



# First quarter results 2017

8 May 2017

# Highlights

## First quarter 2017

- Steady performance
- Solid order intake in challenging market
  - EPC contract for Njord A
  - Sverdrup riser platform hook-up
  - Decommissioning
  - Sverdrup 2 jacket FEED

## Subsequent events

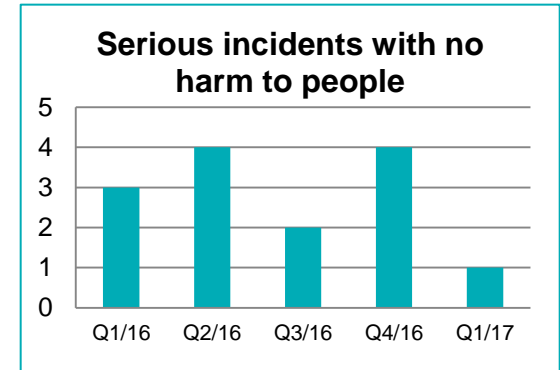
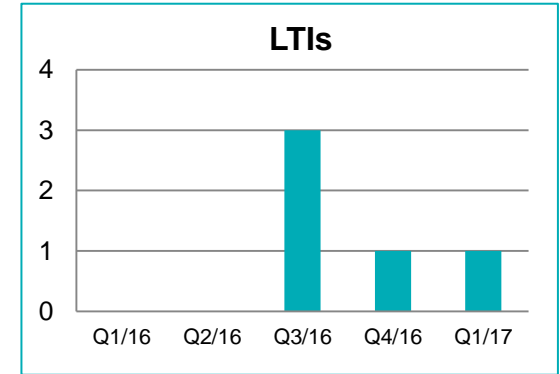
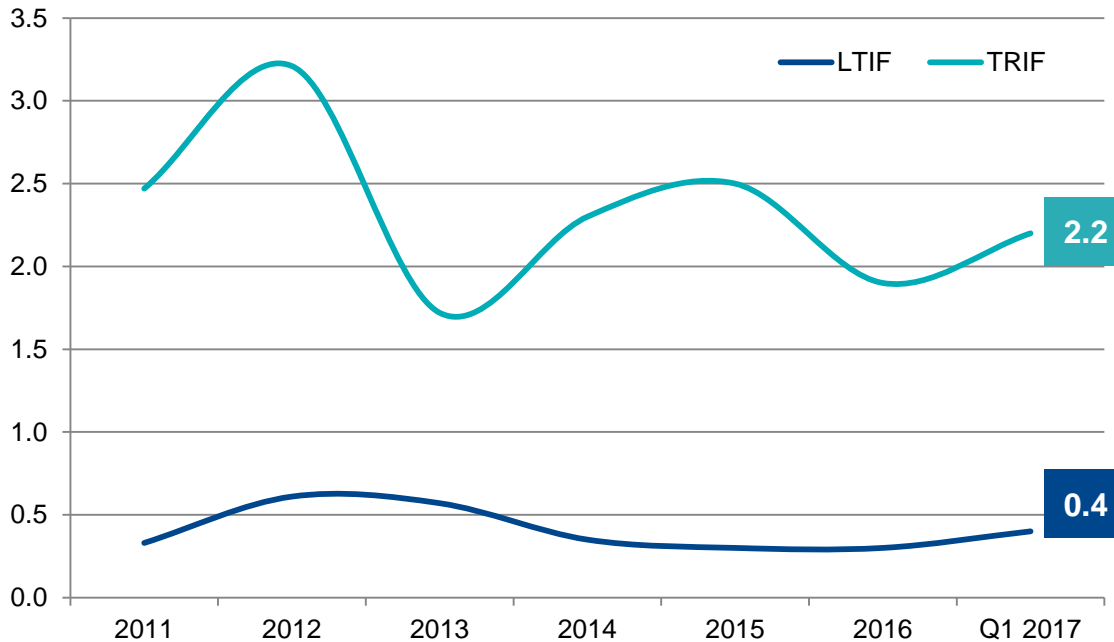
- Frame agreement with Aker BP



Signing of the frame agreement with Aker BP.

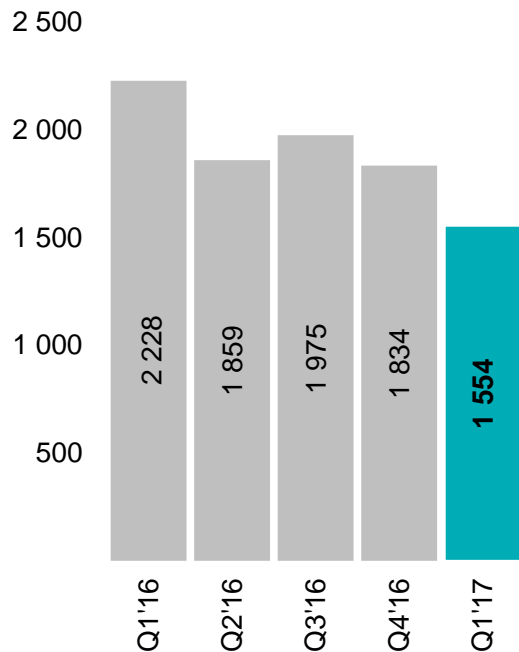
# HSSE results

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

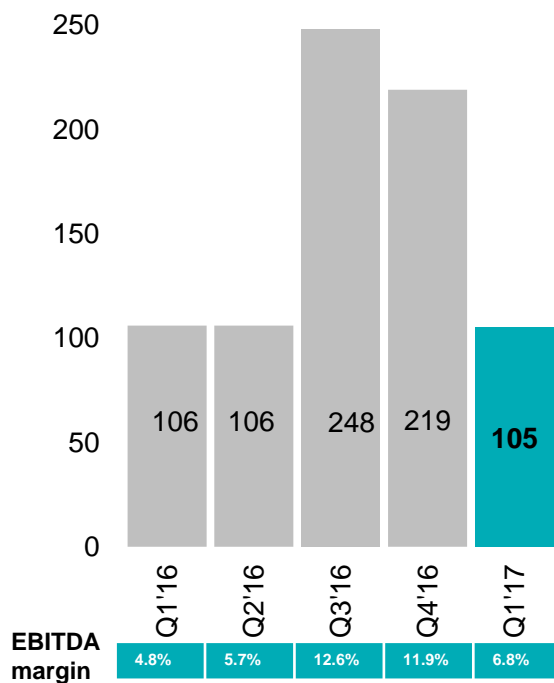


# Key financials

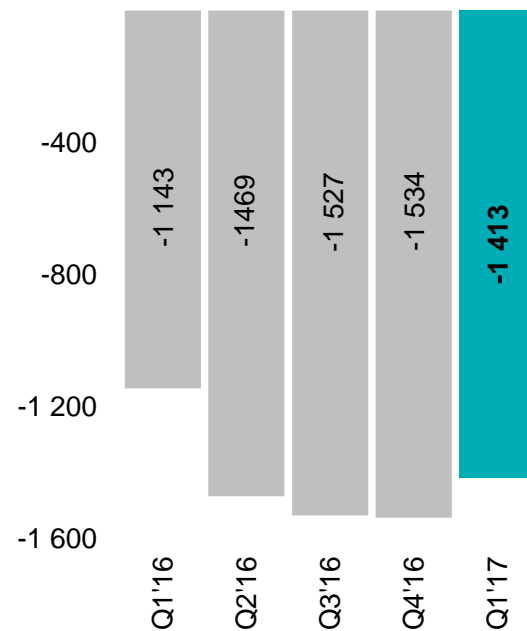
## Revenues NOK million



## Adjusted EBITDA<sup>1</sup> NOK million



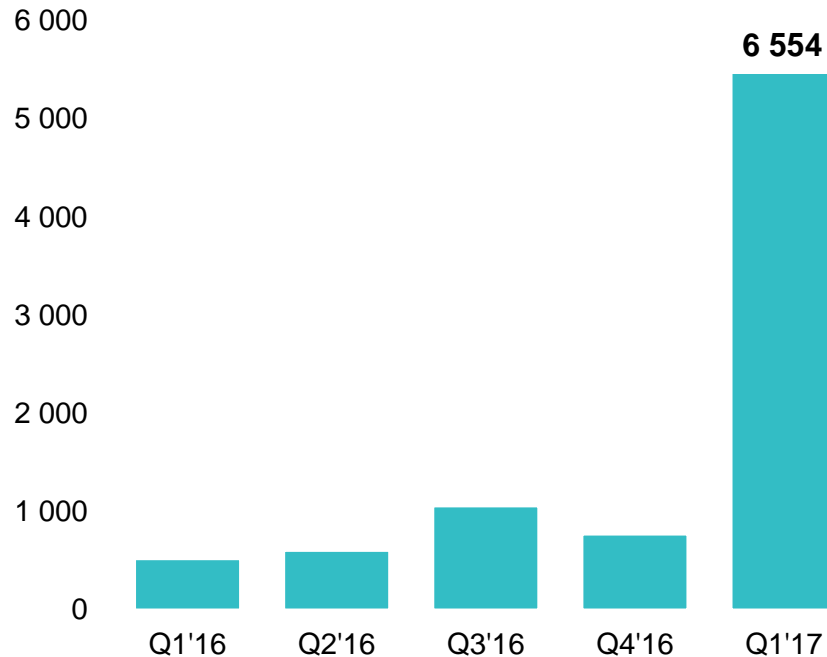
## Net current operating assets NOK million



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

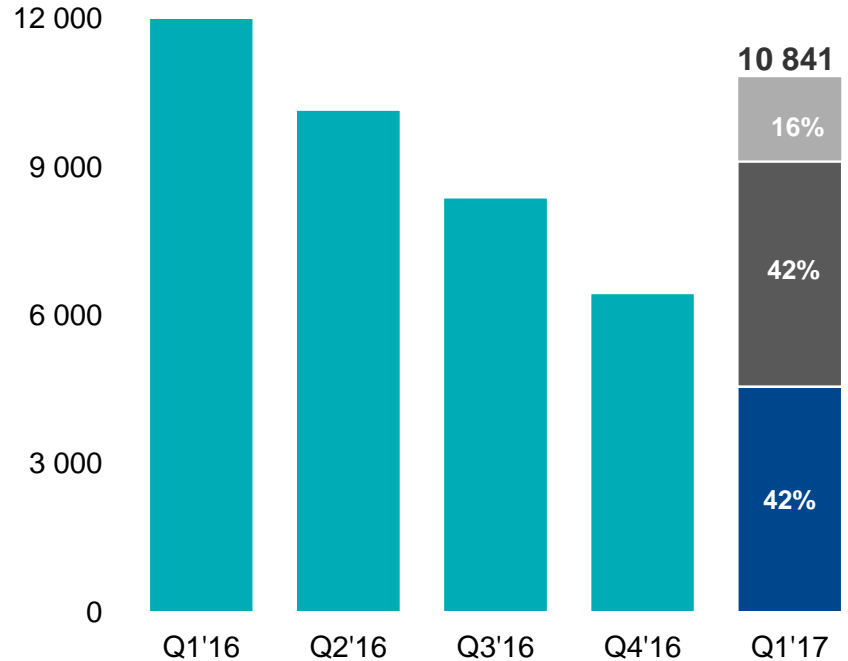
# Order intake and backlog

## Order intake NOK million



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

## Order backlog NOK million



Estimated scheduling as of 31 March 2017:

- For execution in 2017
- For execution in 2018
- For execution in 2019+

# All current projects on track



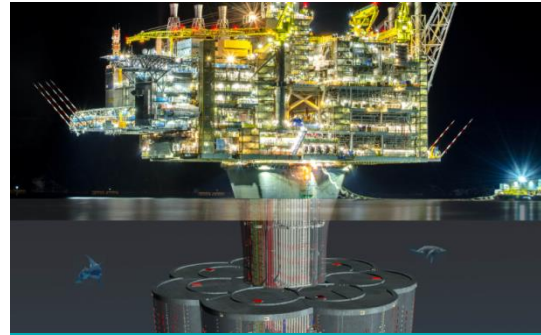
Nyhamna expansion



Johan Sverdrup riser platform jacket



Johan Sverdrup Utility & LQ topside

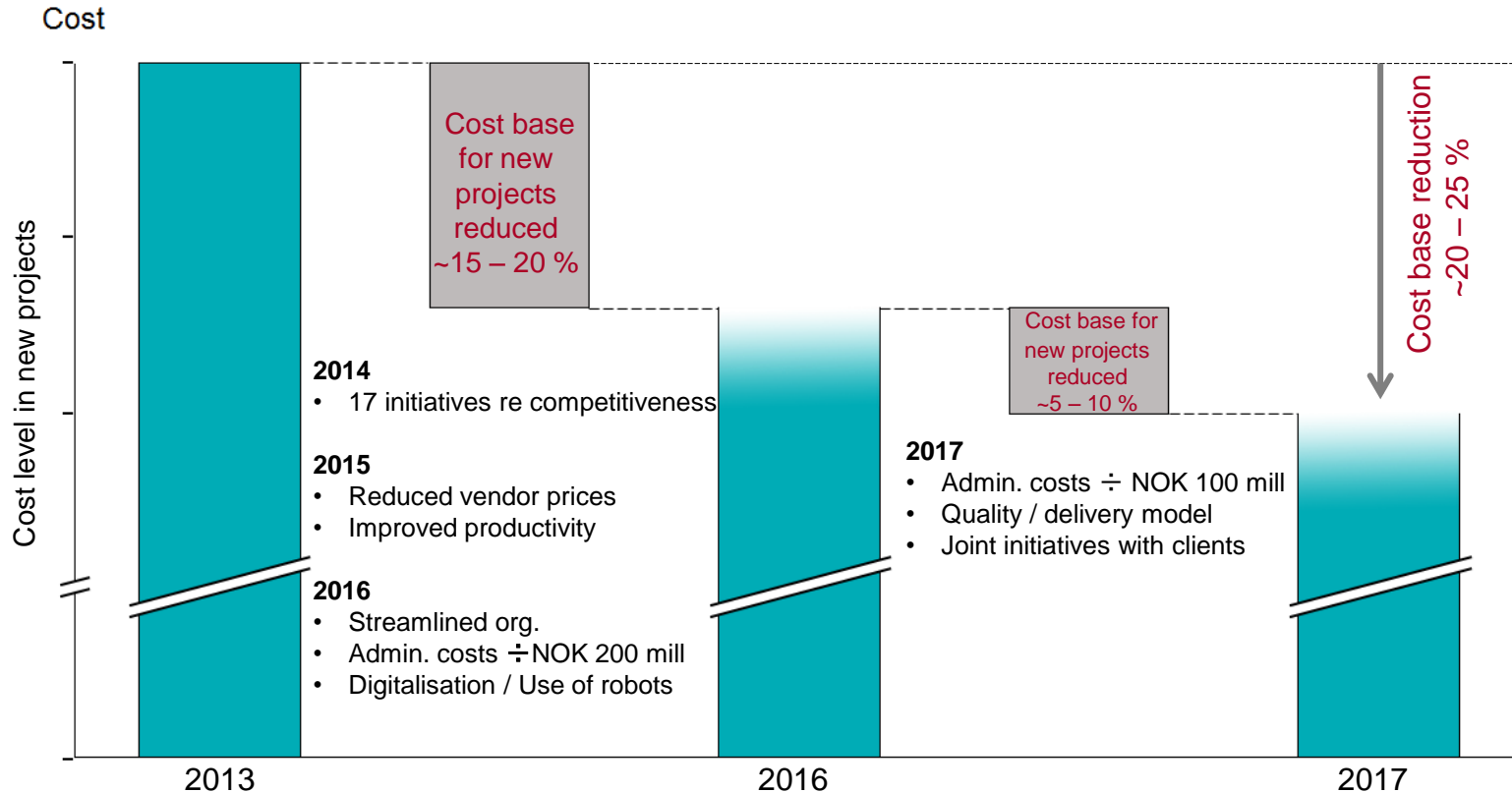


Hebron GBS



Njord A

# On track for harvesting improvement effects



# First quarter financials

Idar Eikrem, Chief Financial Officer

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# Income statement

Amounts in NOK million	Q1 2017	Q4 2016	Q1 2016	FY 2016
Total revenue and other income <sup>1</sup>	1 554	1 834	2 228	7 896
Operating expenses	(1 446)	(1 605)	(2 146)	(7 267)
<b>EBITDA</b>	<b>108</b>	<b>229</b>	<b>81</b>	<b>629</b>
<b>Adjusted EBITDA <sup>2</sup></b>	<b>105</b>	<b>219</b>	<b>106</b>	<b>680</b>
Depreciation and amortisation	(26)	(27)	(21)	(100)
Goodwill impairment	-	(198)	-	(198)
<b>EBIT</b>	<b>82</b>	<b>4</b>	<b>60</b>	<b>331</b>
Net financial income/(expense)	3	(6)	(34)	(117)
<b>Profit/(loss) before tax</b>	<b>86</b>	<b>(2)</b>	<b>26</b>	<b>214</b>
Income tax expense	(27)	(66)	(10)	(132)
<b>Profit/(loss) from continuing operations</b>	<b>59</b>	<b>(68)</b>	<b>16</b>	<b>82</b>
<b>Profit/(loss) from discontinued operations</b>	<b>37</b>	<b>(32)</b>	<b>202</b>	<b>345</b>
<b>Net profit/(loss)</b>	<b>95</b>	<b>(100)</b>	<b>217</b>	<b>426</b>
Adjusted EBITDA margin	6.8 %	11.9 %	4.8 %	8.6 %
Earnings per share (NOK)				
Basic and diluted EPS continuing operations	0.22	(0.26)	0.06	0.31
Basic and diluted EPS discontinued operations	0.14	(0.12)	0.76	1.30
Basic and diluted EPS total operations	0.36	(0.38)	0.81	1.60

- > Lower revenues compared with Q1'16 mainly due to reduced activity within Process Solutions
- > Higher adjusted EBITDA margin vs. Q1'16 reflecting improved project portfolio, better performance and phasing of projects

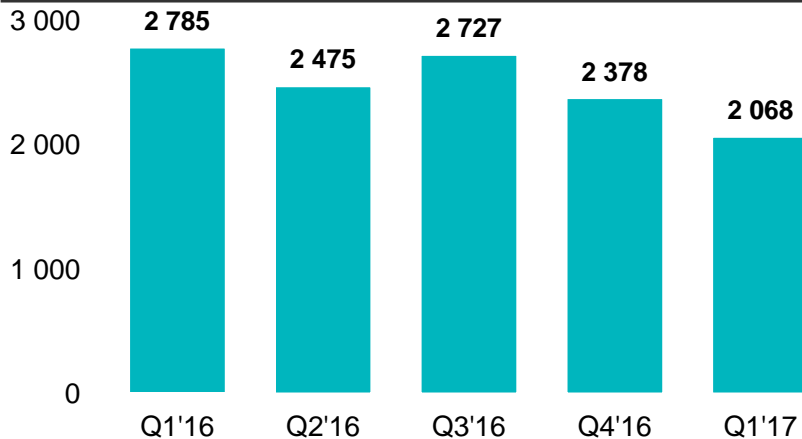
<sup>1</sup> Revenues excluding Kvaerner's scope of work of jointly controlled entities.

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

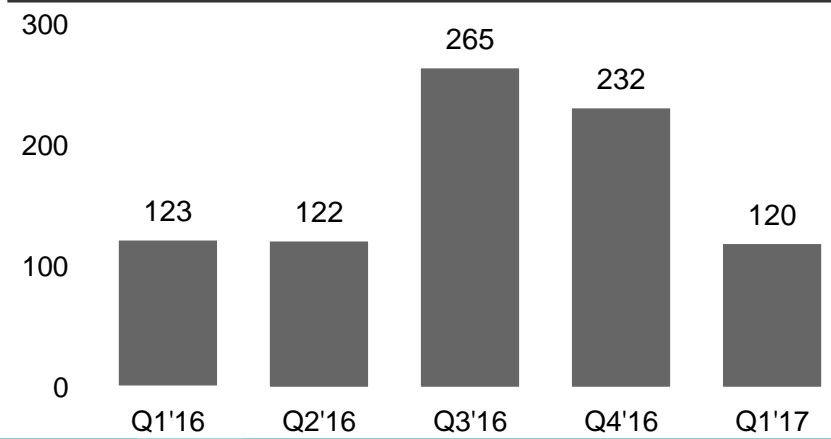
# Field Development review

- › Expected 2017 revenues of around NOK 7 billion
- › Minor revenues in the quarter from recently awarded projects
- › Quarterly fluctuations to be expected due to phasing of projects, project portfolio mix and incentives

**Revenues**  
NOK million



**EBITDA**  
NOK million



EBITDA-%	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17
	4.4%	4.9%	9.7%	9.7%	5.8%

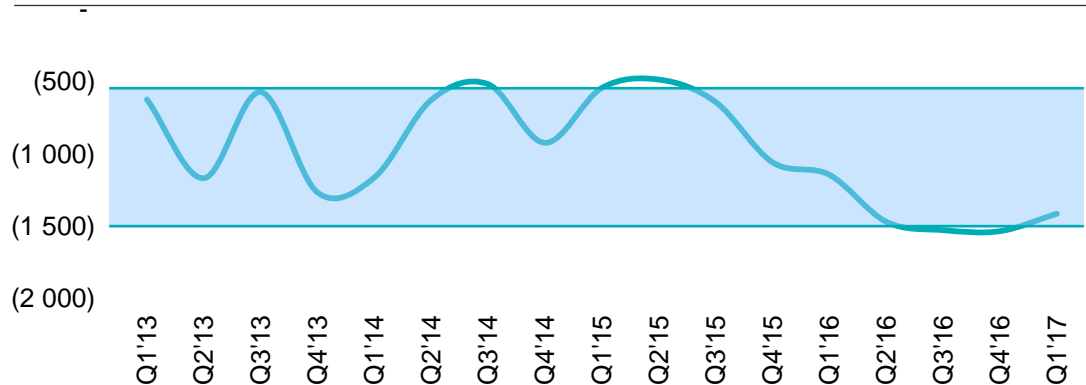
*Note: All figures include Kvaerner's scope of work of jointly controlled entities*

# Cash flow and working capital development

Amounts in NOK million	Q1 2017	Q4 2016	Q1 2016	FY 2016
Cash flow from operating activities <sup>1</sup>	(51)	244	700	1 718
Cash flow from investing activities	(8)	(16)	(138)	(201)
Cash flow from financing activities	(4)	(4)	(4)	(30)
Translation adjustments	(1)	4	(1)	(1)
<b>Net increase/(decrease) in cash and bank deposits</b>	<b>(64)</b>	<b>228</b>	<b>557</b>	<b>1 486</b>

- Customer pre-payments of NOK 565 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)



<sup>1</sup> Includes Longview settlement of USD 70 million in Q1 2016 and net insurance recovery of USD 23 million for the same project in Q2/Q3 2016.

# Balance sheet

<i>Amounts in NOK million</i>	31.03.2017	31.12.2016	31.03.2016
<b>Assets</b>			
Total non-current assets	1 498	1 505	1 748
Current operating assets	1 286	1 427	1 477
Total cash and bank	2 983	3 047	2 117
Retained assets of business sold	46	1	-
<b>Total assets</b>	<b>5 812</b>	<b>5 980</b>	<b>5 342</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>	<b>2 747</b>	<b>2 656</b>	<b>2 465</b>
Other non-current liabilities	297	267	173
Current operating liabilities	2 699	2 961	2 620
Current tax liabilities	35	46	26
Retained liabilities of business sold	34	51	58
<b>Total liabilities</b>	<b>3 065</b>	<b>3 324</b>	<b>2 877</b>
<b>Total equity and liabilities</b>	<b>5 812</b>	<b>5 980</b>	<b>5 342</b>
<b>Equity ratio</b>	<b>47 %</b>	<b>44 %</b>	<b>46 %</b>
<b>Net cash</b>	<b>2 983</b>	<b>3 047</b>	<b>2 119</b>

- > Credit facilities undrawn as of 30 March 2017
- > Net cash of almost NOK 3 billion
- > Net cash excluding negative working capital was NOK 1.6 billion

# Market and outlook



**KVAERNER<sup>TM</sup>**

- Investment level still in decline but expected to level out
- Increased number of prospect with the majority of moderate size

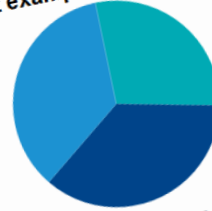
# From CMD June 2016

Changes in the market lead to shift in value creation

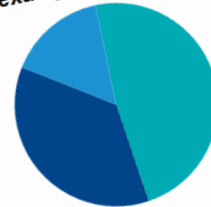
## Own value creation varies between projects

- > Historically high share of EPC projects
- > Own value creation and results higher for smaller modification/HUC projects
- > Future capacity utilisation satisfactory with expected project portfolio mix

Project example topside EPC new builds



Project example modification/HUC



Own value creation  
Procurement  
Subcontractors

**KVERNER**

# Market opportunities

## Concrete solutions



**Market leader globally**

## Steel jacket substructures



**Market leader, Europe**

## Platform topsides



**Leading position**

## Onshore oil and gas plants



**Market leader, Norway**

- › North Sea / Barents Sea region:
  - › Some few greenfield prospects of significant size
  - › More than a dozen potential candidates for Kvaerner's unmanned wellhead platforms
  - › Several brownfield prospects of moderate to medium size
- › Canada, Russia and other selected international regions:
  - Some few greenfield prospects of significant size, but most likely not immediate sanctioning
  - Some few prospects where several of Kvaerner's special skills may be preferred

Based on core competence, solid financial platform and credibility in the market

# Strategic development

Subsea on a stick®



Platform modifications



Arctic LNG solutions



Decommissioning



Leading EPC & HUC  
contractor

Marine operations



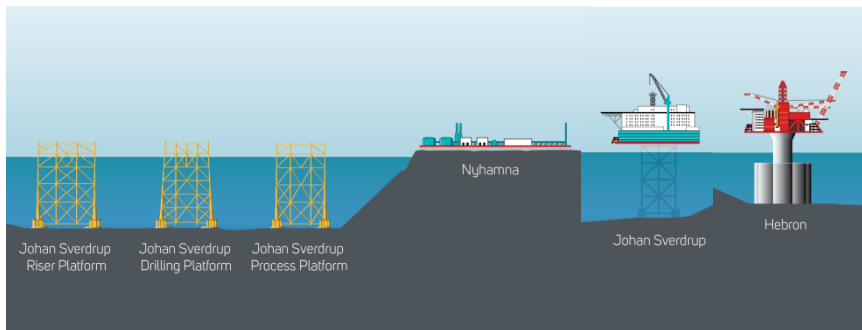


# Q1 summary

- › Steady performance
- › Solid order intake
- › Market with opportunities

# Way forward

- › Execute projects safely, predictably
- › Further improve competitiveness
- › Maintain and develop home markets and grow new international business
- › Consider structural growth opportunities



# Outlook

- The largest market segments are still challenging. But Kvaerner expects some few significant prospects to come up for award during the next 12-24 months.
- Kvaerner has over the last years worked intensely to improve costs, quality, productivity and competitiveness. These efforts are yielding results on the current portfolio of projects. Many of Kvaerner's contracts include bonuses and incentives related to good performance and for meeting key milestones, in particular towards the end of the project. Improved performance in the ongoing project portfolio is therefore expected to have positive impact on project results when these milestones are concluded. For 2017, full year gross revenues is expected to be around NOK 7 billion. Although revenue level will be lower in 2017, activity level at the yards will be higher than in 2016 due to phasing of projects and portfolio mix.

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