

Third quarter results 2018

23 October 2018



KVERNER™

Third quarter 2018

Highlights

- › Johan Sverdrup P1 jacket delivered on time
- › Johan Sverdrup ULQ topside reached Mechanical Complete milestone on time
- › Additional work, Johan Sverdrup hook-up
- › Fenja scope included in Njord A upgrade
- › Order book with good visibility maintained
- › Market with increased number of prospects



Johan Sverdrup P1 jacket from Verdal

HSSE&Q results are business critical

> High HSSE attention throughout org.



> Training re reduction of sick leave

> Joint HSSE campaign with clients

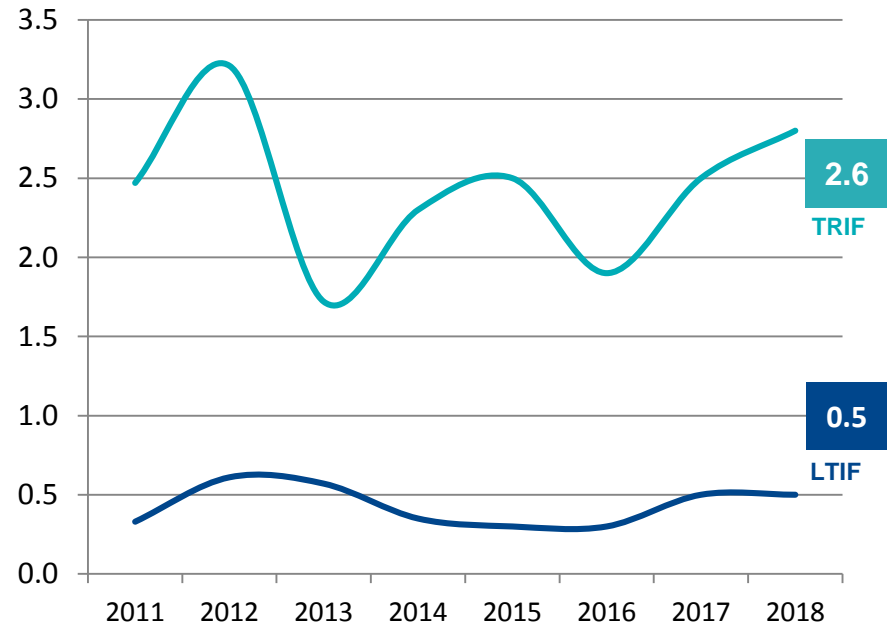
> Too many medical treatment cases



> Too many unwanted incidents

> Need increase re Quality reporting

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



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



Johan Sverdrup utility and living quarter topside



Njord A upgrade



Johan Castberg FPSO



Valhall Flank West normally unmanned WHP



Johan Sverdrup Riser Platform hook-up and modification



Decommissioning projects



Nord Stream 2 onshore facility

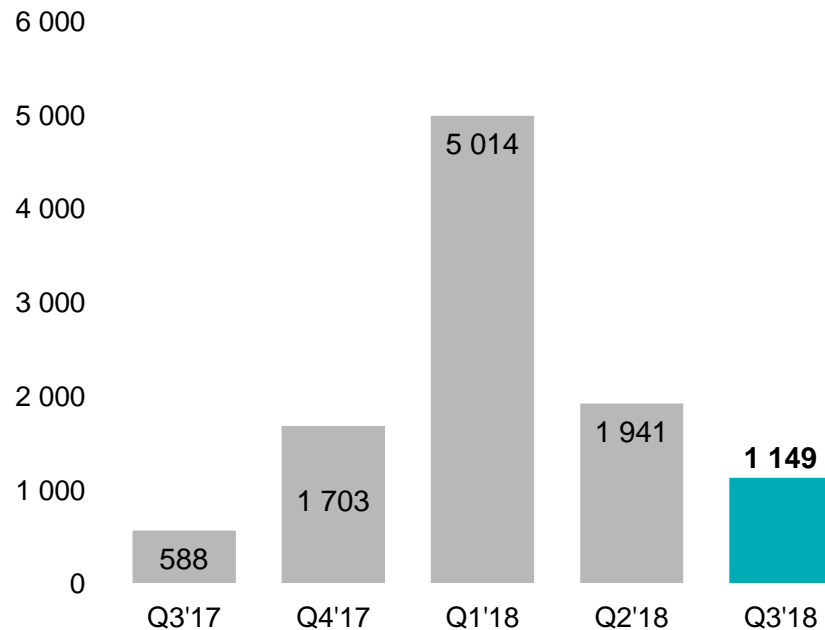


West White Rose marine operations

Order intake and backlog

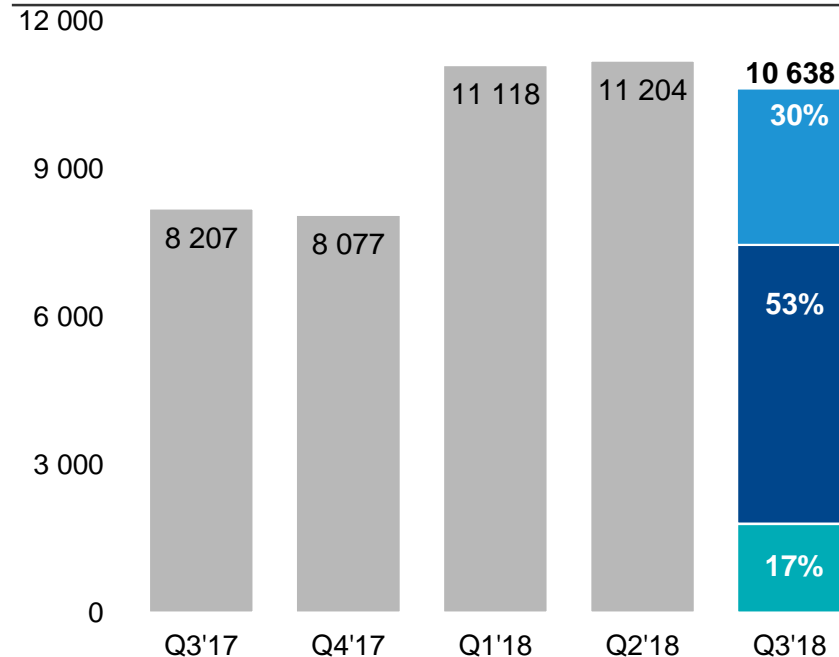
Order intake

NOK million



Order backlog

NOK million



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

Third quarter financials

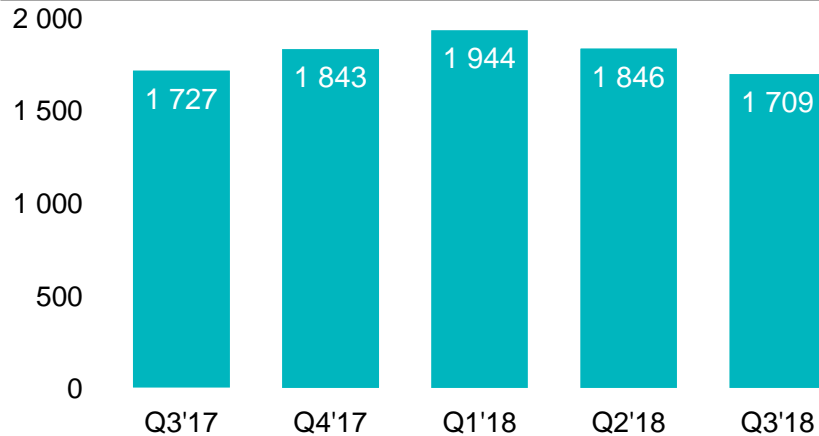
Idar Eikrem, Chief Financial Officer

KVERNER™

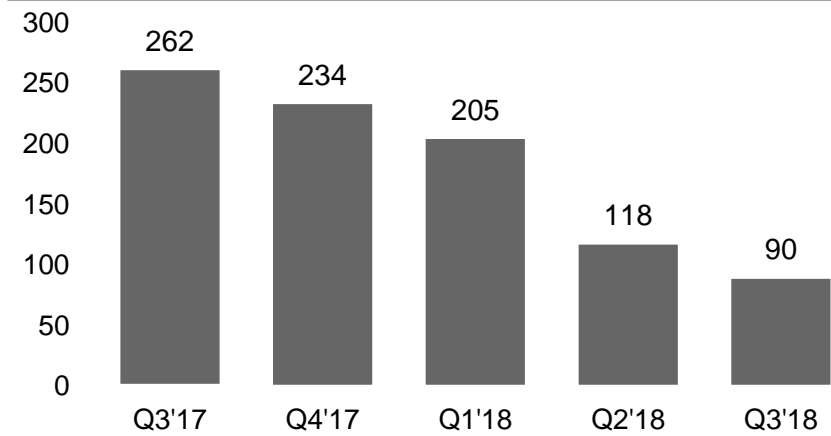
Field Development review

- › Results reflect phasing of projects and projects in early phase not yet recognising margin
- › Outlook for 2018 maintained with full year gross revenue of more than NOK 7 billion and full year EBITDA margins lower than in 2017

Revenues
NOK million



EBITDA
NOK million



EBITDA-%	15.1%	12.7%	10.6%	6.4%	5.2%
----------	-------	-------	-------	------	------

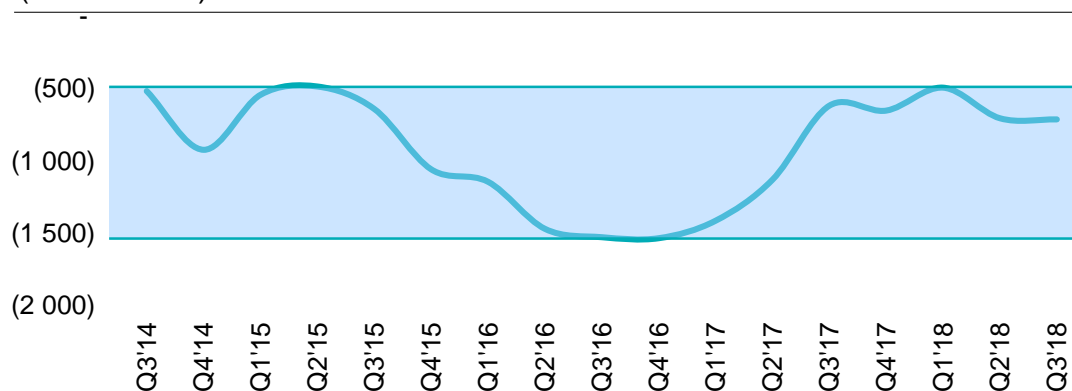
Note: All figures include Kvaerner's scope of work of jointly controlled entities

Cash flow and working capital development

Amounts in NOK million	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Cash flow from operating activities	27	336	(325)	349	(410)	(113)
Cash flow from investing activities	(103)	(80)	(8)	(209)	(26)	(93)
Cash flow from financing activities	(2)	(9)	(4)	(14)	(12)	(27)
Translation adjustments	(4)	(1)	(3)	(10)	(3)	(1)
Net increase/(decrease) in cash and bank deposits	(82)	245	(340)	116	(451)	(234)

- Negative working capital of NOK 711 million
- Fluctuations in working capital must be expected
- Capital tied up in the Nordsee Ost project




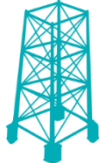





Net current operating assets (NCOA) – Continuing operations (NOK million)



Market and outlook

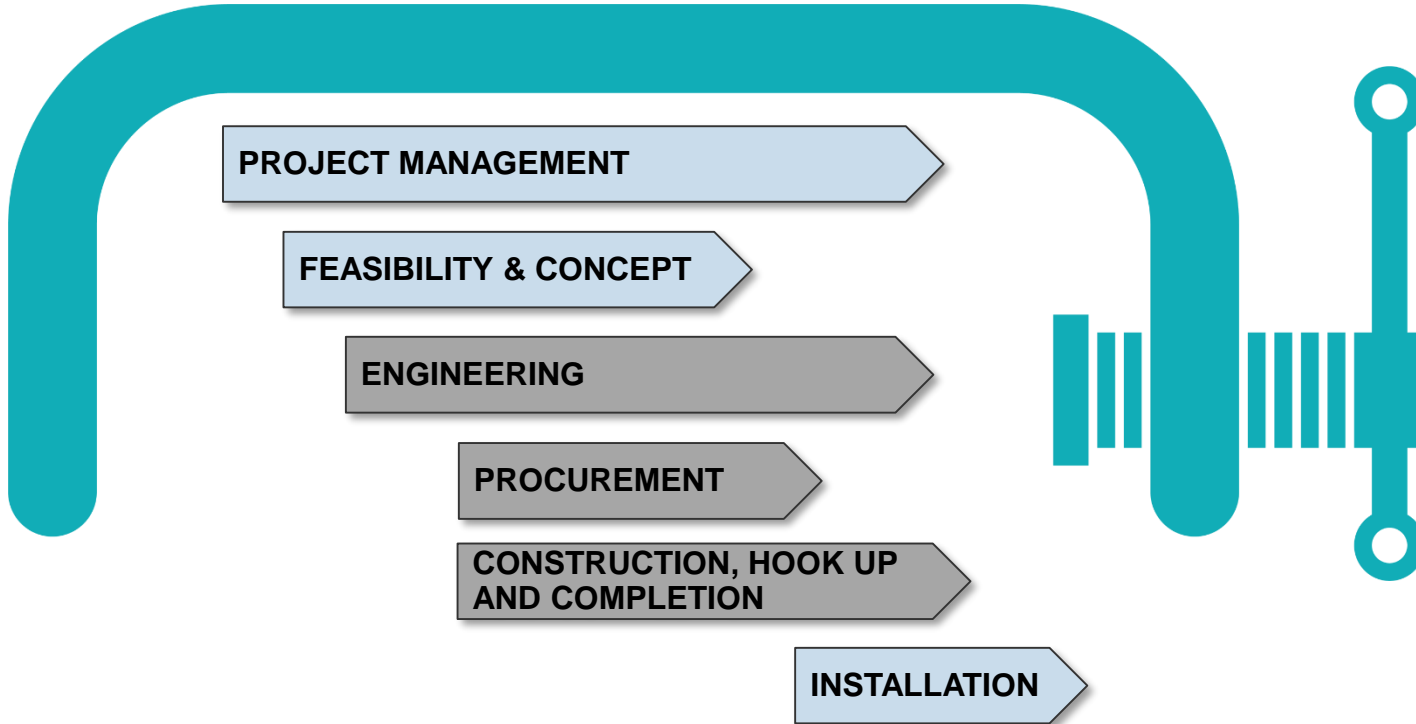


Market

Traditional segments	Growth segments
 <p>TOPSIDES</p>  <p>FLOATERS</p>  <p>CONCRETE</p>  <p>JACKETS</p>	 <p>DECOMMISSIONING & RE-USE / RECYCLING</p>  <p>UPGRADING & MODIFICATION</p>  <p>ONSHORE PROCESS PLANTS</p>  <p>MARINE OPERATIONS</p>  <p>OFFSHORE WIND</p>

- Improved market outlook, several new prospects both within traditional and growth segments
- Some few important prospects expected decided during next 6 months
- Several prospects expected to pass key gates in 2019 and move on towards project start-up

Parallel EPC execution + Precision = Value



Each month earlier first oil = typically ~ MNOK 250 – 500 increased value

Clear growth objective



Kvaerner today

- EPC delivery, Norway
- Financially robust
- Revenues 7 billion

Larger Kvaerner in 2022

- Leading offshore and onshore EPC contractor within oil and gas
- Established in growth segments
- Wider product offering
- Increased international activity
- Attractive yield

Clear growth objective



Kvaerner today

- EPC delivery, Norway
- Financially robust
- Revenues 7 billion

Strategic roadmap:

- › Safe and predictable execution
- › Reduced cost, increased productivity
- › Standardisation & digitalisation
- › Strategic long term partnerships
- › Improved delivery model
- › Low cost fabrication
- › Develop people and facilities
- › Build strength in growth segments

Larger Kvaerner in 2022

- Leading offshore and onshore EPC contractor within oil and gas
- Established in growth segments
- Wider product offering
- Increased international activity
- Attractive yield

Q3 summary

- › Operations and results on track
- › EBITDA margins in both 3Q18 and 4Q18 lower than in 1H18
- › Improved market outlook, positioning for key prospects
- › Robust financial platform

Way forward

- › Execute projects safely and predictably
- › Further improve competitiveness
- › Maintain home markets, develop growth segments and increase international business
- › Develop products and consider structural growth opportunities

Outlook

- › The third quarter results confirm Kvaerner's previous guiding for 2018. In a period where some recently awarded projects are not yet recognising margin and with less effects from milestones and incentives in other projects, this influences EBITDA and margins, as expected. Kvaerner maintains the financial outlook for 2018, with gross annual revenues above 7 billion and lower EBITDA-margins for the second half year compared to the first half. The EBITDA margin for the fourth quarter is expected to be somewhat lower than in the third quarter.
- › Kvaerner expects in the short term to see customers decide the outcome of some few important prospects. Through 2019, it is expected that several key prospects will pass important decision gates and move further towards project sanctioning and project execution.
- › Kvaerner now sees a improved market and customers with more new prospects both within traditional segments and growth segments. In particular, there is an increase in the number of medium size prospects. It will take some time before the increasing number of prospects is mirrored in new contracts.

KVÆRNER™

Appendix third quarter results 2018

KV/ERNER™

Income statement

<i>Amounts in NOK million</i>	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Total revenue and other income ¹	1 764	1 827	1 683	5 504	4 739	6 536
Operating expenses	(1 687)	(1 737)	(1 438)	(5 145)	(4 167)	(5 737)
EBITDA	76	91	245	359	572	799
Adjusted EBITDA ²	75	102	246	367	567	786
Depreciation and amortisation	(28)	(27)	(26)	(81)	(78)	(106)
EBIT	48	63	219	278	494	693
Net financial income/(expense)	4	(18)	(11)	(22)	(9)	4
Profit/(loss) before tax	53	45	208	256	486	697
Income tax expense	(15)	(11)	(50)	(66)	(126)	(186)
Profit/(loss) from continuing operations	37	34	157	190	359	511
Profit/(loss) from discontinued operations	(2)	8	13	2	34	31
Net profit/(loss)	35	42	170	192	393	542
Adjusted EBITDA margin	4.2 %	5.6 %	14.6 %	6.7 %	12.0 %	12.0 %
Earnings per share (NOK)						
Basic and diluted EPS continuing operations	0.14	0.13	0.59	0.71	1.35	1.92
Basic and diluted EPS discontinued operations	(0.01)	0.03	0.05	0.01	0.13	0.12
Basic and diluted EPS total operations	0.13	0.16	0.64	0.72	1.48	2.04

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

² Adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

Segment information third quarter

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017
Construction contracts	1 236	1 185	-	-	1 236	1 185
Services revenue	165	158	-	-	165	158
Revenue/share of result from joint ventures	241	306	(129)	(289)	112	17
Other income	67	77	184	245	251	322
Total external revenue and other income	1 709	1 727	55	(44)	1 764	1 683
Internal revenue	0	0	(0)	(0)	-	-
Total revenue and other income	1 709	1 727	55	(44)	1 764	1 683
Adjusted EBITDA¹	90	262	(15)	(16)	75	246
EBITDA	90	262	(13)	(17)	76	245
Depreciation and amortisation	(28)	(26)	-	-	(28)	(26)
EBIT	62	236	(13)	(17)	48	219
Net current operating assets	(748)	(773)	36	157	(711)	(616)

¹ Adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

- Following sale of Kvaerner's onshore construction business in North America in 2013, Kvaerner only has one reportable segment; Field Development
- The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's activities

Segment information year to date

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017
Construction contracts	3 760	3 686	-	-	3 760	3 686
Services revenue	776	205	-	-	776	205
Revenue/share of result from joint ventures	682	1 686	(540)	(1 567)	142	119
Other income	280	178	546	552	826	729
Total external revenue and other income	5 498	5 755	6	(1 016)	5 504	4 739
Internal revenue	0	27	(0)	(27)	-	-
Total revenue and other income	5 498	5 782	6	(1 043)	5 504	4 739
Adjusted EBITDA ¹	413	612	(45)	(45)	367	567
EBITDA	413	612	(53)	(40)	359	572
Depreciation and amortisation	(81)	(78)	-	-	(81)	(78)
EBIT	331	534	(53)	(40)	278	494

¹ Adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

- Following sale of Kvaerner's onshore construction business in North America in 2013, Kvaerner only has one reportable segment; Field Development
- The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's activities

Segment information full year

	Field Development	Group activities and eliminations	Consolidated
	FY 2017	FY 2017	FY 2017
<i>Amounts in NOK million</i>			
Construction contracts	4 812	-	4 812
Services revenue	425	-	425
Revenue/share of result from joint ventures	2 055	(1 888)	167
Other income	306	825	1 132
Total external revenue and other income	7 598	(1 062)	6 536
Internal revenue	27	(27)	-
Total revenue and other income	7 625	(1 089)	6 536
Adjusted EBITDA ¹	846	(60)	786
EBITDA	846	(48)	799
Depreciation and amortisation	(106)	-	(106)
EBIT	741	(48)	693
Net current operating assets	(915)	266	(650)

¹ Adjusting impact related to embedded derivatives in jointly controlled entities closely related to Kvaerner's operating activities.

- Following sale of Kvaerner's onshore construction business in North America in 2013, Kvaerner only has one reportable segment; Field Development
- The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's activities

Discontinued operations

<i>Amounts in NOK million</i>	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Total revenue and other income	-	1	-	2	4
Administrative and legal expenses	(2)	(5)	2	16	11
EBIT	(2)	(4)	2	18	16
Net financial income/(expense)	0	(3)	(0)	(3)	(1)
Profit/(loss) before tax	(2)	(7)	2	15	15
Income tax income/(expense)	(0)	20	(0)	19	16
Profit/(loss) from discontinued operations	(2)	13	2	34	31
Basic and diluted earnings/(losses) per share (NOK)	(0.01)	0.05	0.01	0.13	0.12
Net assets	(33)	(14)	(33)	(14)	(37)

➤ Year to date results positively impacted by insurance settlements in Q2 2018 and Q1 2017

<i>Amounts in NOK million</i>	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Cash flow from operating activities	(5)	(8)	(1)	2	20
Cash transferred (to)/from parent	(11)	2	(2)	(22)	(22)
Translation adjustments	(0)	(2)	(0)	(2)	(2)
Net increase/(decrease) in cash and bank deposits	(17)	(8)	(4)	(22)	(3)
Cash at the beginning of the period	45	21	31	35	35
Cash at the end of the period	28	13	28	13	31

Financial items

<i>Amounts in NOK million</i>	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Net interest income/(expense)	3	(1)	3	2	2
Profit/(loss) on foreign currency contracts	(0)	2	(0)	2	(0)
Foreign currency embedded derivatives impact	(1)	(10)	(24)	(9)	(2)
Net foreign exchange gain/(loss)	1	(1)	(0)	(1)	6
Other financial items, net	1	(2)	(1)	(3)	(2)
Net financial income/(expense)	4	(11)	(22)	(9)	4

Cash flow

<i>Amounts in NOK million</i>	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Profit before tax continuing operations	53	208	256	486	697
Profit before tax discontinued operations	(2)	(7)	2	15	15
Profit/(loss) before tax total operations	51	201	258	501	712
Depreciation, amortisation and impairment	28	26	81	78	106
Taxes (paid)/refund	2	(22)	(9)	(68)	(65)
Other cash flow from operating activities	(53)	(530)	18	(921)	(865)
Cash flow from operating activities	27	(325)	349	(410)	(113)
Capital expenditure	(103)	(8)	(202)	(25)	(91)
Other cash flow from investing activities	0	0	(6)	(0)	(2)
Cash flow from investing activities	(103)	(8)	(209)	(26)	(93)
Other cash flow from financing activities	(2)	(4)	(14)	(12)	(27)
Cash flow from financing activities	(2)	(4)	(14)	(12)	(27)
Translation adjustments	(4)	(3)	(10)	(3)	(1)
Net increase/(decrease) in cash and bank deposits	(82)	(340)	116	(451)	(234)
Cash at the beginning of the period	3 011	2 936	2 812	3 047	3 047
Cash at the end of the period	2 929	2 596	2 929	2 596	2 812

Balance sheet - Assets

<i>Amounts in NOK million</i>	30.09.2018	30.09.2017	31.12.2017
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	875	751	800
Intangible assets	695	662	649
Investments in associates and jointly controlled entities	82	48	17
Other non-current assets	13	6	7
Total non-current assets	1 666	1 466	1 474
<i>Current assets</i>			
Trade and other receivables	1 866	1 367	1 531
Prepaid company tax	-	-	6
Total cash and bank	2 929	2 596	2 812
Retained assets of business sold	0	20	0
Total current assets	4 795	3 983	4 350
Total assets	6 460	5 449	5 823

Balance sheet – Equity and liabilities

<i>Amounts in NOK million</i>	30.09.2018	30.09.2017	31.12.2017
Equity and liabilities			
<i>Equity</i>			
Share capital	91	91	91
Share premium	729	729	729
Retained earnings	2 627	2 283	2 431
Other reserves	(83)	(49)	(75)
Total equity	3 364	3 055	3 176
<i>Non-current liabilities</i>			
Deferred tax liabilities	278	174	225
Employee benefit liabilities	207	195	204
Total non-current liabilities	485	370	430
<i>Current liabilities</i>			
Trade and other payables	2 323	1 899	2 032
Tax liabilities	0	7	0
Provisions	254	84	148
Retained liabilities of business sold	34	34	37
Total current liabilities	2 611	2 025	2 218
Total equity and liabilities	6 460	5 449	5 823

Basis for preparation

› *Accounting principles*

- The accounting principles applied in these condensed consolidated interim financial statements are the same as those applied in the Annual accounts 2017 except the implementation of new financial reporting standards as indicated below. Reference is also made to annual accounts 2017 note 2, discussing the new standards and potential impacts to the accounts
- IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments has been effective from 1 January 2018 with no transition adjustment against equity on transition date

IFRS – impact of new standards

IFRS 16

- › IFRS 16 Leases, effective from 1 January 2019, will significantly change how Kvaerner's lease contracts are accounted for
- › The Kvaerner group will recognise a liability and an asset for leases with a lease term of more than 12 months, excluding low value assets
- › The company will apply the modified retrospective approach for transition to IFRS 16, with no impact on retained earnings at transition date
- › There will not be any restatement of comparative figures
- › High level estimates of the effects on Kvaerner's financial statements, considering today's lease contracts are as follows:
 - Annual EBITDA will be positively impacted in the range of NOK 55-70 million
 - Annual depreciation of leased assets will increase in the range of NOK 50-65 million
 - Annual interest expense related to the lease liability will increase in the range of NOK 10-20 million
 - Lease liability and right-of-use assets is estimated to NOK 250-350 million
- › Amounts above are sensitive to change in interest rates, signing of new lease contracts, re-assessment of onerous leases and renewal options and use of certain implementation options in the standard. The impact may also change if new information and guidance becomes known before the group presents its first financial statements under the new standard

Alternative performance measures

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

Profit measures

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

Alternative performance measures

Order intake measures

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

Financing measures

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

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

Amounts in NOK million	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
EBITDA	76	245	359	572	799
Adjustment for equity accounted investees ¹	(2)	1	8	(5)	(12)
Adjusted EBITDA	75	246	367	567	786

¹ Excluding embedded derivatives' impact reported

Amounts in NOK million	30.09.2018	30.09.2017	31.12.2017
Trade and other receivables	1 866	1 367	1 531
Trade and other payables	(2 323)	(1 899)	(2 032)
Provisions	(254)	(84)	(148)
Net current operating assets (NCOA)	(711)	(616)	(650)
Total cash and bank	2 929	2 596	2 812
Net interest bearing deposits and loans	2 929	2 596	2 812

Copyright and disclaimer

Copyright

Copyright of all published material including photographs, drawings and images in this document remains vested in Kvaerner and third party contributors as appropriate. Accordingly, neither the whole nor any part of this document shall be reproduced in any form nor used in any manner without express prior permission and applicable acknowledgements. No trademark, copyright or other notice shall be altered or removed from any reproduction.

Disclaimer

This Presentation includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. These statements and this Presentation are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for Kvaerner ASA and Kvaerner ASA's (including subsidiaries and affiliates) lines of business. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for Kvaerner's businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time in the Presentation. Although Kvaerner ASA believes that its expectations and the Presentation are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in the Presentation. Kvaerner ASA is making no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the Presentation, and neither Kvaerner ASA nor any of its directors, officers or employees will have any liability to you or any other persons resulting from your use.