**
Equity as of 31 December 2013	269 000 000	91 460	729 027	4 189 443	**5 009 930**

1) Kvaerner share purchase programmes.
2) Aker Solution share purchase programme for Kvaerner employees.

In 2012, Kvaerner implemented employees' and managers' share purchase programmes. The 2013 programme is similar to the one offered in 2012. The programmes imply that employees and managers employed in the Norwegian subsidiaries of Kvaerner were offered to buy shares in Kværner ASA at a discounted price.

The employees included in the scope of the share purchase programme were offered the opportunity to buy Kværner ASA shares for a minimum amount of NOK 10 000 and a maximum amount of NOK 60 000. The employees were offered a 12 months interest free loan from Kvaerner as funding for the shares purchased. The manager programme allowed managers to buy shares for an amount limited to 25 percent of their base salary, but with no associated funding.

The participants in the share purchase programmes were offered a price reduction of 25 percent on the share price in addition to a discount of NOK 1 500, the latter representing a cost of NOK 0.6 million (2012: NOK 0.7 million) in the group accounts. The price reduction is determined representing fair value as the shares have a locked-in period of three years. The employees retain the rights to the shares regardless of whether they remain employees of Kvaerner.

In total, 1 770 314 (2012: 1 915 778) ASA shares were distributed to employees and managers under the 2013 programmes at a price of NOK 10.04 (2012: NOK 13.05) per share.

The Kvaerner group has undertaken to deliver compensation to employees who were transferred from Aker Solutions to Kvaerner as part of the demerger in July 2011, and who were entitled to bonus shares in the Aker Solutions' share purchase programme, on the same basis as they would have continued as employees of Aker Solutions. The Kvaerner employees have in 2013 been granted Kvaerner ASA shares instead of Aker Solutions ASA shares as matching, in accordance with the value split between the shares from the demerger.

The number of matching shares to Kvaerner employees under the Aker Solutions share purchase programme number 3 is 64 261 (2012: 248 802) at a price of NOK 10.09 (2012: NOK 15.59) per share. The last award of matching shares under the Aker Solutions share purchase programme for Kvaerner employees was in September 2013.

The cost of the shares in both programmes have been recharged the Norwegian subsidiaries of Kvaerner.

A dividend of NOK 156 million (NOK 0.58 per share) was paid out to all shareholders (excl. own shares) on 24 October 2013. The Board of Directors has according to the dividend policy proposed to pay an additional dividend of NOK 0.61 per share for 2013, total NOK 164 million.

The share capital of Kværner ASA is divided into 269 000 000 shares with a par value of NOK 0.34.

Note 7 Receivables and borrowings from group companies

Amounts in NOK thousands	**2013**	2012
Kværner ASA bank deposits	**102 749**	414 653
Total Cash in cash pool system	**102 749**	414 653
Non-current interest-bearing receivables from group companies [1]	**4 274 332**	6 975 174
Interest-bearing current borrowings from group companies [1]	**(1 128 203)**	(1 843 606)
Net interest-bearing receivables from group companies	**3 146 129**	5 131 568
Non interest-bearing receivables from group companies [1]	**4 017**	18 589
Other current liabilities to group companies [1]	**(280 429)**	(2 311 874)
Net non interest-bearing liabilities to group companies	**(276 412)**	(2 293 285)
Total cash and group receivables	**2 972 466**	3 252 936

1) Kværner ASA's receivables and liabilities per group companies (see page 78-79).

2013

Group companies	Loan to group companies - deposits and accrued interest	Interest-bearing current borrowings from group companies	Non-interest bearing receivables - net internal hedge	Other current liabilities
Kværner AS	4 151 942	(94 771)	(908)	(208 920)
Kvaerner Oil & Gas Australia Pty	52 665	-	-	-
Kvaerner Contracting Ltd	36 007	-	-	(1)
Kvaerner Resources Ltd	3 024	-	-	-
Kvaerner Newfoundland Ltd	16 336	-	-	-
Kvaerner Finland OY	14 359	-	-	-
Kvaerner North American Construction Inc	-	(440 569)	-	-
Kværner Stord AS	-	-	5 838	(67 642)
Kværner Verdal AS	-	-	(913)	(3 821)
Cash pool	-	(592 863)	-	-
Kvaerner Americas Inc	-	-	-	(45)
Total receivables/(liabilities)	4 274 333	(1 128 203)	4 017	(280 429)

Other current liabilities - specified	Revenue - Parent company guarantee	Parent company cost	Group contribution	Customer invoices
Kværner AS	-	(47 506)	(161 579)	165
Kværner Stord AS	(67 642)	-	-	-
Kværner Verdal AS	(3 821)	-	-	-
Kvaerner Contracting Ltd.	(1)	-	-	-
Kvaerner Americas Inc.	(45)	-	-	-
Total other current liabilities	(71 509)	(47 506)	(161 579)	165

2012

Group companies	Loan to group companies - deposits and accrued interest	Interest bearing current borrowings from group companies	Non-interest bearing receivables	Other current liabilities
Kværner AS	6 782 621	-	-	(2 252 600)
Kvaerner Oil & Gas Australia Pty	44 583	-	-	-
Kvaerner Contracting Ltd	29 196	-	-	-
Kvaerner Resources Ltd	2 733	-	-	-
Kværner Engineering AS	100 697	-	-	-
Kvaerner Finland OY	15 344	-	-	-
Kværner Stord AS	-	-	65	(53 686)
Kværner Verdal AS	-	-	-	(5 565)
Cash pool	-	(1 843 606)	-	-
Kvaerner Americas Inc	-	-	23	(23)
Total receivables/(liabilities)	6 975 174	(1 843 606)	88	(2 311 874)
External	-	-	18 501	-
Total receivables/(liabilities)	6 975 174	(1 843 606)	18 589	(2 311 874)

Other current liabilities - specified	Revenue - Parent company guarantee	Parent company cost	Group contribution	Vendor/ Hedge liabilities
Kværner AS	-	(45 837)	(2 206 763)	-
Kværner Stord AS	(40 533)	-	-	(13 154)
Kværner Verdal AS	(4 997)	-	-	(568)
Kvaerner Americas Inc.	-	-	-	(22)
Total other current liabilities	(45 530)	(45 837)	(2 206 763)	(13 744)

Note 8 Non-current interest-bearing receivables from related parties

Amounts in NOK thousands	**2013**	2012
Loan to Kvaerner Caspian B.V.	**-**	14 485
Total non-current interest-bearing receivables from related parties	**-**	14 485

Kværner ASA has recognised a loss of NOK 15.8 million on loan to Kvaerner Caspian BV, loss including outstanding principal as well as accrued interest per end of September 2013. Kværner ASA has no outstanding non-current interest-bearing receivables towards related parties per end of year 2013.

Note 9 Other current receivables and current liabilities

Amounts in NOK thousands	**2013**	2012
Other current external receivables	**5 834**	35 724
Other current external liabilities	**(18 311)**	(38 874)
Net other current receivables and liabilities	**(12 477)**	(3 150)

Net other current receivables and other current liabilities include unrealised forward exchange contracts with external counterparts, see also Note 12 Financial risk management and exposures.

Note 10 Interest-bearing liabilities

This note provides information about the contractual terms of Kværner ASA's interest-bearing loans and borrowings which are measured at amortised cost. For more information about Kværner ASA's exposure to interest rates, foreign currency and liquidity risk, see Note 12 Financial risk management and exposures.

Bank debt

The term loan and revolving credit facilities agreement of NOK 3 000 million is split in two tranches; a term loan of NOK 500 million and a revolving credit facility of NOK 2 500 million, both maturing in May 2016 after an amendment and extension of maturity date for the term loan from May 2014 to May 2016. The facilities are provided by a syndicate of high quality international banks. The term loan was fully drawn per end of year 2013 whilst the revolving credit facility was undrawn per same. The terms and conditions include restrictions which are customary for these kind of facilities, including inter alia negative pledge provisions and restrictions related to acquisitions, disposals and mergers. There are also certain provisions of change of control included in the agreement. There are no restrictions for dividend payments. The facilities are unsecured.

The financial covenants are based on three sets of key financial ratios; an equity ratio based on consolidated total borrowings/consolidated total equity, a cash covenant calculated by consolidated total borrowings less consolidated net current operating assets and consolidated cash and cash equivalent assets and an interest coverage ratio based on consolidated EBITDA/consolidated finance costs. The financial covenants are tested on a quarterly basis. As of 31 December 2013 the company is in compliance with all covenants. The margin applicable to the facility is based on a price grid determined by the gearing ratio.

2013

Amounts in million	Currency	Nominal currency value	**Book value** [1]	Interest margin	Interest rate	Effective interest rate	Maturity date	Interest terms
Revolving credit facility	Multi currency	2 500	**-**	2.10-2.50%	-	-	3 May 2016	IBOR + Margin [2]
Term loan	NOK	500	**479**	2.00-3.00%	4.65%	4.73%	3 May 2016	NIBOR + Margin [2]
Total credit facility		3 000	**479**					

2012

Amounts in million	Currency	Nominal currency value	**Book value** [1]	Interest margin	Interest rate	Effective interest rate	Maturity date	Interest terms
Revolving credit facility	Multi currency	2 500	**-**	2.10-2.50%	-	-	3 May 2016	IBOR + Margin [2]
Term loan	NOK	500	**469**	1.50-2.50%	3.95%	4.01%	3 May 2014	NIBOR + Margin [2]
Total credit facility		3 000	**469**					

1) The book value is calculated by reducing the nominal value of NOK 500 million by total issue costs related to the new credit facility, less subsequent amortisation.
2) The margin applicable to the facility is decided by a price grid based on the gearing ratio. Commitment fee is 40 percent of the margin.

Financial liabilities and the period in which they mature

2013

Amounts in NOK million	Book value	Total undiscounted cash flow	6 mths and less	6-12 mths	1-2 years	2-5 years
Term loan (NOK 500 million)	**479**	500	-	-	-	500
Total credit facility	**479**	500	-	-	-	500
Derivatives	**12**	12	12	-	-	-
Interest and fees payable on bank debt	**7**	50	12	10	21	7
Total liabilities	**498**	562	24	10	21	507

2012

Amounts in NOK million	Book value	Total undiscounted cash flow	6 mths and less	6-12 mths	1-2 years	2-5 years
Term loan (NOK 500 million)	**469**	500	-	-	500	-
Total credit facility	**469**	500	-	-	500	-
Derivatives	**39**	39	26	13	-	-
Interest and fees payable on bank debt	**8**	29	10	11	8	-
Total liabilities	**516**	568	36	24	508	-

Note 11 Guarantees

Amounts in NOK million	**2013**	2012
Parent company guarantees to group companies [1]	**48 577**	42 767
Counter guarantees for bank/surety bonds [2]	**2 461**	2 016
Total	**51 038**	44 783

1) Kværner ASA has provided indemnities to Aker Solutions in respect of parent company guarantees issued by Aker Solutions on behalf of Kvaerner group companies.
2) Financial guarantees including counter guarantees for bank/surety bonds.

The guarantees/surety bonds are issued under contractual obligations with third party, hence these are not included in Kværner ASA accounts as liabilities.

Note 12 Financial risk management and exposures

Foreign exchange
Kværner ASA entered into currency contracts with subsidiaries in 2013 with a total gross notional value of NOK 407 million. Close to hundred percent of contracts are hedged back-to-back with external banks.

Currency exposure from equity investments in foreign currencies are only hedged when specifically instructed by management. As of 31 December 2013, the group had no hedging of net investments.

Currency risk and balance sheet hedging

		2013		2012
Amounts in NOK thousands	**Assets**	**Liabilities**	Assets	Liabilities
Fair value of forward exchange contracts with group companies	**9 646**	**(5 629)**	35 724	(13 722)
Fair value of forward exchange contracts with external counterparts	**5 834**	**(11 556)**	18 501	(38 874)
Total	**15 480**	**(17 185)**	54 225	(52 596)

Interest rate risk
The company is exposed to changes in interest rates because of floating interest rate on loan receivables and loan payables. The company does not hedge transactions exposure in financial markets, and does not have any fixed interest rate loan receivables nor loan payables. The company is therefore not exposed to fair value risk on its outstanding loan receivables or loan payables. Interest bearing loan receivables and loan payables expose the company to income statement and cash flow interest rate risk.

Credit risk
Credit risk relates to loans to subsidiaries and associated companies, hedging contracts, guarantees to subsidiaries and deposits with external banks. Loans to subsidiaries are assessed by the internal credit committee. Loss provisions are made in situations of negative equity and where the company is not expected to be able to fulfil its loan obligations from future earnings. External deposits and forward contracts are done according to a list of approved banks and primarily with banks where the company also have a borrowing relation.

Liquidity risk
Liquidity risk relates to the risk that the company will not be able to meet its debt and guarantee obligations and is managed through maintaining sufficient cash and available credit facilities. The development in the groups and thereby Kværner ASA's available liquidity, is continuously monitored through weekly and monthly cash forecasts, annual budgets and long term planning.

Note 13 Related parties

Kværner ASA has recognised a loss on interest-bearing receivables with related party of NOK 15.8 million.

According to agreement with, and initiative from, the Directors of the Board appointed by the employees, NOK 161 500 per Director elected by the employees is transferred to the labor union.

Note 14 Shareholders

Shareholders with more than one percent shareholding as of 31 December 2013

Company	Nominee	Number of shares held	Ownership
AKER KVÆRNER HOLDING AS		110 333 615	41.01
JPMORGAN CHASE BANK	X	17 543 061	6.52
SKANDINAVISKA ENSKILDA	X	13 298 438	4.94
GOLDMAN SACHS & CO	X	10 709 154	3.98
JPMORGAN CHASE BANK	X	8 127 210	3.02
MORGAN STANLEY & CO		6 713 779	2.49
FONDSFINANS SPAR		5 300 000	1.97
VARMA MUTUAL PENSION		5 100 000	1.89
MORGAN STANLEY & CO	X	4 808 386	1.78
VERDIPAPIRFONDET DNB		3 752 111	1.39
THE BANK OF NEW YORK	X	3 385 544	1.25
EUROCLEAR BANK S.A.	X	2 930 369	1.08

Source: Norwegian Central Securities Depository (VPS)

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 annual report and financial statements for the 2013 calendar year ended on 31 December 2013 for the Kvaerner group and its parent company Kværner ASA.

The Board has based this declaration on reports and statements from the President & CEO of Kværner ASA, on the results of the group's activities, and on other information that is essential to assess the group's position.

We confirm to the best of our knowledge that:

- The 2013 financial statements for the group and parent company have been prepared in accordance with all applicable accounting standards
- The information provided in the financial statements gives a true and fair view of the group's and parent company's assets, liabilities, profit and overall financial position as of 31 December 2013
- The annual report provides a true and fair overview of:
  - the development, profit and financial position of the group and parent company
  - the most significant risks and uncertainties facing the group and the parent company

Vækerø, 17 March 2014
Board of Directors and President & CEO of Kværner ASA

Leif-Arne Langøy Chairman	Tore Torvund Deputy Chairman	Kjell Inge Røkke Director	Vibeke Hammer Madsen Director	Live Haukvik Aker Director
Rune Rafdal Director	Ståle Knoff Johansen Director	Bernt Harald Kilnes Director	Jan Arve Haugan President & CEO	

KPMG
KPMG AS
P.O. Box 7000 Majorstuen
Sørkedalsveien 6
N-0306 Oslo

Telephone +47 04063
Fax +47 22 60 96 01
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the Annual Shareholders meeting of Kværner ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Kværner ASA, which comprise the financial statements of the parent company Kværner ASA and the consolidated financial statements of Kværner ASA and its subsidiaries. The parent company's financial statements comprise the balance sheet as at 31 December 2013, the income statement and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements comprise the balance sheet as at 31 December 2013, the income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the President and CEO's Responsibility for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of the parent company financial statements in accordance with the Norwegian Accounting Act and generally accepted accounting standards and practices in Norway, and for the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the President and CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the separate financial statements

In our opinion, the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Kværner ASA as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and generally accepted accounting standards and practices in Norway.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Kværner ASA and its subsidiaries as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and Report and the Statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and Reports on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures, we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 17 March 2014
KPMG AS

Tom Myhre
State Authorised Public Accountant (Norway)

Board of Directors

Leif-Arne Langøy
Chairman

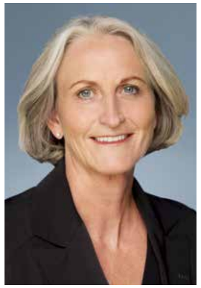
Leif-Arne Langøy (born 1956) is today chairman of the board for Det Norske Veritas and Sparebanken Møre. Mr Langøy has gained senior executive experience from several companies, including as President & CEO of Aker Yards and later President & CEO of Aker ASA. Mr Langøy has extensive experience as the chairman of non-executive boards from a number of different industrial companies. Mr Langøy holds M.Sc. in economics from the Norwegian School of Economics in Bergen, Norway. He holds 44 827 shares in Kværner ASA through a privately owned company, and has no stock options. Mr Langøy is a Norwegian citizen. He has been elected for the period 2013-2015.

Tore Torvund
Deputy Chairman

Tore Torvund (born 1952) is the President & CEO of REC Silicon ASA. Mr Torvund has senior executive experience from more than twenty years in the oil and gas industry, including as executive vice president of Exploration & Production Norway at the oil company StatoilHydro, and executive vice president of Oil and Energy at Norsk Hydro. He has held several management positions related to drilling operations, field development and technology projects. Mr Torvund holds a M.Sc. in petroleum engineering from the Norwegian University of Science and Technology. He holds no shares in Kværner ASA, and has no stock options. Mr Torvund is a Norwegian citizen. He has been elected for the period 2013-2015.

Kjell Inge Røkke
Director

Kjell Inge Røkke (born 1958) is an entrepreneur and industrialist, and has been a driving force in the development of Aker since the 1990's. Mr Røkke owns 67.8 percent of Aker ASA through The Resource Group TRG AS and subsidiaries which he co-owns with his wife. He is chairman of Aker ASA, board member of Aker Solutions ASA, Kværner ASA, Det norske oljeselskap ASA and Ocean Yield ASA. He holds no shares in Kværner ASA, and has no stock options. Mr Røkke is a Norwegian citizen. He has been elected for the period 2013-2015.



Vibeke Hammer Madsen
Director

Vibeke Hammer Madsen (born 1955) has been the CEO of Virke (The Enterprise Federation of Norway) since 2002. Prior to this, she was a partner in the PA Consulting Group also working for international companies. From 1993 to 1999 she was a vice president, holding various positions in Statoil. Ms Madsen holds a number of board positions, including chairperson of the Board of Innovation and board member of the Research Council of Norway, as well as the chair of Junior Achievement Young Enterprise. She was a board member of Aker Floating Production from 2006 to 2010 and a board member of Aker Solutions ASA from 2008 until May 2011. Ms Madsen is a graduate of the Norwegian School of Radiography. She holds no shares in Kværner ASA, and has no stock options. Ms Madsen is a Norwegian citizen. She has been elected for the period 2013-2015.

Live Haukvik Aker
Director

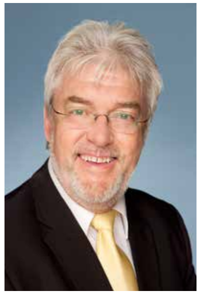
Live Haukvik Aker (born 1963) is today CFO/COO in the Komplett Group. She has CFO experience also from other companies like Grenland Group ASA and Tandberg Data ASA. She was the CEO in Goodtech ASA between 2000 and 2005, and prior to that she worked as a manager in KPMG. Ms Aker holds a Master in Finance from the University of Fribourg and a Master of Management degree from the Norwegian Business School. She holds no shares in Kværner ASA, and has no stock options. Ms Aker is a Norwegian citizen. She has been elected for the period 2013-2015.

Rune Rafdal
Director

Rune Rafdal (born 1963) was elected by the employees of Kvaerner to the Board of Directors in June 2011. Mr Rafdal has been employed by Kvaerner since 1980 and has been a local union representative for Aker Stord AS on a full-time basis since 1996, a group union leader since 2005 and served several periods on the boards of Aker Stord AS and Aker Kværner Stord AS during the period between 2000 and 2011. Mr Rafdal is a sheet metal worker and holds a certificate of apprenticeship in the sheet metal discipline. He holds 6 329 shares in Kværner ASA, and has no stock options. Mr Rafdal is a Norwegian citizen. He has been elected for the period 2013-2015.

Ståle Knoff Johansen
Director

Ståle K. Johansen (born 1968) was elected by the employees of Kvaerner to the Board of Directors in June 2011. Mr Johansen has been employed by Kvaerner since 1986 and has been a local union representative for Aker Verdal AS and Kvaerner Verdal AS on a full-time basis since 2010, and served on the boards of Aker Verdal AS and Kvaerner Verdal AS. Mr Johansen is a welder and sheet metal worker and holds a certificate of apprenticeship in the welding discipline. He holds 4 732 shares in Kværner ASA, and has no stock options. Mr Johansen is a Norwegian citizen. He has been elected for the period 2013-2015.



Bernt Harald Kilnes
Director

Bernt Harald Kilnes (born 1949) was elected by the employees of Kvaerner to the Board of Directors in June 2011. Mr Kilnes has been employed by Kvaerner since 1989 and is a group union representative for white-collar employees on a half-time basis and has served on the boards of Kværner ASA, Aker Kværner ASA and Aker Verdal AS. Mr Kilnes was educated as an engineer and business administrator. He holds 11 868 shares in Kværner ASA, and has no stock options. Mr Kilnes is a Norwegian citizen. He has been elected for the period 2013-2015.

Company information

Kværner ASA
Drammensveien 264
0283 Oslo

Postal address:
P.O.Box 74
NO-1325 Lysaker

Telephone: +47 21 08 90 00
Telefax: +47 21 08 99 99

e-mail: ir@kvaerner.com
Web: www.kvaerner.com

www.kvaerner.com

Layout design: Haugvar AS **Programming iPDF:** Teigens Design **Production:** Bolt Communication AS **Photos:** Studio Vest AS; Bård Gudim