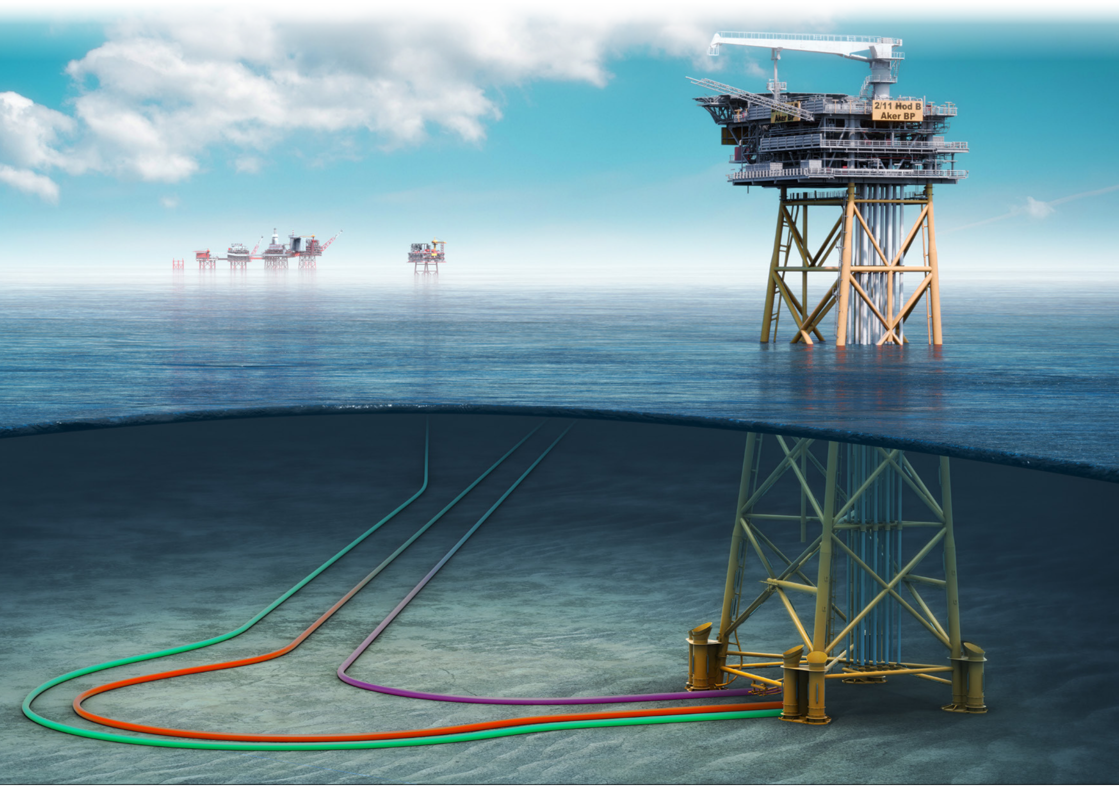
KVÆRNER™

Second quarter and half year results 2020

9 July 2020



KVÆRNER ASA – SECOND QUARTER AND HALF YEAR RESULTS 2020

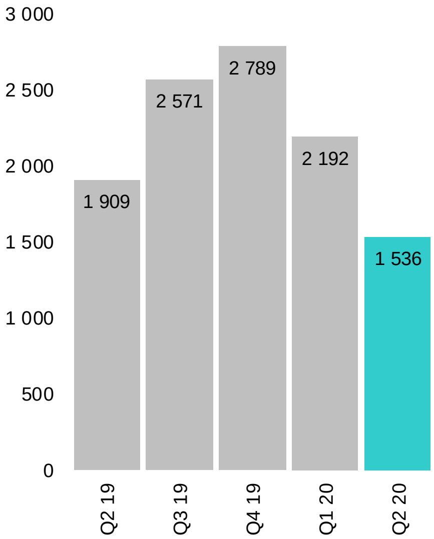
FIRST HALF YEAR HIGHLIGHTS

- **In general, high activity across the organisation prior to pandemic outbreak in 1Q**
- **Dividend proposal declined by AGM**
- **Strong focus on HSSE precautions, zero covid-19 cases in Kvaerner's production environments**
- **Re-accelerating ongoing projects from 2Q and onwards**
- **Improved outlook for full year financial results and market opportunities**
- **Strengthening position within Renewables**
    - **Strategic positioning for hydrogen**
    - **Strategic positioning for CCS and onshore process facilities**

FINANCIAL HIGHLIGHTS – FIELD DEVELOPMENT SEGMENT[1]

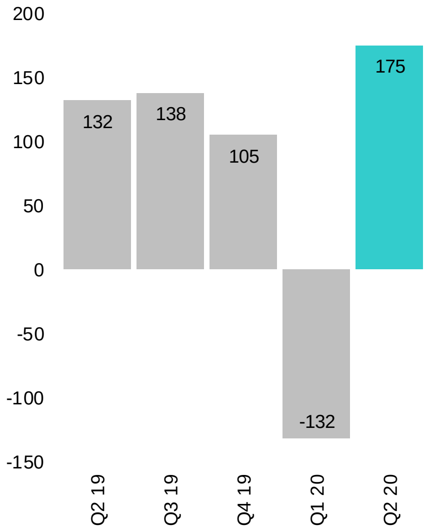
Operating revenue

NOK million



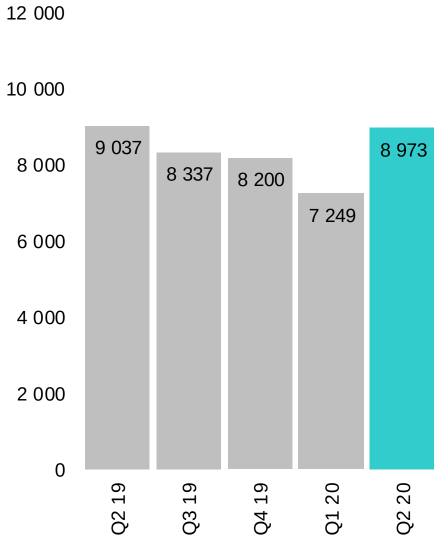
EBITDA

NOK million



Order backlog

NOK million



[1]The main differences between the Field Development figures and group figure presented are Kvaerner's share of revenues from jointly controlled entities included in Field Development and unallocated costs deducted

FIELD DEVELOPMENT SEGMENT[1]

FINANCIAL REVIEW

Amounts in NOK million	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Total revenue and other income	1 536	1 909	3 729	4 067	9 427
EBITDA [2]	175	132	43	269	512
EBITDA margin	11.4 %	6.9 %	1.2 %	6.6 %	5.4 %
Net current operating assets (NCOA)	85	(671)	85	(671)	(321)
Order intake	3 281	732	4 484	2 423	6 902
Order backlog	8 973	9 037	8 973	9 037	8 200
Employees	2 802	2 785	2 802	2 785	2 806

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

[2] EBITDA definition: Earnings before interest (net financial items), taxes, depreciation, amortisation and impairment

Operating revenue from the Field Development segment was NOK 1 536 million in second quarter 2020, compared to NOK 1 909 million in second quarter 2019. Due to the covid-19 precautions Kvaerner has had a reduced number of personnel working in the projects which has influenced progress and revenues in the quarter. For further details see note 2 Covid-19 impacts. EBITDA amounted to NOK 175 million, resulting in an EBITDA margin for the quarter of 11.4 percent, compared to EBITDA of NOK 132 million and 6.9 percent EBITDA margin in second quarter 2019. For the first quarter, margin recognition was temporarily reduced for some projects, and these effects have been reversed in the second quarter. YTD 2020 the EBITDA margin was 1.2 percent reflecting the covid-19 impact in the first quarter 2020.

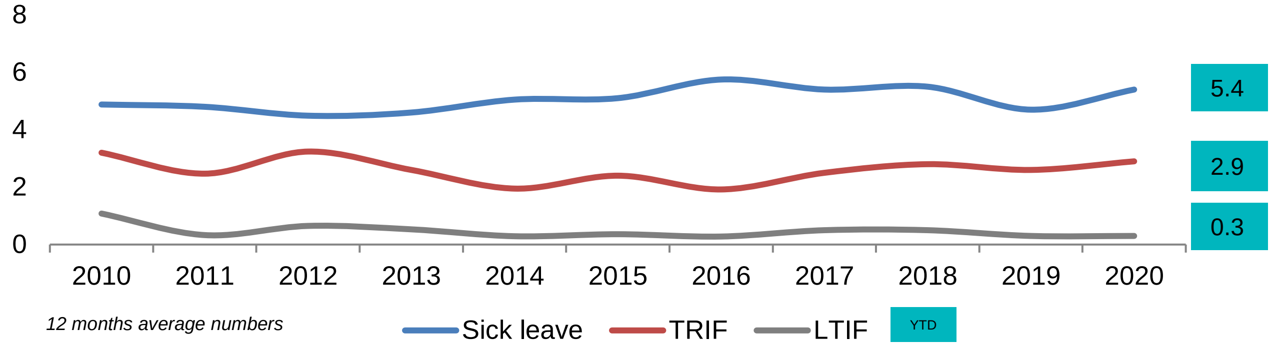
NCOA has temporarily increased during the second quarter due to cash inflow received early July. The NCOA at the end of second quarter 2020 was NOK 85 million, a deterioration of NOK 406 million year to date. The disputed Nordsee Ost project is tying up working capital until the arbitration is resolved.

Order intake and backlog

Order intake in second quarter totalled NOK 3 281 million, including Kvaerner's scope of work of jointly controlled entities, compared to NOK 732 million in the same quarter last year. Order intake includes Aker BP contract award of the Hod project, Valhall/Hod decommissioning, orders for increased scope for some projects and growth in some existing projects. As of 30 June 2020, order backlog or remaining performance obligations, including Kvaerner's scope of work of jointly controlled entities, is estimated to be NOK 8 973 million. Estimated scheduling of the order backlog is approximately 41 percent for execution in 2020, approximately 45 percent for execution in 2021 and remaining 14 percent for execution in 2022 and later.

OPERATIONAL REVIEW

Health, safety, security and environment (HSSE)



Sick leave was for the first half year 5.4 percent, versus 5.0 percent for the 12 months average numbers. This is above the company's target of 4.3 percent. The total recordable injury frequency (TRIF) and lost time injury frequency (LTIF) have seen a slight decline over the past 12 months. There were two serious incidents without harm to people in the first quarter, while there have been zero serious incidents in second quarter and the serious incident frequency (SIF) is declining over the last 12 months. The focus for the second quarter has been to implement HSSE improvement programmes and this is continuous work. With full focus on precautions against the global pandemic, Kvaerner has in the first half year had zero covid-19 cases among personnel in the production areas at the yards.

Operations

The activity level in Kvaerner was high in January and February but was significantly reduced as a consequence of the actions taken due to covid-19. We are in continuous dialogue with our customers about how we within the framework of the covid-19 precautions can keep progress in ongoing projects. The activity level has gradually increased as hired ins can return to our two yards.

At Kvaerner's Stord yard, three major projects are in the assembly and integration phase. The Njord A semisubmersible platform upgrade project is in the last phase. The Johan Sverdrup riser platform module project has received modules from subcontractors during first half of 2020, and the main focus is now assembly at Stord. In the Johan Castberg project, fabrication is currently ongoing at Stord and several other yards.

The focus in Hywind Tampen is on completion of detail design and procurement. Construction will commence early 2021.

The Johan Sverdrup P2 jacket and the modules for Johan Castberg have been the main activity at the yard in Verdal. In June 2020 Kvaerner started steel cutting at Verdal for the new Hod wellhead platform for Aker BP. Construction will continue through the autumn before assembly and delivery during the first half of 2021. The Stord demolition site has several parallel projects ongoing. Work related to the Hydro Husnes aluminium factory upgrade awarded is ongoing.

Internationally, the work for the Nord Stream 2 landfall is in the final phase. Work is ongoing at the site outside St. Petersburg and is also supported by the Kvaerner's Moscow office. In Canada, work is progressing both for the contract related to marine operations for Husky's new White Rose platform and for a platform removal contract.

Competitiveness and market

The covid-19 situation has resulted in market volatilities during the first half of 2020 including that sanctioning of several expected projects was postponed or cancelled. Equinor's Bay du Nord FPSO and Shell's Jackdaw UWHP are two examples of delayed projects which affects Kvaerner. From early summer, several customers are again considering start of new investment projects. In Norway, the government and parliament decided on temporary amendments to the petroleum tax regime as an incentive to start projects. This has a positive impact on Kvaerner's market opportunities.

The first example of project plans to be revitalised was Aker BP with their planned Hod satellite wellhead platform to the existing Valhall field on the Norwegian continental shelf. On 9 June, Kvaerner announced the start of the delivery of Hod, pending PDO approval from the Norwegian authorities. Kvaerner's scope for the Hod project has a value of approximately NOK 1 billion.

On June 12, Equinor and Aker BP announced that they plan to start the development of the NOAKA area on the Norwegian continental shelf. It is expected that this oil and gas project will include several new offshore platforms. In total, oil companies have communicated ambitions to develop more than 20 small and large projects as an effect of the Norwegian petroleum tax incentive package.

The new wet dock facility at our Stord yard is tailor made for FPSO integration work. The Johan Castberg FPSO will be the first to use the more efficient facility and we also see other upcoming opportunities.

Several customer plan to replace power generation on existing offshore platforms and onshore oil and gas plants. This will significantly reduce climate gas emissions. Kvaerner is in dialogue with customers about several such prospects.

Kvaerner is also positioning for several new prospects within renewable energy, decarbonisation and green industries. Many of the expected projects are in international markets, and customers are expected to pass key decisions during 2020 and 2021. In the offshore wind market, Kvaerner offers both fixed and floating substructures for wind turbines as well as complete converter platforms. We also see project opportunities within the carbon capture segment and for delivery of hydrogen production facilities.

GROUP

FINANCIAL REVIEW

Amounts in NOK million	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Total revenue and other income [1]	1 468	1 876	3 602	3 995	9 032
EBITDA	162	132	34	261	498
Adjusted EBITDA [2]	171	132	33	269	505
Adjusted EBITDA margin	11.6 %	7.0 %	0.9 %	6.7 %	5.6 %
EBIT	115	90	(62)	178	306
Net profit - continuing operations	89	71	(38)	128	244
Basic and diluted earnings per share - continuing operations	0.33	0.27	(0.14)	0.48	0.91
Order intake [3]	3 281	732	4 484	2 423	6 902
Order backlog [3]	8 973	9 037	8 973	9 037	8 200
Net current operating assets (NCOA)	147	(681)	147	(681)	(361)
Net interest bearing deposits and loans pre IFRS 16 [4]	1 774	2 734	1 774	2 734	2 344

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

[2] *Adjusted EBITDA excludes impact of embedded foreign currency derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities, see note 13*

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

[4] *Net interest bearing deposits and loans pre IFRS 16 excludes the impact of IFRS 16 Leases, refer to note 13*

Income statement

Operating revenues in second quarter 2020 amounted to NOK 1 468 million, compared with NOK 1 876 million for second quarter 2019. Kvaerner reported operating revenues of NOK 3 602 million for the first six months of 2020, compared with NOK 3 995 million for the same period in 2019. Due to the covid-19 precautions Kvaerner has had a reduced number of personnel working in the projects which has influenced progress and revenues in the quarter.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for the quarter were NOK 162 million, compared to NOK 132 million in the same period last year. Adjusted EBITDA for the quarter were NOK 171 million, compared to NOK 132 million in the same period last year. Adjusted EBITDA for the first six months of 2020 was NOK 33 million, compared with NOK 269 million for the equivalent period in 2019.

Net financial expense for the quarter was NOK 1 million. Net financial expense for the same period in 2019 was an income of NOK 2 million. Net financial income for the first six months of 2020 was NOK 10 million, compared to an expense of NOK 11 million in 2019. The change is mainly explained by accounting effects related to embedded derivatives. Net interest income, part of net financial expense is reduced year on year due to reduced cash balances and lower interest rates.

Profit before tax for second quarter 2020 was NOK 115 million compared to NOK 92 million for the same period last year. For the first six months of 2020, loss before tax was NOK 52 million compared to a profit before tax of NOK 167 million for the same period in 2019.

Total income tax expense in the quarter was NOK 26 million compared to NOK 21 million for the same quarter previous year. First half year tax amounted to positive NOK 15 million, compared to a tax expense of NOK 39 million in 2019. The tax expense reflects an effective tax rate of 28 percent for first half year 2020 compared to 23 percent in 2019. The effective tax rate is higher than the Norwegian statutory tax rate of 22 percent due to JVs being accounted for using the equity method and deferred tax assets not recognised on losses in some jurisdictions in which the group operates.

Profit from continuing operations was NOK 89 million for the second quarter and a loss of NOK 38 million for first half year 2020, compared to a profit of NOK 71 million and NOK 128 million in equivalent periods in 2019. Basic and diluted earnings per share for continuing operations were NOK 0.33 for second quarter 2020 and negative NOK 0.14 for the first six months of 2020, compared to NOK 0.27 for second quarter 2019 and NOK 0.48 for the first six months of 2019.

Net loss from discontinued operations was NOK 5 million for second quarter 2020, compared to NOK 2 million in same period last year. First half year result from discontinued operations was a loss of NOK 2 million compared to a loss of NOK 5 million in 2019. Basic and diluted earnings per share for discontinued operations were negative NOK 0.02 for second quarter 2020 and negative NOK 0.01 for the first six months of 2020, compared to negative NOK 0.01 for second quarter 2019 and negative NOK 0.02 for the first six months of 2019.

Net profit total operations in second quarter 2020 was NOK 84 million compared to NOK 69 million in the corresponding quarter last year. Basic and diluted earnings per share for total operations for second quarter 2020 were NOK 0.31 compared to NOK 0.26 in second quarter 2019. Net loss for the first six months of 2020 was NOK 40 million compared to a net profit of NOK 123 million last year. Basic and diluted earnings per share for total operations for the first half year were negative NOK 0.15 and NOK 0.46 for 2020 and 2019 respectively.

Cash flow

Net cash outflow from operating activities was NOK 256 million in second quarter 2020 compared to cash inflow of NOK 227 million in the same period last year. Net cash outflow from operating activities in first half year 2020 was NOK 496 million, compared to cash inflow of NOK 19 million in first half of 2019.

Net cash outflow from investing activities mainly reflects capital expenditure and was in second quarter 2020 NOK 21 million compared to an outflow of NOK 101 million in the same quarter last year. Year to date cash outflow from investing activities amounted to NOK 72 million compared to NOK 171 million in 2019. Capital expenditure amounted to NOK 21 million in second quarter and NOK 52 million year to date and mainly relates to Stord yard development and digitalisation projects. The quay investment at Stord was completed in the quarter with a total cost of approximately NOK 350 million which is within the original budget. A total maintenance capex for the group of approximately NOK 30−50 million is expected annually and additional strategic and capacity investments at the yards such as equipment and digitalisation tools will result in an expected capex of around NOK 110 million for 2020.

Net cash outflow from financing activities was NOK 10 million in the quarter and NOK 19 million year to date, compared with outflows of NOK 293 million and NOK 310 million in the same periods in 2019. Outflow in 2019 was mainly related to dividend payment of NOK 268 million.

Net decrease in cash and bank deposits during the quarter amounted to NOK 286 million, resulting in cash and bank deposits at the end of the quarter of NOK 1 734 million. As of 30 June 2020, the group has not drawn on its credit facilities.

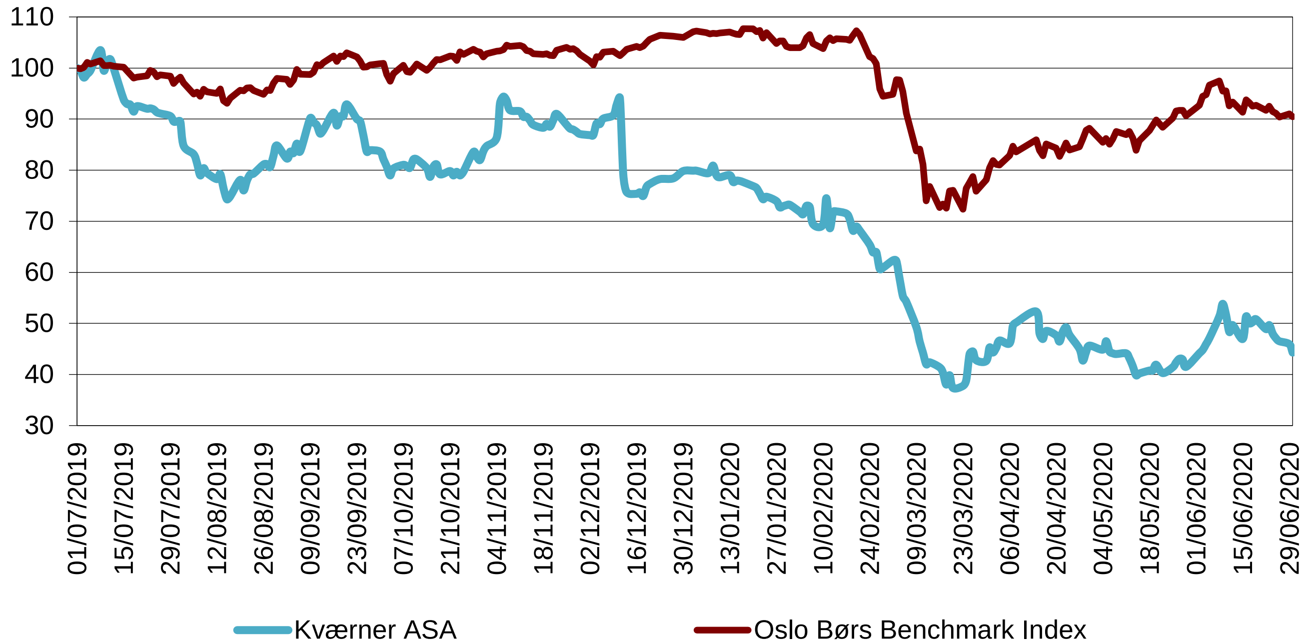
Balance sheet

Net current operating assets (NCOA) were NOK 147 million at 30 June 2020, compared to negative NOK 262 million at the end of previous quarter and negative NOK 361 million at year-end 2019. Kvaerner has previously communicated that significant fluctuations in working capital must be expected within the range of NOK nil to negative NOK 1 billion. Movements in working capital will impact cash balances and at the end of second quarter, net cash excluding NCOA was NOK 1 881 million. Equity ratio at 30 June 2020 was 58.5 percent, compared to 53.8 percent at 31 March 2020 and 53.2 percent at year-end 2019.

Transactions in treasury shares

In connection with the company's annual variable pay programme for executives, Kvaerner awarded 523 521 shares to employees in the first half year. At the end of second quarter Kvaerner owned 570 256 treasury shares, or 0.21 percent of the 269 000 000 shares issued.

The Kvaerner share - indexed share price development last 12 months



The market capitalisation was NOK 1.7 billion at the end of second quarter 2020 compared to NOK 3.7 billion at the end of second quarter 2019.

OTHER

Please refer to Note 2 Covid-19 impacts.

SUBSEQUENT EVENTS

Dividend

In order to implement precautions and minimise as much as possible any negative influence of the covid-19 situation for ongoing projects and business opportunities; a stock exchange announcement was released the

19 March where the Board of Directors in Kvaerner, in alignment with the principal shareholder Aker Kvaerner Holding and its two owners, Aker ASA and the Norwegian state, as well as in full agreement with Kvaerner's administration, requested the shareholders in Kværner ASA to not approve the previously proposed dividend NOK 0.50 per share. Based on the same principles, the Nomination Committee proposed to the General Meeting a zero increase in the compensation to the Directors of the Board. The Annual General Meeting on 24 March 2020 adopted the requests and voted against the proposed distribution of dividend.

Kværner ASA's dividend policy is based on an annual evaluation of dividend distribution. Decisions as to actual dividend payments shall depend on outlook, liquidity, and considerations such as alternative use of cash and future strengthening of the company's financial structure. The dividend payments could either be through cash dividend and/or share buyback. Extraordinary dividends may be considered if, and when the liquidity, financial strength and financial structure of the company allows. The Annual General Meeting will approve the final and total annual dividend based on a proposal from the Board.

PRINCIPAL RISKS AND UNCERTAINTIES

As a key work process for securing Kvaerner's business, the company actively works to identify and manage risk related to all aspects of its operations. This applies both to projects and in the corporate organisation. Delivering projects and equipment in accordance with contract terms and anticipated cost framework represents a substantial risk element and is the most significant factor affecting Kvaerner's financial performance. Results also depend on costs, both Kvaerner's own and those charged by suppliers, and on interest expenses, exchange rates and customers' ability to pay. For an overview of major current legal disputes, see Note 8 to the interim accounts.

Kvaerner has established guidelines and systems to manage its exposure in the financial markets. These systems cover currency, interest rate, counterparty and liquidity risks. Kvaerner works systematically with risk management in all its operations and has extensive systems and procedures in place. Other relevant risk factors are further described in the annual report for 2019.

The operational risk is the ability to deliver existing contracts at the agreed time, quality, functionality and cost. At the outbreak of the corona situation Kvaerner was exposed to a significant increase of uncertainties related to how the pandemic would impact ongoing projects and financial results as well as new market opportunities. During the second quarter Kvaerner has worked actively to reduce these uncertainties and mitigate risks. In the same period actions taken by authorities in several countries of importance to Kvaerner are also enabling increased activity, consummation of energy and borders opened for traveling. While the corona related uncertainties are still significant, Kvaerner now has a better overview of the situation and necessary mitigation.

OUTLOOK

The adjusted tax regime in Norway provides incentives to oil companies to start projects. This has a positive impact on Kvaerner's market opportunities. Simultaneously, Kvaerner is currently positioning and bidding for an even higher number of prospects within the renewables segment.

During 2020 and 2021, it is expected that several key prospects will pass important decision gates and move further towards project sanctioning and project execution. A strong competition is expected for every contract opportunity.

The market in and around Norway will continue to be important, but several key prospects are also in international regions. For 2020, the full year revenue for the Field Development segment is expected to be around NOK 7.5 billion. The corresponding underlying EBITDA margin, excluding expected covid-19 costs of about NOK 150 million for the full year, is expected to be about five percent.

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 condensed financial statements as at 30 June 2020 and for the six-month period ended 30 June 2020. The half year report has been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by the EU and additional Norwegian regulations.

We confirm to the best of our knowledge that:

- the condensed financial statements for the six months ending 30 June 2020 have been prepared in accordance with applicable financial reporting standards
- the information provided in the financial statements gives a true and fair view of the group's assets, liabilities, financial position and result for the period
- the financial review includes a fair review of significant events during the first six months of the year and their impact on the financial statements, any major related party transactions, and a description of the principal risk and uncertainties for the remaining six months of the year

Fornebu, 8 July 2020

The Board of Directors and the President & CEO of Kværner ASA

Leif-Arne Langøy Chairman	Jan Arve Haugan Director	Thorhild Widvey Director
Lone Fønss Schrøder Director	Kjell Inge Røkke Director	Rune Rafdal Director
Ståle K. Johansen. Ståle Knoff Johansen Director	Line Småge Breidablikk Director	Karl-Petter Løken President & CEO

FURTHER INFORMATION

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About Kvaerner:
Kvaerner is a project execution specialist and a trusted advisor for our customers. We provide engineering, procurement and construction (EPC) services and deliver advanced offshore and onshore installations around the world.

We have offices in seven countries and approximately 2 800 employees. Health, safety, security and environment (HSSE) has the highest priority in our work, and we aim to deliver technology and solutions in a safe and sustainable way. Our passion, experience and expertise realise values for customers and societies. Kværner ASA, through its subsidiaries and affiliates ("Kvaerner"), is an international contractor and preferred partner for operators and contractors within oil and gas, renewable energy and in the field of engineering and fabrication.

In 2019, Kvaerner's Field Development segment had consolidated annual revenues of NOK 9.4 billion and the company reported an estimated order backlog at 30 June 2020 of NOK 9 billion. Kvaerner is publicly listed with the ticker "KVAER" at the Oslo Stock Exchange. For further information, please visit www.kvaerner.com.

FINANCIAL CALENDAR 2020

Third quarter results 2020	28 October 2020

The date may be subject to change.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Amounts in NOK million	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Total revenue and other income	1 468	1 876	3 602	3 995	9 032
Operating expenses	(1 306)	(1 744)	(3 568)	(3 733)	(8 534)
EBITDA	**162**	**132**	**34**	**261**	**498**
Depreciation and amortisation	(47)	(42)	(97)	(83)	(193)
Operating profit	**115**	**90**	**(62)**	**178**	**306**
Net financial income/(expense)	(1)	2	10	(11)	2
Profit/(loss) before tax	**115**	**92**	**(52)**	**167**	**307**
Income tax expense	(26)	(21)	15	(39)	(64)
Profit/(loss) from continuing operations	**89**	**71**	**(38)**	**128**	**244**
Profit/(loss) from discontinued operations	**(5)**	**(2)**	**(2)**	**(5)**	**(10)**
Net profit/(loss)	**84**	**69**	**(40)**	**123**	**233**
Attributable to:					
Equity holders of the parent company - Kværner ASA	84	69	(40)	123	233
Earnings per share (NOK)					
Basic and diluted EPS continuing operations	0.33	0.27	(0.14)	0.48	0.91
Basic and diluted EPS discontined operations	(0.02)	(0.01)	(0.01)	(0.02)	(0.04)
Basic and diluted EPS total operations	**0.31**	**0.26**	**(0.15)**	**0.46**	**0.87**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK million	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Net profit/(loss) for the period	**84**	**69**	**(40)**	**123**	**233**
Items that are or may be reclassified to profit or loss in subsequent periods:					
Cash flow hedges, net of tax					
- Fair value adjustments recognised in equity	(4)	5	0	0	0
- Reclassified to profit or loss	(1)	0	(1)	0	0
Translation differences, foreign operations	(2)	1	1	1	6
Reclassification of translation differences on discontinued operations and international branches	3	1	(2)	1	(1)
Items that are or may be reclassified to profit or loss in subsequent periods	(4)	7	(2)	2	5
Items not to be reclassified to profit or loss in subsequent periods:					
Actuarial gains/(losses) on defined benefit pension plans, net of tax	-	-	-	-	(21)
Items not to be reclassified to profit or loss in subsequent periods:	-	-	-	-	(21)
Total other comprehensive income/(loss), net of tax	**(4)**	**7**	**(2)**	**2**	**(16)**
Total comprehensive income/(loss)	**79**	**76**	**(42)**	**125**	**217**
Attributable to:					
Equity holders of the parent company - Kværner ASA	79	76	(42)	125	217

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

Amounts in NOK million	30.06.2020	30.06.2019	31.12.2019
Assets			
Non-current assets			
Property, plant and equipment	1 146	1 030	1 164
Right-of-use assets (IFRS 16)	102	237	121
Intangible assets	732	739	740
Investments in associates and jointly controlled entities	91	57	73
Interest-bearing receivables	40	20	20
Other non-current assets	8	7	8
Total non-current assets	**2 119**	**2 090**	**2 126**
Current assets			
Trade and other receivables	1 220	1 115	991
Contract assets	655	561	915
Prepaid company tax	6	-	1
Total cash and bank	1 734	2 714	2 324
Retained assets of business sold	0	0	0
Total current assets	**3 616**	**4 390**	**4 231**
Total assets	**5 735**	**6 481**	**6 357**
Equity and liabilities			
Equity			
Share capital	91	91	91
Share premium	729	729	729
Retained earnings	2 641	2 564	2 672
Other reserves	(109)	(89)	(107)
Total equity	**3 352**	**3 295**	**3 385**
Non-current liabilities			
Long term lease liabilities (IFRS 16)	69	225	87
Deferred tax liabilities	291	303	313
Employee benefit liabilities	231	224	243
Total non-current liabilities	**591**	**752**	**643**
Current liabilities			
Short term lease liabilities (IFRS 16)	36	48	36
Trade and other payables	1 286	1 801	2 013
Contract liabilities	320	414	84
Tax liabilities	1	1	1
Provisions	123	141	170
Retained liabilities of business sold	27	28	26
Total current liabilities	**1 792**	**2 433**	**2 330**
Total equity and liabilities	**5 735**	**6 481**	**6 357**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

Amounts in NOK million	Total paid in capital	Retained earnings	Other reserves	Total equity
Equity as of 31 December 2018	**820**	**2 710**	**(91)**	**3 439**
Profit for the period 1 January to 30 June	-	123	-	123
Other comprehensive income	-	-	2	2
Total comprehensive income	-	123	2	125
Treasury shares	-	(1)	-	(1)
Dividend	-	(268)		(268)
Equity as of 30 June 2019	**820**	**2 564**	**(89)**	**3 295**
Profit for the period 1 July to 31 December	-	110	-	110
Other comprehensive income	-	-	(18)	(18)
Total comprehensive income	-	110	(18)	92
Treasury shares	-	(0)	-	(0)
Employee share purchase programme	-	(3)	-	(3)
Equity as of 31 December 2019	**820**	**2 672**	**(107)**	**3 385**
Profit for the period 1 January to 30 June	-	(40)	-	(40)
Other comprehensive income	-	-	(2)	(2)
Total comprehensive income	-	(40)	(2)	(42)
Treasury shares	-	9	-	9
Other	-	0	0	0
Equity as of 30 June 2020	**820**	**2 641**	**(109)**	**3 352**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in NOK million	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Profit before tax continuing operations	115	92	(52)	167	307
Profit before tax discontinued operations	(5)	(2)	(2)	(5)	(10)
Profit/(loss) before tax total operations	**110**	**90**	**(54)**	**162**	**297**
Depreciation, amortisation and impairment	47	42	97	83	193
Taxes (paid)/refund	(12)	0	(18)	(1)	(14)
Other cash flow from operating activities	(400)	94	(520)	(225)	(574)
Cash flow from operating activities	**(256)**	**227**	**(496)**	**19**	**(98)**
Capital expenditure	(21)	(82)	(52)	(151)	(374)
Other cash flow from investing activities	-	(20)	(20)	(19)	(16)
Cash flow from investing activities	**(21)**	**(101)**	**(72)**	**(171)**	**(391)**
Interest portion on lease liabilities	(1)	(3)	(3)	(7)	(12)
Principle portion on lease liabilities	(9)	(12)	(18)	(23)	(40)
Dividends	-	(268)	0	(268)	(268)
Other cash flow from financing activities	0	(9)	0	(11)	(47)
Cash flow from financing activities	**(10)**	**(293)**	**(19)**	**(310)**	**(367)**
Translation adjustments	1	4	(3)	10	15
Net increase/(decrease) in cash and bank deposits	**(286)**	**(163)**	**(590)**	**(451)**	**(841)**
Cash at the beginning of the period	2 020	2 877	2 324	3 165	3 165
Cash at the end of the period	**1 734**	**2 714**	**1 734**	**2 714**	**2 324**

NOTES

Note 1 Reporting entity

Kværner ASA (the company) is a company domiciled in Norway. These condensed consolidated interim financial statements (“interim financial statements”) comprise the company and its subsidiaries.

Note 2 Covid-19 impacts

Immediately after the covid-19 outbreak in March several precautions were implemented to safeguard employees, suppliers and local societies against the risks of the corona virus development. A comprehensive set of actions have been implemented in line with public requirements and recommendations. All Kvaerner locations have remained in operation during the covid-19 outbreak period in the first and second quarters.

The majority of hired-in personnel working at the Stord and Verdal yards were demobilised in March, office staff were working from home and several virus precautions influenced daily work at the yards. Operations continued with reduced capacity. As a result of the covid-19 situation and market volatility, temporary lay-offs have been initiated to reduce costs. The table “Total manpower in Norway” shows how the availability and utilisation of personnel resources have developed through the pandemic period.

	Late Dec. 2019	Late Mar. 2020	Late Jun. 2020
Own employees	2 730	2 720	2 734
Hired-ins	3 630	595	896
Total manpower in Norway	**6 360**	**3 315**	**3 630**
Temporary lay-offs, own employees	-	140	277

Demobilisation of hired-in project resources at the yards had a negative cost impact as communicated in Q1 2020. During the second quarter Norwegian authorities have started to allow foreign hired-in personnel to travel to Norway. As Kvaerner’s first priority is always HSSE, a stepwise re-mobilisation of hired-ins is used to ensure control. Remobilisation of hired-in personnel started in May and will continue through the autumn. Offices are again opened for normalised operations, but some corona related precautions remain in place.

Estimated insurance recoveries were included in the covid-19 effects communicated at Q1 2020. As of Q2 2020, Kvaerner group and subsidiaries have obtained limited financial state aid in relation to covid-19. However, there is an ongoing process to review whether there are possibilities to apply for public cash relief packages.

The global covid-19 pandemic has affected the availability of personnel resources and schedule for sub-deliveries to ongoing projects. Hence, Kvaerner and our customers have agreed to adjust the execution plans for some ongoing work. For the upgrade of the Njord A platform, the platform is now scheduled for tow to the field in 2021. For the Johan Castberg FPSO, the hull will now be delivered to Kvaerner’s facility at Stord in 2021, where installation of the pre-completed topside modules will commence.

In Q1 Kvaerner communicated that the financial results were negatively influenced by costs and a provision related to corona mitigation of NOK 101 million. The Adjusted EBITDA effect for the first quarter was negative NOK 192 million which included temporary reduced margin effect for some projects.

The accumulated covid-19 effects for the first half year 2020 are estimated to NOK 107 million which includes costs incurred year to date balanced by a moderate insurance recovery and remaining provision. Temporarily reduced margin recognition for some projects have been reversed in the second quarter. There is no change to the total estimated net covid-19 costs for the full year of NOK 150 million.

Impact on outlook

The global activity level declined during the late winter and spring of 2020, and several customers around the world put expected new projects on temporary hold. From early summer, several customers are again planning investment projects. The adjusted tax regime in Norway provides incentives to oil companies to start projects. This has a positive impact on Kvaerner's market opportunities. For further details see sections Operational review, Competitiveness and market and Outlook in this Second quarter and half year 2020 report.

Impairment trigger assessment

Impairment triggers have been identified and assessed to also include the current covid-19 situation for Q2 2020. Impairment indicators include changes in market situations, changes in order backlog, changes in discount rates and other elements which might impact the assets' values. An impairment test for goodwill has been performed.

Management's determination of the recoverable amounts of the cash generating units includes assumptions regarding future project wins, their profitability and terminal values. The recoverable amounts of CGUs have been determined based on value-in-use calculations, which require the use of estimates and judgements.

Goodwill allocation by cash generating unit

Amounts in NOK million	30.06.2020	31.12.2019
Stord yard	421	421
Verdal yard	186	186
Total Kvaerner group	**607**	**607**

Q2 2020 Impairment test, key assumptions

Cash flows from projects, including assumed project awards, are allocated to CGUs Stord yard and Verdal yard based on which resources are used or normally would be used for project execution. Management's approach to determine the values that are assigned to each key assumption reflect past experience and are as follows:

- Assumed project awards is an essential element in the impairment testing. The group's business development organisation reviews and considers market prospects and selects target projects
- Target projects are included based on latest projections and estimated revenues and margins based on the scope of work and Kvaerner's experience and judgement from other projects
- Cash flow projections for ongoing projects are based on updated forecasts
- Explicit period for estimated cash flows are second half-year 2020 to full year 2023
- Terminal values reflecting long term, steady state revenue and margin levels are estimated based on a combination of historic levels and judgement
- An annual growth rate of one percent is used in calculating the terminal value
- The pre-tax discount rate, based on a weighted average cost of capital assessment, 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 8.9 percent, and pre-tax discount rates are 11 percent for Stord yard and 11.2 percent for Verdal yard

For the yards Stord and Verdal CGUs recoverable amount for recognised goodwill exceeds the related carrying values, and consequently the analysis indicates that no impairment is required.

Sensitivities

The following adverse changes could occur simultaneously before any impairment is required in relation to the Stord yard CGU: revenue reduction of 15 percent, EBITDA margin reduction of one percentage point and increase in pre-tax discount rate of 0.9 percentage points.

The Verdal yard CGU is more sensitive to impairment: a simultaneous revenue reduction of five percent, EBITDA margin reduction of 0.5 percentage points and increase in pre-tax discount rate of 0.3 percentage points would result in an impairment.

Principle risks and uncertainties

Covered in section Principle risks and uncertainties in this Second quarter and half year 2020 report. There is an increased level of uncertainty around project awards due to the covid-19 situation and if project awards do not meet the current assumptions there could be an impairment of the goodwill.

Note 3 Basis of accounting

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the International Financing Reporting Standards (IFRS) and IAS 34 Interim Financial Reporting as adopted by the European Union and additional Norwegian regulations.

Accounting principles

The interim financial statements are condensed and do not include all the information required by IFRS for a complete set of financial statements and should be read in conjunction with the full year consolidated financial statements for Kværner ASA. The consolidated 2019 financial statements for Kvaerner are available at www.kvaerner.com.

The accounting polices applied in these interim financial statements are the same as those applied in the group's Annual accounts 2019.

Other

The interim financial statements have not been subject to audit. The functional currency of the entities within Kvaerner is determined based on the nature of the economic environment in which they operate. The functional currency and presentation currency of Kværner ASA is NOK. Numbers are rounded to the nearest million, unless otherwise stated. As a result of rounding differences, numbers or percentages may not add up to the total. Operating results for the periods presented are not necessarily indicative of the results that may be expected for any subsequent interim period or annual accounts.

Note 4 Judgments, estimates and assumptions

In preparing these interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, significant judgements made by management in applying the group's accounting policies and key sources of uncertainty in the estimates were consistent with those applied for the period ended 31 December 2019.

Note 5 Revenue and segment information

The group's operations and main revenue streams are those described in the last annual financial statements. The group's revenue is derived from contracts with customers.

Kvaerner has one reportable segment; Field Development. The segment includes the resource centres and the following operational areas: Process & Structures, FPSOs and Renewables.

The main differences between the Field Development figures and group figures presented are Kvaerner's share of revenues from jointly controlled entities included in Field Development and unallocated costs deducted.

Unallocated costs

Unallocated costs, which are net corporate costs not directly attributable to segments, amounted to NOK 15 million in second quarter 2020, same level as in first quarter 2020. It is expected that the recurring level of net corporate costs will be approximately NOK 60-70 million annually.

	Field Development		Group activities and eliminations		Consolidated	
Amounts in NOK million	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Construction contracts	1 243	1 489	-	-	1 243	1 489
Services revenue	92	215	(2)	9	90	225
Revenue/share of result from joint ventures	149	135	(152)	(87)	(3)	48
Other revenue	52	69	86	39	138	108
Revenue from contracts with customers	**1 536**	**1 909**	**(68)**	**(39)**	**1 468**	**1 870**
Lease revenue	-	-	-	5	-	5
Gain on sale of assets	-	0	-	-	-	0
Internal revenue	0	0	(0)	(0)	-	-
Total revenue and other income	**1 536**	**1 909**	**(68)**	**(33)**	**1 468**	**1 876**
Adjusted EBITDA [1]	**175**	**132**	**(5)**	**(0)**	**171**	**132**
EBITDA	**175**	**132**	**(13)**	**0**	**162**	**132**
Depreciation, amortisation and impairment	(37)	(30)	(9)	(12)	(47)	(42)
EBIT	**138**	**102**	**(22)**	**(12)**	**115**	**90**
Net current operating assets	85	(671)	62	(9)	147	(681)

	Field Development		Group activities and eliminations		Consolidated	
Amounts in NOK million	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019
Construction contracts	3 081	3 108	-	-	3 081	3 108
Services revenue	134	494	(2)	9	132	504
Revenue/share of result from joint ventures	404	343	(387)	(251)	17	92
Other revenue	109	122	262	160	372	282
Revenue from contracts with customers	**3 728**	**4 067**	**(127)**	**(81)**	**3 602**	**3 986**
Lease revenue	-	-	-	9	-	9
Gain on sale of assets	0	0	-	-	0	0
Internal revenue	0	0	(0)	(0)	-	-
Total revenue and other income	**3 729**	**4 067**	**(127)**	**(72)**	**3 602**	**3 995**
Adjusted EBITDA [1]	**43**	**269**	**(10)**	**0**	**33**	**269**
EBITDA	**43**	**269**	**(9)**	**(7)**	**34**	**261**
Depreciation and amortisation	(78)	(59)	(19)	(24)	(97)	(83)
EBIT	**(35)**	**210**	**(28)**	**(32)**	**(62)**	**178**

Amounts in NOK million	Field Development	Group activities and eliminations	Consolidated
	FY 2019	FY 2019	FY 2019
Construction contracts	7 316	-	7 316
Services revenue	936	-	936
Revenue/share of result from joint ventures	867	(709)	158
Other revenue	293	315	608
Revenue from contracts with customers	**9 412**	**(395)**	**9 018**
Lease revenue	14	-	14
Gain on sale of assets	0	-	0
Internal revenue	0	(0)	-
Total revenue and other income	**9 427**	**(395)**	**9 032**
Adjusted EBITDA [1]	**512**	**(8)**	**505**
EBITDA	**512**	**(14)**	**498**
Depreciation and amortisation	(147)	(45)	(193)
EBIT	**365**	**(59)**	**306**
Net current operating assets	(321)	(40)	(361)

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

Note 6 Financial items

Amounts in NOK million	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Net interest income/(expense) pre IFRS 16	(0)	7	2	10	19
Interest expense on lease liabilities	(1)	(3)	(3)	(7)	(12)
Profit/(loss) on foreign currency contracts	1	(0)	(0)	0	0
Foreign currency embedded derivatives impact	0	0	7	(11)	(6)
Net foreign exchange gain/(loss)	(3)	(0)	2	(0)	2
Other financial items, net	3	(1)	2	(3)	(1)
Net financial income/(expense)	**(1)**	**2**	**10**	**(11)**	**2**

Result on foreign currency contracts is related to portfolio of hedging instruments not qualifying for hedge accounting.

Foreign currency embedded derivatives impact is reflecting accounting effects of multicurrency contracts, in line with requirements under IFRS.

Forward foreign currency contracts

The table below presents fair value of the group's derivative financial instruments as of 30 June 2020.

Amounts in NOK million	Assets at fair value	Liabilities at fair value	Net fair value YTD 2020
Embedded derivatives	18	(4)	14
Not hedge accounted	0	(0)	(0)
Cash flow hedges	12	(28)	(16)
Total	**30**	**(32)**	**(2)**

Note 7 Share capital and equity

Kværner ASA has 269 000 000 shares issued each with a nominal value of NOK 0.34.

Kvaerner currently has no share-based compensation that results in a dilutive effect on earnings per share. Basic and diluted earnings per share have been calculated based on the following number of average shares:

Numbers in thousands	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Shares issued	269 000	269 000	269 000	269 000	269 000
Effect of own shares held	(854)	(1 066)	(974)	(1 078)	(1 174)
Average number of outstanding shares	**268 146**	**267 934**	**268 026**	**267 922**	**267 826**

Note 8 Contingent events

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

Significant, current disputes

Nordsee Ost project

In 2012, arbitration related to the Nordsee Ost project was filed. The last wind jackets for the project were delivered in October 2013. The arbitration process for the project will take time due to high complexity. It is currently difficult to estimate when the arbitration will be finalised.

There is still substantial uncertainty with respect to the final financial outcome of the Nordsee Ost project, and to avoid prejudicing Kvaerner's position, no estimate of the expected final outcome is disclosed.

Note 9 Related parties

The largest shareholder of Kværner ASA, Aker Kværner Holding AS, is owned 70 percent by Aker ASA, which in turn is owned directly and indirectly 68.2 percent by The Resource Group TRG AS, a company owned by Kjell Inge Røkke. All entities owned or controlled by Aker ASA and The Resource Group TRG AS are considered related parties to Kvaerner. Non-controlling interests with significant influence are also considered as related parties.

Kvaerner believes that all transactions with related parties have been based on arm's length terms. The table below gives an overview of aggregated transactions and balances with related parties.

Amounts in NOK million	YTD 2020	YTD 2019	FY 2019
Revenue	442	593	891
Operating expenses	(368)	(424)	(896)
Trade and other receivables	94	163	100
Trade and other payables	92	125	42

Note 10 Discontinued operations – summary of financial data

The results for the discontinued business are reported separately under the heading Result from discontinued operations in the group's income statement. Results are related to insurance recoveries and associated costs. In the balance sheet, retained assets and liabilities are presented on separate lines.

Amounts in NOK million	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Total revenue and other income	0	-	0	-	-
Administrative and legal expenses	(2)	(2)	(4)	(5)	(11)
EBIT	**(2)**	**(2)**	**(4)**	**(5)**	**(11)**
Net financial income/(expense)	(3)	(0)	2	(1)	0
Profit/(loss) before tax	**(5)**	**(2)**	**(2)**	**(5)**	**(10)**
Income tax income/(expense)	-	-	-	-	-
Profit/(loss) from discontinued operations	**(5)**	**(2)**	**(2)**	**(5)**	**(10)**
Basic and diluted earnings/(losses) per share (NOK)	(0.02)	(0.01)	(0.01)	(0.02)	(0.04)
Net assets	**(27)**	**(28)**	**(27)**	**(28)**	**(26)**

Cash flows from discontinued operations are as follows:

Amounts in NOK million	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Cash flow from operating activities	(11)	(6)	(6)	(10)	(18)
Cash transferred (to)/from parent	0	2	3	9	12
Translation adjustments	(3)	(0)	2	(0)	0
Net increase/(decrease) in cash and bank deposits	**(14)**	**(4)**	**(1)**	**(1)**	**(6)**
Cash at the beginning of the period	34	30	22	28	28
Cash at the end of the period	**21**	**26**	**21**	**26**	**22**

Note 11 IFRS 16 Leases

Kvaerner has entered into various lease contracts, mainly related to rental of buildings, land and sites for transportation, storage and decommissioning. In addition, Kvaerner is renting cranes, cars, vessels, barges and various equipment and machinery related to operations at the Stord and Verdal yards. Rent of machinery and equipment is project related and typically for a short time period to cover peaks or special lifting or other operations.

Right-of-use assets and lease liabilities

Amounts in NOK million	Land and buildings	Machinery and vehicles	Total right-of-use assets	Lease liabilities
Balance at 1 January 2020	109	11	121	123
Additions	-	1	1	1
Depreciation expense	(18)	(1)	(19)	
Installment lease payments				(18)
Balance at 30 June 2020	**91**	**11**	**102**	**106**

Lease liabilities

Amounts in NOK million	30.06.2020
Maturity analysis - contractual undiscounted cash flows	
Amount due within one year	40
Amount due between one and five years	73
Amount due later than five years	0
Total undiscounted lease liabilities	**114**
Lease liabilities included in interim condensed consolidated balance sheet	**106**
Current lease liabilities	36
Non-current lease liabilities	69

Note 12 Quarterly historical information – continuing operations

Amounts in NOK million	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Total revenue and other income	**1 468**	**2 134**	**2 588**	**2 450**	**1 876**	**2 119**
Field Development	1 536	2 192	2 789	2 571	1 909	2 158
Adjusted EBITDA	**171**	**(137)**	**100**	**135**	**132**	**137**
Field Development	175	(132)	105	138	132	137
Adjusted EBITDA margin	**11.6 %**	**-6.4 %**	**3.9 %**	**5.5 %**	**7.0 %**	**6.5 %**
Field Development	11.4 %	-6.0 %	3.8 %	5.4 %	6.9 %	6.3 %
Net profit/(loss) - continuing operations	**89**	**(127)**	**43**	**72**	**71**	**57**
Basic and diluted EPS continuing operations	**0.33**	**(0.47)**	**0.16**	**0.27**	**0.27**	**0.21**
Order intake [1]	**3 281**	**1 204**	**2 648**	**1 830**	**732**	**1 691**
Order backlog [1]	**8 973**	**7 249**	**8 200**	**8 337**	**9 037**	**10 196**
NCOA	**147**	**(262)**	**(361)**	**(414)**	**(681)**	**(649)**
Field Development	85	(248)	(321)	(362)	(671)	(724)
Net interest bearing deposits and loans pre IFRS 16	**1 774**	**2 060**	**2 344**	**2 440**	**2 734**	**2 877**
Net interest bearing deposits and loans	1 669	1 945	2 221	2 316	2 461	2 594

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

Note 13 Alternative performance measures
Kvaerner discloses alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. Kvaerner believes that the alternative performance measures provide useful supplemental information to management, investors, security analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of Kvaerner's business operations and to improve comparability between periods. Order intake and backlog are indicators of the company's revenues and operations in the future.

Profit measures

EBITDA is short for earnings before interest, taxes, depreciation and amortisation and is a term commonly used by analysts and investors

Adjusted EBITDA earnings before Interest, taxes, depreciation and amortisation excluding impact of embedded foreign currency derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities

Adjusted EBITDA margin is used to compare relative profit between periods. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by revenue

Order intake measures

Order intake represents expected revenue from contracts entered into in period or growth in existing contracts

Order backlog represents remaining expected revenue from contracts entered into as per reporting date

Financing measures

Net current operation assets (NCOA) Kvaerner's measure of net working capital, defined as trade and other receivables and contract assets less trade and other payables, contract liabilities 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	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
EBITDA	162	132	34	261	498
Adjustment for equity accounted investees [1]	8	(0)	(1)	8	6
Adjusted EBITDA	**171**	**132**	**33**	**269**	**505**

[1] *Excluding embedded derivatives' impact reported.*

Amounts in NOK million	30.06.2020	30.06.2019	31.12.2019
Trade and other receivables	1 220	1 115	991
Contract assets	655	561	915
Trade and other payables	(1 286)	(1 801)	(2 013)
Contract liabilities	(320)	(414)	(84)
Provisions	(123)	(141)	(170)
Net current operating assets (NCOA)	**147**	**(681)**	**(361)**
Total cash and bank	1 734	2 714	2 324
Interest-bearing receivables	40	20	20
Net interest bearing deposits and loans pre IFRS 16	**1 774**	**2 734**	**2 344**
Non-current lease liabilities (IFRS 16)	(69)	(225)	(87)
Current lease liabilities (IFRS 16)	(36)	(48)	(36)
Net interest bearing deposits and loans	**1 669**	**2 461**	**2 221**

Second quarter results

9 July 2020

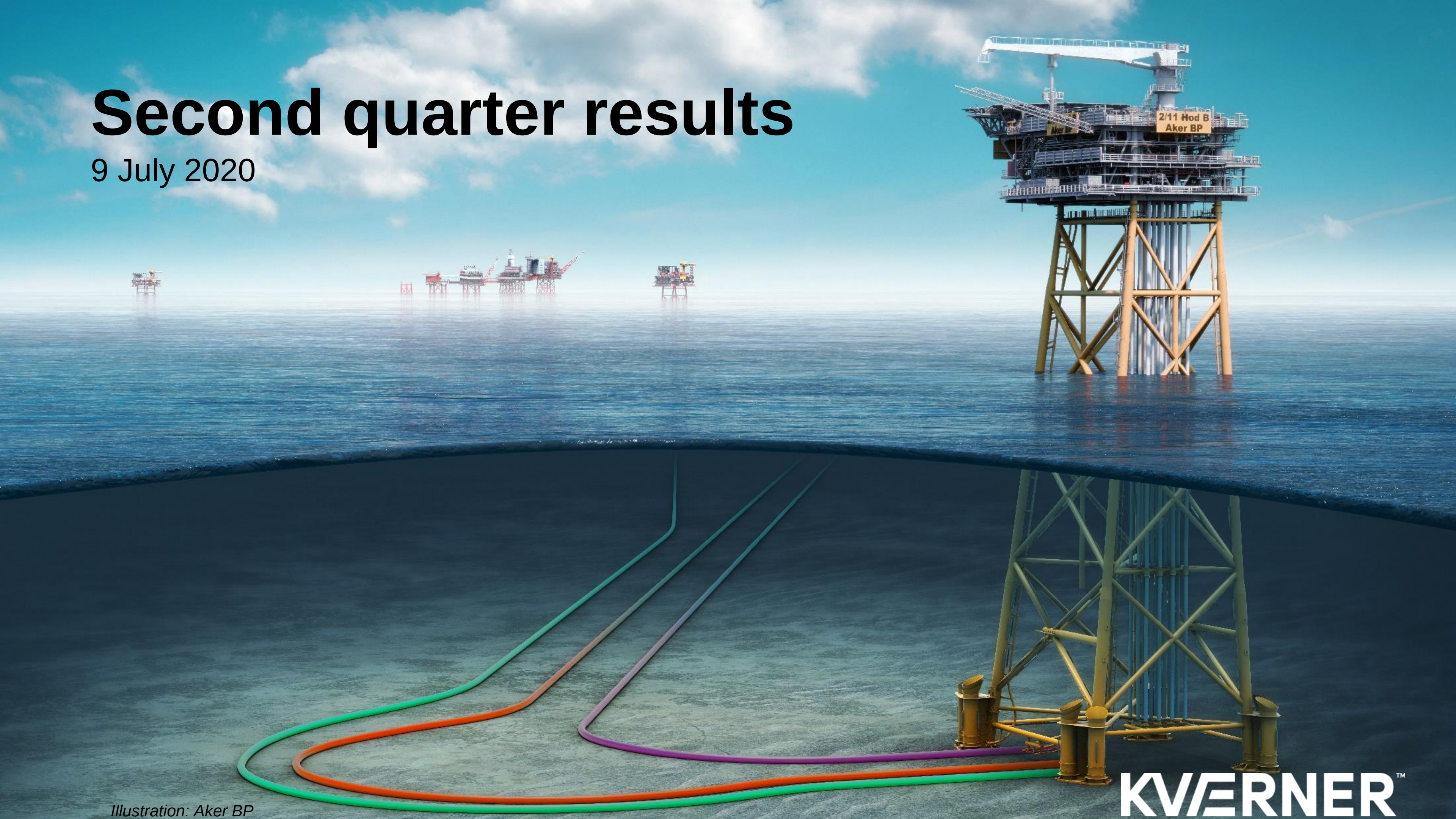

Illustration: Aker BP

KVÆRNER™

Highlights, second quarter 2020

- **Gradual decline in covid-19 effects**
- **Increased forecast for 2020 revenues and profit**
- **Market with gradual growth opportunities**
  - Tax incentives for Norwegian O&G prospects
  - Drive for renewables, incl. wind power at NCS
- **Solid order intake in 2Q20**
- **Re-accelerating ongoing projects**

KVÆRNER

HSSE more important for sustainable business than ever before

+

- High HSSE attention throughout organisation
- Joint industry campaign for safety continues
- Serious incident frequency (SIF) and Falling object frequency (FOF) within target
- Safety behaviour program ongoing
- Effective crisis management - Life and health number one priority during acute stage of covid-19
- Zero covid-19 cases in production

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- Two serious incidents
- Need to reduce minor medical treatment cases

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- Protect public health care capacity and local communities: Activity was reduced and resources demobilised until good control was achieved
- Support anti-virus measures in local health care with donated protection equipment and funding
- Reassure students that Kvaerner maintains apprentice opportunities also in a volatile year for all industries: Our typical level of >120 annual apprentice positions is continued for 2020 – 2021
- Drive the transition to sustainable energy: Maintain development of solutions and delivery models for renewable energy projects also through challenging period

KVAERNER

Ongoing projects

- Hod UWHP
- Johan Castberg FPSO
- Njord A upgrade
- Sverdrup P2 jacket
- Sverdrup RP module
- Hydro Husnes Aluminium
- Hywind Tampen offshore vind
- Removal of platform, Canada
- West White Rose marine ops
- Nord Stream 2 onshore facility
- Decommissioning projects





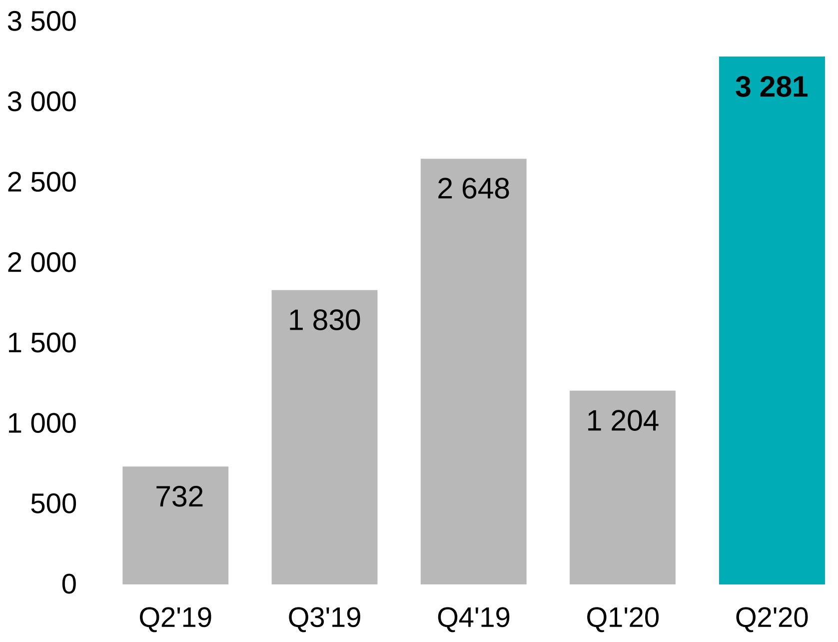



- Progress in all projects despite influence of corona situation also through 2Q 20
- Hod – scope agreed and work commenced in the same day

Order intake and backlog

Order intake

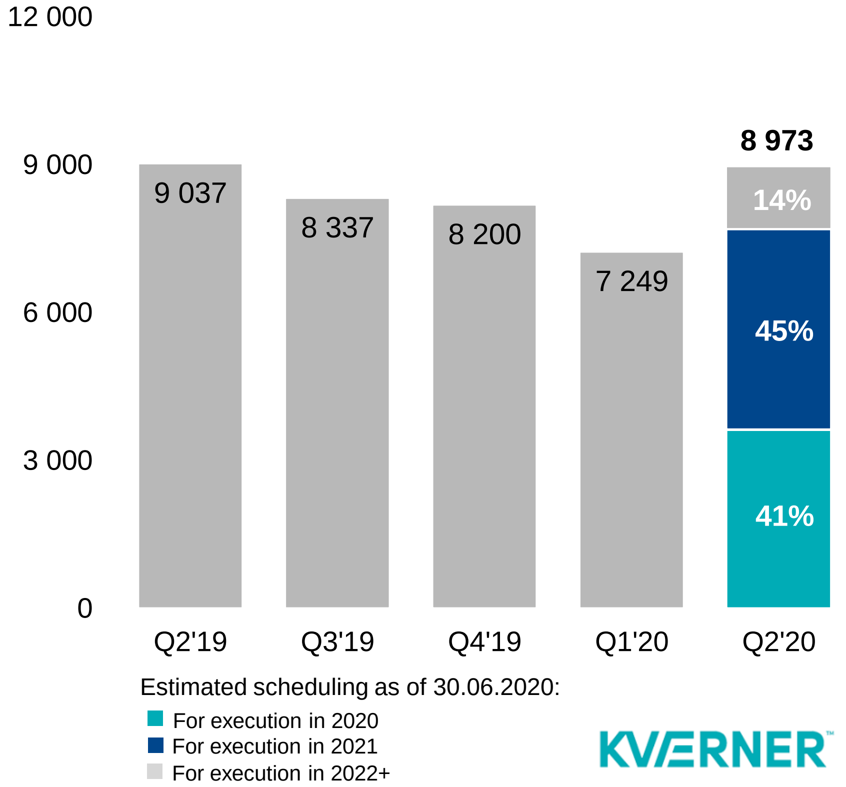
NOK million



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

Order backlog

NOK million



Second quarter financials

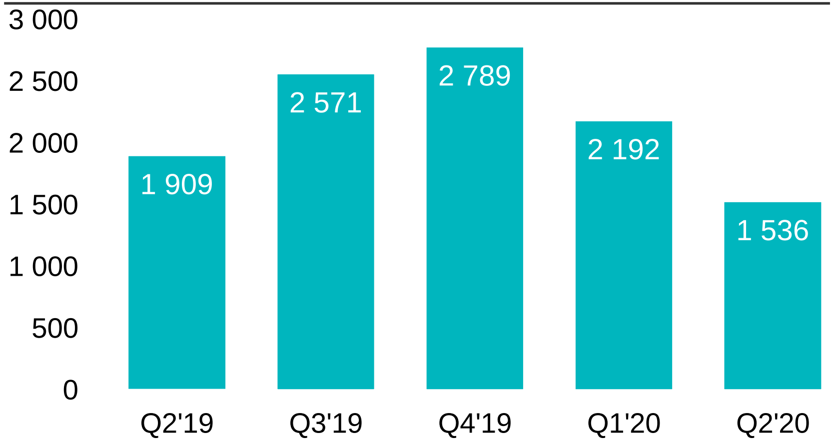
Idar Eikrem, EVP & CFO

KVÆRNER™

Field Development review

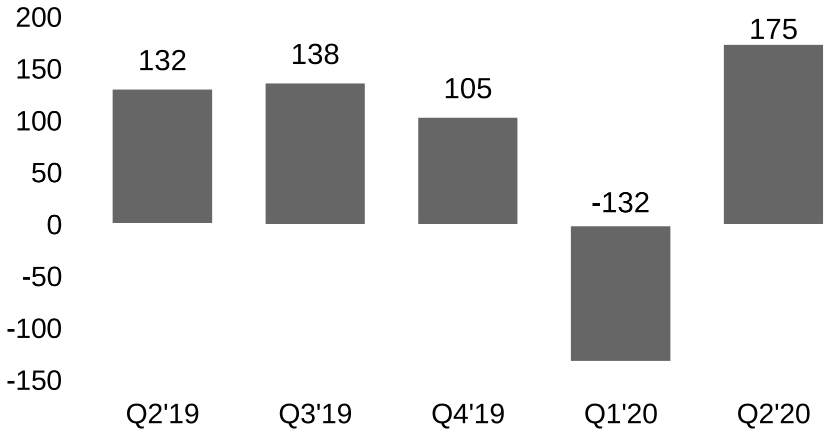
- EBITDA margin for second quarter 2020 was 11.4 percent

Revenues
NOK million



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

EBITDA
NOK million



EBITDA-%	**6.9%**	**5.4%**	**3.8%**	**-6.0%**	**11.4%**

KVÆRNER

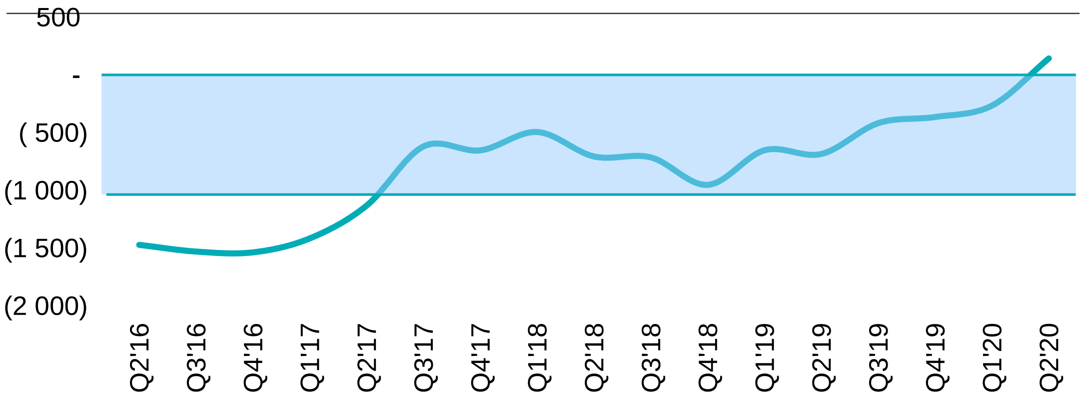
Cash flow and working capital development

CASH FLOW

Amounts in NOK million	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Cash flow from operating activities	(256)	(240)	227	(496)	19	(98)
Cash flow from investing activities	(21)	(51)	(101)	(72)	(171)	(391)
Cash flow from financing activities	(10)	(10)	(293)	(19)	(310)	(367)
Translation adjustments	1	(4)	4	(3)	10	15
Net increase/(decrease) in cash and bank deposits	**(286)**	**(304)**	**(163)**	**(590)**	**(451)**	**(841)**

- Working capital of NOK 147 million
- Temporarily increase in NCOA due to cash inflow received early July
- Fluctuations in working capital must be expected
- Capital tied up in the Nordsee Ost project

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



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Market opportunities and way forward

Karl-Petter Løken, President & CEO

KVÆRNER™

Tax incentive package for Norwegian petroleum projects

Oil companies indicates sanctioning of +20 O&G projects before Dec 2022

Prospect	Anticipated concept	Operator
Hod redevelopment	UWHP satelite	Aker BP
Ula redevelopment	UWHP	Aker BP
Eldfisk North	UWHP or subsea satelite	ConocoPhillips
Tommeliten Alpha	UWHP or subsea satelite	ConocoPhillips
Garantiana	UWHP or subsea satelite	Equinor
NOAKA-area	4 – 5 platforms with jackets (including UWHPs) + subsea	Aker BP and Equinor
Peon	Floating UPP	Equinor
Wisting	FPSO or other platform concept	Equinor

Prospect	Anticipated concept	Operator
Electrification of Melkøya onshore gas treatment plant	Modifications to onshore facility	Equinor
Electrification of Troll and Oseberg offshore platforms	Power cable from shore	Equinor
Grevling	Modified jack-up	OKEA
Alke	Subsea satelite	Vår Energi
Breidablikk	Subsea satelite	Equinor
Grosbeak	Subsea satelite	Wellesley Petroleum
Lavrans + Kristin Q	Subsea satelite	Equinor
Kobra East Gekko	Subsea satelite	Aker BP
King Lear	Subsea satelite	Aker BP
Trine & Trell	Subsea satelite	Aker BP

Source: energi24.no

NOAKA-area: Example of key prospects

~ NOK 50 billion estimated investments, expected to include:

- 1 large topside
- 1 medium topside
- 3 small topsides
- 5 jackets

Illustration: Aker BP

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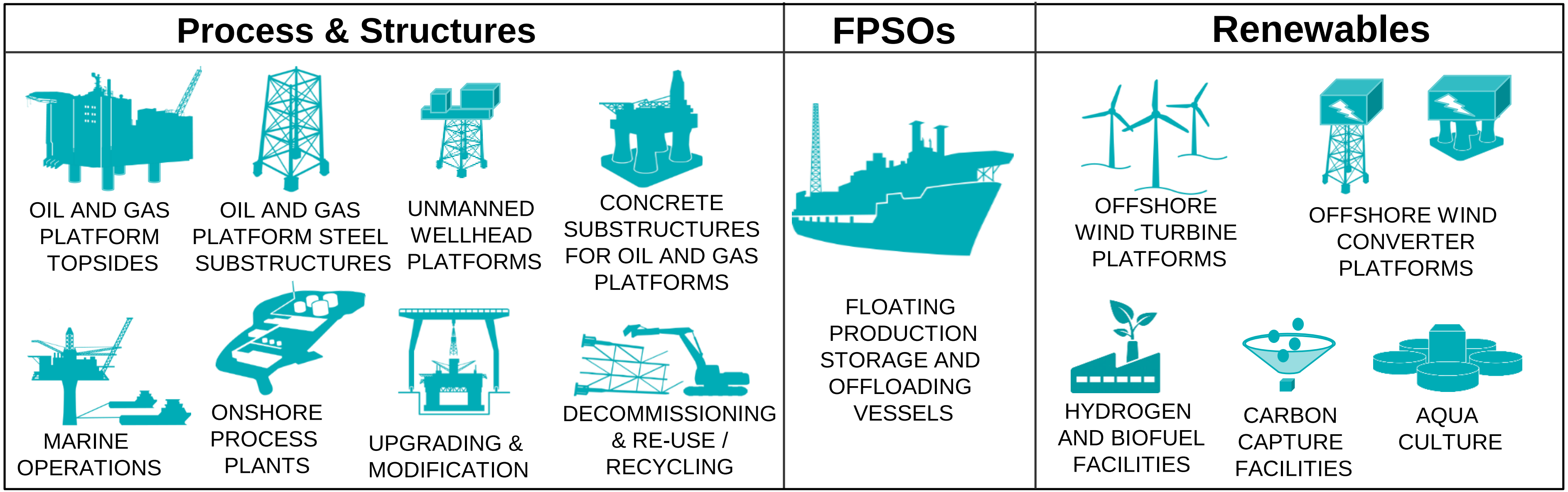
Markets



Positioning for several prospects, including within Renewables:

- Offshore wind power projects, including converter platforms
- Large aquaculture projects
- Decommissioning and re-use of old offshore installations
- Renewable prospects in pipeline with total value > NOK 25 Billion

Summary: 2Q20 and way forward

Well positioned:

- HSSE – Best in class ambition
- Market with growth opportunities, positioning for new contracts ongoing
  - Renewable business
  - Oil & gas projects
- Hod, Tampen Hywind etc. enhance industrial execution models for future renewable contracts

Main focus 2020

- HSSE, and continue to manage covid-19 situation
- Continue to reduce costs
- Annual revenues of ~NOK 7.5 billion, with underlying EBITDA-margin ~5 percent (ex-corona costs)

- Win new contracts
- Strategic development of business

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