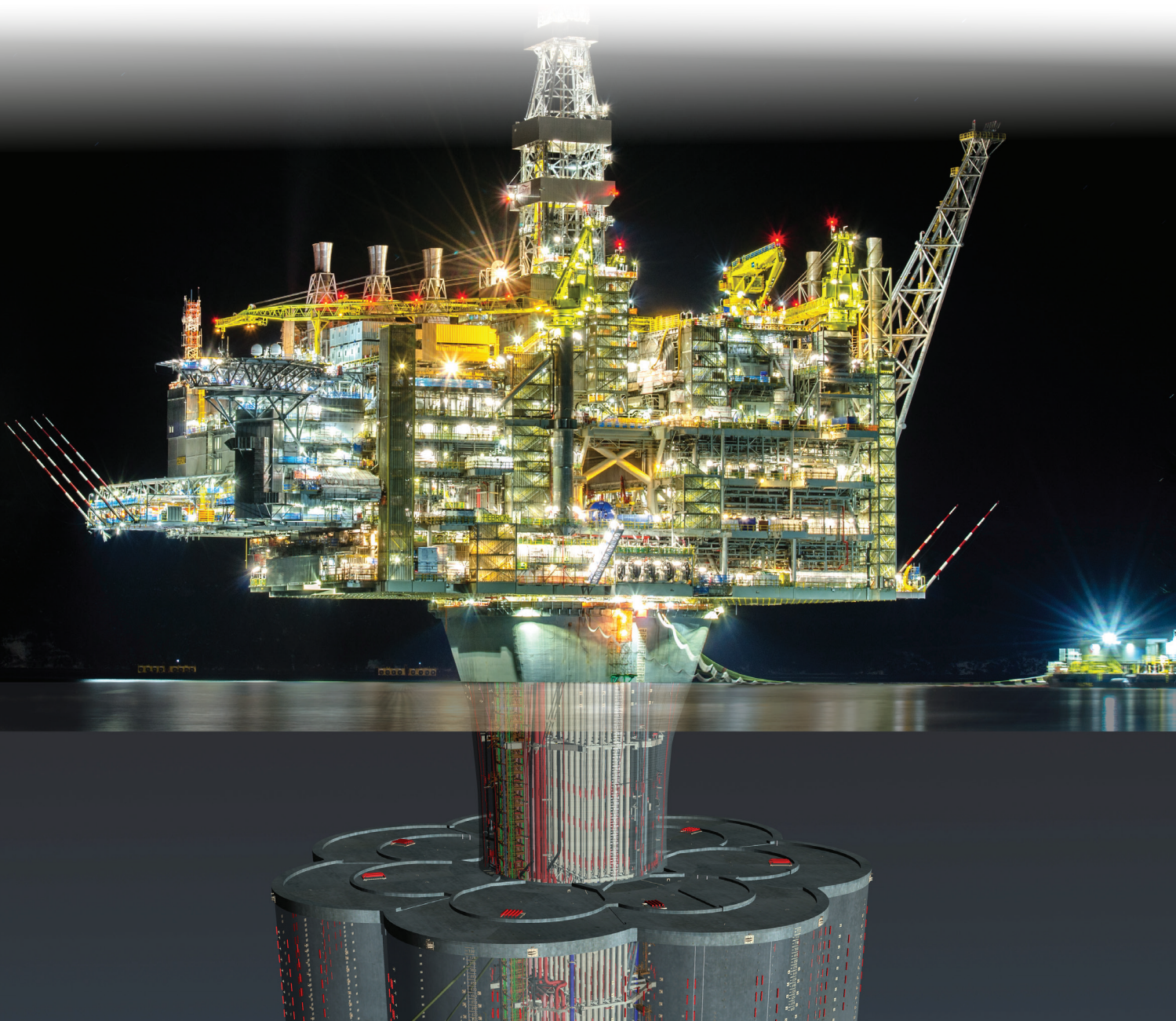


# KVÆRNER™

Fourth quarter and preliminary  
annual results 2016

15 February 2017



## KVÆRNER ASA – FOURTH QUARTER AND PRELIMINARY ANNUAL RESULTS 2016

### FOURTH QUARTER HIGHLIGHTS

- Mating of Hebron GBS with topside successfully completed
- MoU signed with Statoil for Njord A platform EPC contract
- Fourth roll-up of main frames for the Sverdrup riser platform jacket

### 2016 HIGHLIGHTS

- Solid operational performance, improvements yielding results
- Construction start for Sverdrup ULQ topside
- Settlement agreement with Amec Foster Wheeler related to historic Longview power project
- Turn Around 2016 at Nyhamna successfully completed
- Construction of Sverdrup drilling and process platform jackets started as planned
- Framework agreement with Statoil for upgrading of Njord A platform with call-offs for front-end engineering and design and yard stay
- Cost and productivity improvements continue

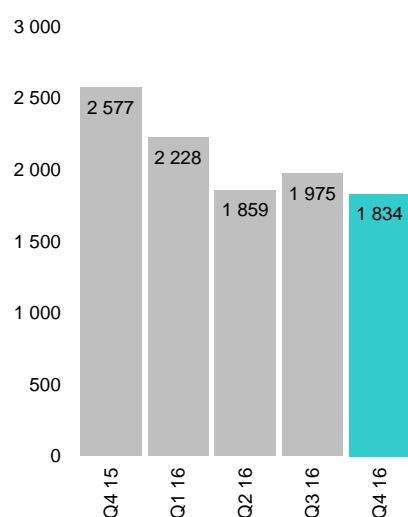
### SUBSEQUENT EVENTS

- Contract of NOK 450 million for offshore hook-up of the Johan Sverdrup riser platform
- Decommissioning contract of NOK 200 million won
- Further simplification of organisation, including workforce reductions

### FINANCIAL HIGHLIGHTS

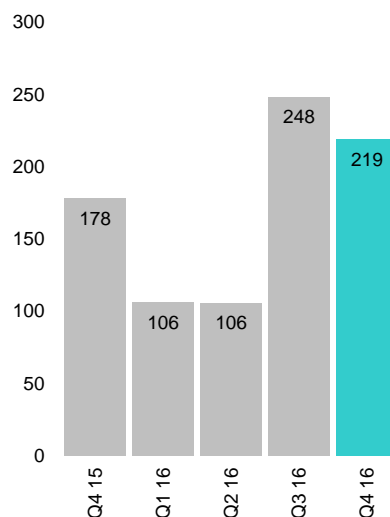
#### Operating revenue<sup>1</sup>

NOK million



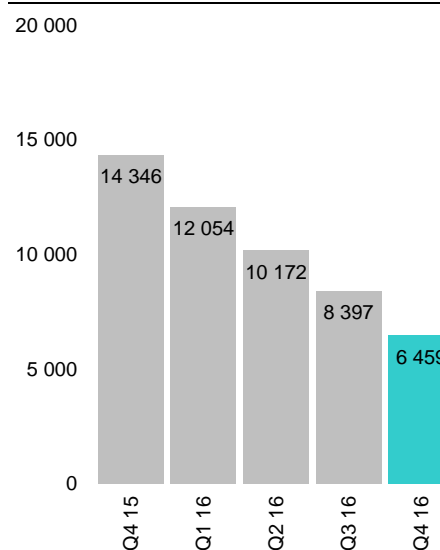
#### Adjusted EBITDA<sup>2</sup>

NOK million



#### Order backlog<sup>3</sup>

NOK million



<sup>1</sup> Excluding Kvaerner's scope of work of jointly controlled entities closely related to Kvaerner's operating activities

<sup>2</sup> As from Q3 2015, adjusted for embedded foreign currency derivatives impact in jointly controlled entities closely related to Kvaerner's operating activities

<sup>3</sup> Including Kvaerner's scope of work of jointly controlled entities closely related to Kvaerner's operating activities

## FINANCIAL KEY FIGURES

| Amounts in NOK million                                       | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|--|---------|---------|---------|---------|
| Total revenue and other income <sup>1</sup>                  | 1 834   | 2 577   | 7 896   | 12 084  |
| EBITDA <sup>2</sup>  | 229     | 177     | 629     | 574     |
| Adjusted EBITDA <sup>3</sup>                                 | 219     | 178     | 680     | 536     |
| Adjusted EBITDA margin                                       | 11.9 %  | 6.9 %   | 8.6 %   | 4.4 %   |
| EBIT   | 4       | 156     | 331     | 493     |
| Net profit - continuing operations                           | (68)    | 128     | 82      | 337     |
| Basic and diluted earnings per share - continuing operations | (0.26)  | 0.48    | 0.31    | 1.26    |
| Order intake <sup>4</sup>                                    | 768     | 1 486   | 2 938   | 12 798  |
| Order backlog <sup>4</sup>                                   | 6 459   | 14 346  | 6 459   | 14 346  |
| Net current operating assets (NCOA)                          | (1 534) | (1 057) | (1 534) | (1 057) |
| Net interest bearing deposits and loans                      | 3 047   | 1 562   | 3 047   | 1 562   |

<sup>1</sup> Excluding revenues for scope of work of jointly controlled entities closely related to Kvaerner's operating activities

<sup>2</sup> EBITDA definition: Earnings before Interest (net financial items), Taxes, Depreciation, Amortisation and Impairment

<sup>3</sup> Adjusted EBITDA excludes impact of embedded foreign currency derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities

<sup>4</sup> Including Kvaerner's scope of work of jointly controlled entities closely related to Kvaerner's operating activities

## FINANCIAL REVIEW

Kvaerner discloses alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. In compliance with the guidelines from the European Security and Markets Authority, the alternative performance measures are defined and explained in note 10 in this report.

### Income statement

Operating revenues in fourth quarter 2016 amounted to NOK 1 834 million, compared with NOK 2 577 million for fourth quarter 2015. Kvaerner reported operating revenues of NOK 7 896 for full year 2016, compared with NOK 12 084 million for full year 2015. Lower revenues are mainly due to lower activity within operational area Process Solutions.

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the quarter were NOK 229 million, compared to NOK 177 million in the same period last year. Adjusted Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the quarter were NOK 219 million, compared to NOK 178 million in the same period last year. Adjusted EBITDA margin for fourth quarter 2016 was 11.9 percent, an increase from 6.9 percent in the corresponding period in 2015. The positive margin development reflects that Kvaerner has continued its processes to improve costs, productivity and quality. The effect of better performance and improved project portfolio mix has resulted in a higher margin compared to last year, both for the quarter and the year. The quarter is further positively impacted by settlement with a sub-contractor related to a completed project. Adjusted EBITDA for the full year 2016 was NOK 680 million compared to NOK 536 million for the year 2015.

Goodwill impairment of NOK 198 million recognised in the quarter and full year related to operating area Concrete Solutions. The impairment is based on the company's impairment test in accordance with International Financial Reporting Standard (IFRS) IAS 36 Impairment of Assets, reflecting accounting judgements following market developments. The impairment is a result of assessment of the uncertainty of the amounts and timing of new project awards and does not reflect Kvaerner's view on long-term prospects within the Concrete business. Kvaerner will continue to invest in concrete core competence to position itself to win new projects.

Net financial expense for the quarter was NOK 6 million, with loss on foreign currency contracts of NOK 6 million, and other financial expenses of NOK 12 million, partly offset by net interest income of NOK 3 million and accounting gain on embedded derivatives of NOK 10 million. Net financial items for the same period in 2015 were an income of NOK 25 million. Net financial expense for full year 2016 was NOK 117 million, compared to an income of NOK 86 million in 2015. The significant change is mainly explained by accounting effects related

to embedded derivatives. Net interest expense, part of net financial expense, is reduced year on year due to increased cash balances and no interest bearing debt since refinancing in July 2015.

Loss before tax for fourth quarter 2016 was NOK 2 million compared to profit of NOK 182 million for the same period last year. For full year 2016, profit before tax of NOK 214 million compared to NOK 579 million for full year 2015.

Income tax expense in the quarter was NOK 66 million compared to NOK 54 million for the same quarter previous year. Tax expense for the full year amounted to NOK 132 million, compared to NOK 241 million in 2015. The tax expense reflects an effective tax rate of 62 percent for the year 2016 compared to 42 percent in 2015. The relatively high rate compared to the Norwegian statutory tax rate of 25 percent is mainly due to goodwill impairment not being tax deductible and tax increasing items related to withholding taxes, deferred tax assets not recognised on losses in some jurisdictions and higher tax rate in some jurisdictions in which the group operates. Excluding impact of goodwill impairment, the effective tax rate for the year was 32 percent.

Profit from continuing operations was a loss of NOK 68 million and a profit of NOK 82 million for fourth quarter and full year 2016 respectively, compared to profit of NOK 128 million and NOK 337 million in equivalent periods in 2015. Basic and diluted earnings per share for continuing operations were a loss of NOK 0.26 for fourth quarter 2016, compared to profit of NOK 0.48 for fourth quarter 2015 and profit NOK 0.31 for full year 2016 compared to NOK 1.26 for full year 2015.

Net loss from discontinued operations was NOK 32 million for fourth quarter 2016, compared to a profit of NOK 18 million in same period last year. For the full year, profit from discontinued operations was NOK 345 million compared to NOK 56 million in 2015. The full year result for 2016 and 2015 were both positively impacted by foreign exchange accounting effect on repayment of capital from subsidiaries of accumulated NOK 261 million and NOK 139 million respectively. The result for 2016 also reflects insurance recoveries related to the Longview Power project, recognised in second and third quarter. Basic and diluted earnings per share for discontinued operations were a loss of NOK 0.12 for fourth quarter 2016 compared to a profit NOK 0.07 for fourth quarter 2015, and a profit of NOK 1.30 for full year 2016 compared to NOK 0.21 for full year 2015.

Net profit total operations in fourth quarter 2016 was negative NOK 100 million compared to NOK 146 million in the corresponding quarter last year. Basic and diluted earnings per share for total operations for fourth quarter 2016 were a loss of NOK 0.38 compared to a profit of NOK 0.55 in fourth quarter 2015. Net profit for the full year 2016 was NOK 426 million compared to NOK 393 million last year. Basic and diluted earnings per share for total operations for the full year were NOK 1.60 and NOK 1.47 for 2016 for 2015 respectively.

### **Cash flow**

Net cash inflow from operating activities was NOK 244 million in fourth quarter 2016 compared to cash inflow of NOK 566 million in the same period last year. Customer pre-payments were NOK 739 million at the end of fourth quarter compared to NOK 306 million at the end of the previous quarter. Net cash inflow from operating activities for full year 2016 was NOK 1 718 million, compared to cash inflow of NOK 1 183 million in 2015. Cash inflow year to date is positively impacted by settlement on the Longview Power project of USD 70 million in first quarter 2016, and net insurance recovery of USD 23 million related to the same project, received in third and fourth quarter 2016.

Net cash outflow from investing activities in fourth quarter 2016 was NOK 16 million compared to an inflow of NOK 3 million in the same quarter last year. For the full year, cash outflow from investing activities amounted to NOK 201 million compared to NOK 50 million in 2015. Cash outflow from investing activities in the quarter and year to date are related to capital expenditure. Beyond investments in three new cranes at the facility for steel jackets in Verdal, Norway, there have been other, smaller capacity and other maintenance investments.

Net cash outflow from financing activities was NOK 4 million in the quarter and NOK 30 million for full year 2016 compared with outflows of NOK 51 million and NOK 786 million in the same periods in 2015. Higher outflows in 2015 are mainly explained by instalment of borrowings of NOK 500 million in third quarter and dividend payments of NOK 180 and NOK 40 million in million in second and fourth quarter respectively.

Net increase in cash and bank deposits during the quarter amounted to NOK 228 million, resulting in cash and bank deposits at the end of the quarter of NOK 3 047 million. As of 31 December 2016, the group has not drawn on its credit facilities.

### **Balance sheet**

Net current operating assets (NCOA) were negative NOK 1 534 million at 31 December 2016, compared to negative NOK 1 527 million at the end of previous quarter. Kvaerner has previously communicated that

significant fluctuations in working capital must be expected within the range of negative NOK 500 million to negative NOK 1.5 billion. Movements in working capital will impact cash balances and at the end of fourth quarter, net cash excluding negative NCOA was NOK 1 513 million. Equity ratio at 31 December 2016 was 44.4 percent, down from 49.4 percent at 30 September 2016.

### Order intake and backlog

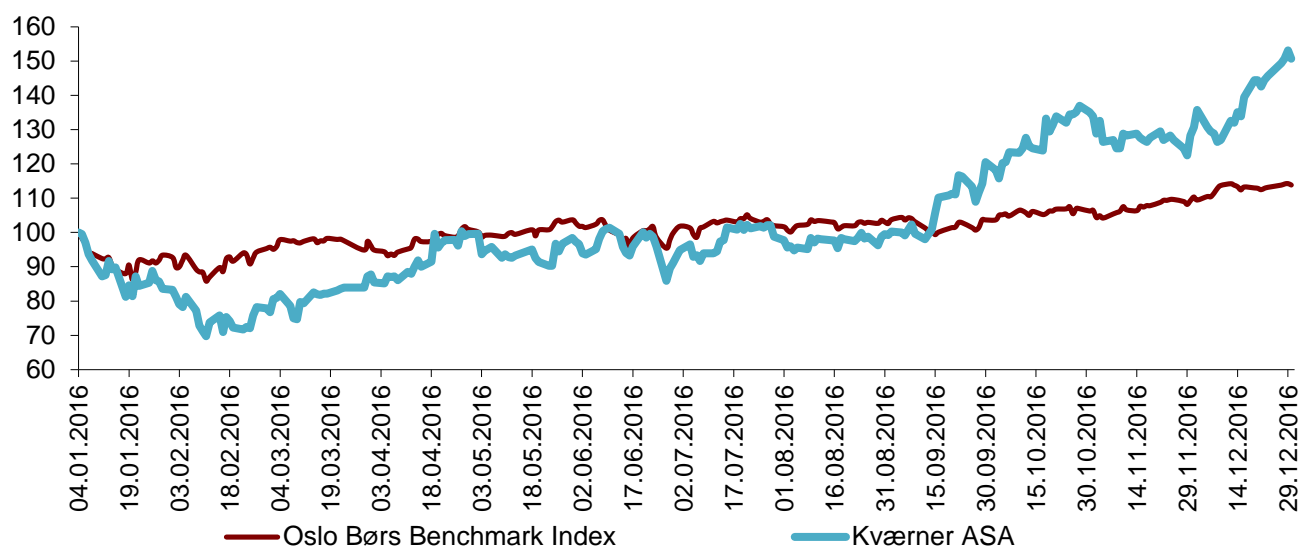
Order intake in fourth quarter totalled NOK 768 million, including Kvaerner's scope of work of jointly controlled entities, compared to NOK 1 486 million in the same quarter last year. As of 31 December 2016, order backlog, including Kvaerner's scope of work of jointly controlled entities, amounted to NOK 6 459 million. Estimated scheduling of the order backlog is approximately 80 percent for execution in 2017, with remaining 20 percent for execution in 2018 and later.

### Transactions in treasury shares

In connection with the company's variable pay programme for executives, Kvaerner acquired 1 760 597 shares in the open market during second quarter 2016. In third quarter 2016 Kvaerner transferred 114 877 shares following remuneration agreement. There were no transactions in treasury shares during fourth quarter 2016. At 31 December 2016 Kvaerner owned 3 674 061 treasury shares, or 1.37 percent of the 269 000 000 shares issued.

### The Kvaerner share

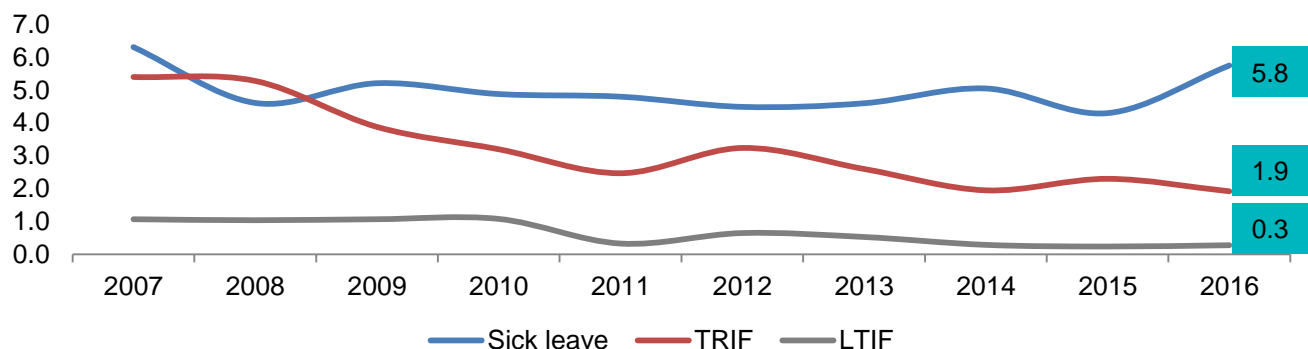
*Indexed share price development last 12 months*



The share price increased from NOK 9.68 at the end of third quarter 2016 to NOK 12.10 at the end of fourth quarter 2016. The highest and lowest traded share price during fourth quarter was NOK 12.45 and NOK 9.05 respectively. Average daily turnover during fourth quarter was 349 062 shares compared to 406 385 shares during third quarter 2016. The market capitalisation was NOK 3.3 billion at the end of fourth quarter 2016 compared to NOK 2.6 billion at the end of third quarter 2016.

## OPERATIONAL REVIEW

### Health, Safety, Security and Environment (HSSE)



During fourth quarter Kvaerner had one lost time incident at Nyhamna, where an operator fell down a stair case and fractured his forearm. In addition there were four serious near misses in the quarter. Three at the Njord A project related to lifting, falling object and uncontrolled movement of a riser guide, and one at Hebron. The incidents have been thoroughly analysed and improvements are implemented to avoid reoccurrence. Sick leave for the full year is above target of 4.5 percent. Mitigating actions are taken by HR and HSSE and by the end of fourth quarter the trend was positive. The Hebron project has passed close to 23 million worked hours without any lost time incident, and all projects but Nyhamna are without LTIs. Other positive trends are a significant reduction in serious injury frequency and falling object frequency.

### Reporting segments

Following sale of Kvaerner's onshore construction business in North America in December 2013, Kvaerner only has one reportable segment; Field Development (previously named Upstream). Up until year-end 2015, the segment included the business areas Topsides, Onshore, Jackets and Concrete Solutions.

As from 1 January 2016, Kvaerner has changed to a new matrix based organisation model with enhanced focus on project execution. The business area structure has been removed and most of the Norwegian employees are allocated into resource centres. The previous business areas are replaced by the following operational areas: Process Solutions (previously Topsides and Onshore), Structural Solutions (previously Jackets), New Solutions and Concrete Solutions. The operational areas comprise the Field Development segment as from 2016, with no changes to the group's segment reporting.

### Field Development segment<sup>1</sup>

| Amounts in NOK million              | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|-------------------------------------|---------|---------|---------|---------|
| Total revenue and other income      | 2 378   | 3 334   | 10 364  | 14 917  |
| EBITDA                              | 232     | 202     | 741     | 613     |
| EBITDA margin                       | 9.7 %   | 6.1 %   | 7.1 %   | 4.1 %   |
| Net current operating assets (NCOA) | (1 797) | (1 106) | (1 797) | (1 106) |
| Order intake                        | 768     | 1 472   | 2 938   | 12 846  |
| Order backlog                       | 6 459   | 14 346  | 6 459   | 14 346  |
| Employees                           | 2 629   | 2 769   | 2 629   | 2 769   |

<sup>1</sup>The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's operating activities.

Operating revenue from the Field Development segment totalled NOK 2 378 million in fourth quarter 2016, compared to NOK 3 334 million in fourth quarter 2015. The reduction is mainly explained by lower activity within operational area Process Solutions, but activity has also been lower within Concrete Solutions. EBITDA amounted to NOK 232 million, resulting in an EBITDA margin for the quarter of 9.7 percent, compared to EBITDA of NOK 202 million and 6.1 percent EBITDA margin in fourth quarter 2015.

The positive margin development reflects that Kvaerner has continued its processes to improve costs, productivity and quality. The effect of better performance and improved project portfolio mix has resulted in a

higher margin compared to last year, both for the quarter and the year. The quarter is further positively impacted by settlement with a sub-contractor related to a completed project.

NCOA at the end of fourth quarter 2016 was negative NOK 1 797 million, an improvement of NOK 49 million during the quarter. The disputed Nordsee Ost project is still tying up working capital until the arbitration is resolved.

Order intake of NOK 768 million in the quarter reflects growth in existing contracts as well as small orders. Order backlog was NOK 6 459 million at the end of the quarter, including scope of work of jointly controlled entities.

#### *Operations*

Construction of the Hebron gravity based structure (GBS) is now complete and mating with the Topsides was successfully completed in December. The major work done during fourth quarter 2016 was the submergence test and mating with Topsides.

The Nyhamna project is completing remaining construction and pre-commissioning activities in parallel with on-going commissioning being executed by Shell with support from Kvaerner. The Static Var System (SVS) plant has been handed over to Shell according to schedule and put into operation. Mechanical completion, pre-commissioning work and hand-over to commissioning will be the main activities going forward. The Johan Sverdrup ULQ topside project is moving ahead according to planned progress. Design engineering has been completed according to schedule and construction is on-going at thirteen sites in Norway, Sweden and Poland. Project headquarters were moved from Leatherhead in the UK to Stord, Norway in December.

The Njord A Future project completed the FEED in December according to plan and post FEED work was agreed. Pre-EPC is progressing according to schedule with start of pre-fabrication of pontoons early December, removal activities completed and entering into the dry-dock mid-December. Memorandum of Understanding (MOU) for the EPC phase was signed in December.

Kvaerner will deliver three steel jacket substructures to the Johan Sverdrup field development, and detailed engineering for all three jackets has been completed. Assembly of the riser jacket is on-going in Verdal according to plan and an important milestone for the project was the last roll-up of the four main frames and installation of the first two pile clusters. For the production platform and drilling platform jackets to be delivered in 2018, prefabrication is on-going both in Verdal and in Dubai.

#### *Competitiveness and market*

The oil price has nearly doubled compared to one year ago, but is still much lower than at peak, resulting in fewer projects initiated by the oil companies. Another aspect is a turning toward projects that generate early return on investments such as satellite field tie backs to existing platform infrastructure. Such projects often require new modules on the host platforms in addition to other modifications. This represents a potential growth segment for Kvaerner. For the development of satellite fields, Kvaerner's Subsea on a Stick® concept offers an attractive solution.

The drive in the industry for lower cost is yielding results. Oil companies communicate that new projects can now be realised with 20 to 50 percent lower costs compared to 2013. Hence some important projects are moving forward. The Johan Castberg development in the Barents Sea and the Johan Sverdrup phase 2 are expected to be sanctioned during the next 10-18 months. In addition, the high activity level for drilling in the Barents Sea suggests the potential for several developments after 2020.

Recent contract awards confirm that competition remains tough. Kvaerner continues the cost improvement initiatives to further strengthen competitiveness and maintain sound margins. Kvaerner is positioning for new prospects with expected awards in 2017 and 2018, both in the Norwegian market and in selected international regions. Kvaerner is also active in adjacent segments such as decommissioning.

#### **Downstream & Industrials segment**

In December 2013, Kvaerner sold its onshore construction business in North America. Following the sale, Kvaerner retained the assets and liabilities related to the contract with Longview Power LLC, including any financial effects of the arbitration.

In early March 2016, settlement agreements were reached with Amec Foster Wheeler North America Corp of all claims related to the Longview Power project. Kvaerner received the settlement amount of USD 70 million in

March 2016. The financial effects of the settlement were recognised in Kvaerner's first quarter 2016 accounts. Further, positive impacts of insurance recovery, totalling more than net USD 23 million have been recognised and received in the year. Refer to note 8 for Summary of financial data for Discontinued operations.

### **Unallocated costs**

Unallocated costs, which are net corporate costs not directly attributable to the individual segments, amounted to NOK 12 million in fourth quarter 2016 and NOK 61 million for the full year. It is expected that the recurring level of net corporate costs will be approximately NOK 60-70 million annually.

## **OTHER**

### **Capacity reductions and restructuring costs**

Kvaerner continues to drive cost reductions, productivity improvements and other measures to strengthen competitiveness. There have not been any additional restructuring costs in the quarter, with year to date restructuring costs of NOK 18 million. Additional restructuring and capacity reduction costs for 2017 and onwards will depend on outcome of tender activities. For 2015 and 2016 combined, Kvaerner has reduced its number of employees by almost 390.

## **SUBSEQUENT EVENTS**

### **Contract for offshore hook-up of the Johan Sverdrup riser platform**

Kvaerner has together with Aker Solutions been awarded a contract for offshore hook-up of the riser platform for the Johan Sverdrup field. Kvaerner will formally operate as a subcontractor to Aker Solutions. The contract has an estimated value for Kvaerner of about NOK 450 million. The scope will primarily consist of planning, management and hook-up of the seven platform modules, scheduled to arrive in Norway in second quarter 2018. The contract also includes options for offshore hook-up of the process and living quarter platforms for Johan Sverdrup.

### **Contract for decommissioning project**

Saipem Ltd. has awarded Kvaerner a contract to dismantle and recycle a North Sea platform with contract value for Kvaerner of approximately NOK 200 million. Saipem has the main contract for removal and disposal of the platform and is responsible for lifting the platform and transporting it to Stord, Norway, where Kvaerner will dismantle it and recycle and dispose all materials. The deconstruction and disposal work will start with the receipt of the first units in 2017 and continue throughout 2019.

### **Further simplification of organisation and workforce reductions**

Kvaerner will further simplify the organisation, reduce the amount of management positions and downsize the workforce with 40-50 employees. The objective is to further reduce costs to continue strengthening competitiveness. As a consequence, the organisational structure will be adjusted effective from 1 March 2017. An updated organisational chart is published on [www.kvaerner.com/emt](http://www.kvaerner.com/emt).

### **Dividend**

The Board of Directors has proposed no dividend distribution for second half of 2016. A robust balance sheet and cash position is important to maintain resilience through the challenging cycle and come out with an even stronger business. The solid financial position is a competitive lever in the positioning for new contracts. It also provides flexibility to pursue selected opportunities for strategic development in connection with the ongoing market shift.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

Operational risk is the ability to deliver existing contracts at the agreed time, quality, functionality and cost. 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 6 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 2015.

## **OUTLOOK**

2017 will be the third consecutive year where oil companies' investments in new field developments are declining. The next 12-15 months are expected to be challenging for many players in the oil service supply industry. However, key operators have communicated that they may start new capital investments.

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 on-going project portfolio is therefore expected to have positive impact on project results when these milestones are concluded. The activity level in 2017 is expected to be significantly lower than in 2016, with expected full year gross revenue of around NOK 6 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.

*Fornebu, 14 February 2017*

*The Board of Directors and President & CEO of Kvaerner ASA*

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**About Kvaerner:**

Kvaerner is a leading provider of engineering, procurement and construction (EPC) services, and delivers offshore installations and onshore plants for upstream oil and gas production around the world. Kvaerner ASA, through its subsidiaries and affiliates ("Kvaerner"), is an international contractor and preferred partner for oil and gas operators and other engineering and fabrication contractors. Kvaerner and its approximately 2 700 HSSE-focused and experienced employees are recognised for delivering some of the world's most amazing and demanding projects.

In 2016, the Kvaerner group had consolidated annual revenues of close to NOK 8 billion and the company reported an order backlog at 31 December 2016 of NOK 6.5 billion. Kvaerner is publicly listed with the ticker "KVAER" at the Oslo Stock Exchange. For further information, please visit [www.kvaerner.com](http://www.kvaerner.com).

## FINANCIAL STATEMENTS

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| <i>Amounts in NOK million</i>                      | Q4 2016       | Q4 2015     | FY 2016     | FY 2015     |
|--|---------------|-------------|-------------|-------------|
| Total revenue and other income                     | 1 834         | 2 577       | 7 896       | 12 084      |
| Operating expenses                                 | (1 605)       | (2 400)     | (7 267)     | (11 511)    |
| <b>EBITDA</b>                                      | <b>229</b>    | <b>177</b>  | <b>629</b>  | <b>574</b>  |
| Depreciation and amortisation                      | (27)          | (20)        | (100)       | (81)        |
| Goodwill impairment                                | (198)         | -           | (198)       | -           |
| <b>Operating profit</b>                            | <b>4</b>      | <b>156</b>  | <b>331</b>  | <b>493</b>  |
| Net financial income/(expense)                     | (6)           | 25          | (117)       | 86          |
| <b>Profit/(loss) before tax</b>                    | <b>(2)</b>    | <b>182</b>  | <b>214</b>  | <b>579</b>  |
| Income tax expense                                 | (66)          | (54)        | (132)       | (241)       |
| <b>Profit/(loss) from continuing operations</b>    | <b>(68)</b>   | <b>128</b>  | <b>82</b>   | <b>337</b>  |
| <b>Profit/(loss) from discontinued operations</b>  | <b>(32)</b>   | <b>18</b>   | <b>345</b>  | <b>56</b>   |
| <b>Net profit/(loss)</b>                           | <b>(100)</b>  | <b>146</b>  | <b>426</b>  | <b>393</b>  |
| <i>Attributable to:</i>                            |               |             |             |             |
| Equity holders of the parent company - Kværner ASA | (100)         | 146         | 426         | 393         |
| <b>Earnings per share (NOK)</b>                    |               |             |             |             |
| Basic and diluted EPS continuing operations        | (0.26)        | 0.48        | 0.31        | 1.26        |
| Basic and diluted EPS discontinued operations      | (0.12)        | 0.07        | 1.30        | 0.21        |
| <b>Basic and diluted EPS total operations</b>      | <b>(0.38)</b> | <b>0.55</b> | <b>1.60</b> | <b>1.47</b> |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| <i>Amounts in NOK million</i>  | Q4 2016      | Q4 2015    | FY 2016      | FY 2015    |
|--|--------------|------------|--------------|------------|
| <b>Net profit/(loss) for the period</b>  | <b>(100)</b> | <b>146</b> | <b>426</b>   | <b>393</b> |
| <b>Items that are or may be reclassified to profit or loss in subsequent periods:</b>          |              |            |              |            |
| Cash flow hedges, net of tax   |              |            |              |            |
| - Fair value adjustments recognised in equity  | (2)          | 10         | (7)          | 10         |
| - Reclassified to profit or loss   | -            | -          | (2)          | -          |
| Translation differences, foreign operations  | (5)          | 8          | (23)         | 180        |
| Reclassification of translation differences on repayment of capital and other reclassification | 11           | (10)       | (261)        | (139)      |
| Items that are or may be reclassified to profit or loss in subsequent periods                  | 4            | 8          | (294)        | 51         |
| <b>Items not to be reclassified to profit or loss in subsequent periods:</b>                   |              |            |              |            |
| Actuarial gains/(losses) on defined benefit pension plans, net of tax                          | (14)         | 3          | (14)         | 3          |
| Items not to be reclassified to profit or loss in subsequent periods:                          | (14)         | 3          | (14)         | 3          |
| <b>Total other comprehensive income/(loss), net of tax</b>                                     | <b>(11)</b>  | <b>10</b>  | <b>(308)</b> | <b>53</b>  |
| <b>Total comprehensive income/(loss)</b>   | <b>(110)</b> | <b>156</b> | <b>118</b>   | <b>446</b> |
| <i>Attributable to:</i>  |              |            |              |            |
| Equity holders of the parent company - Kværner ASA   | (110)        | 156        | 118          | 446        |

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**

| <i>Amounts in NOK million</i>                             | 31.12.2016   | 31.12.2015   |
|---|--------------|--------------|
| <b>Assets</b>   |              |              |
| <i>Non-current assets</i>                                 |              |              |
| Property, plant and equipment                             | 798          | 687          |
| Intangible assets   | 666          | 873          |
| Deferred tax asset  | -            | 1            |
| Investments in associates and jointly controlled entities | 35           | 134          |
| Interest-bearing receivables                              | -            | 2            |
| Other non-current assets                                  | 6            | 18           |
| <b>Total non-current assets</b>                           | <b>1 505</b> | <b>1 715</b> |
| <i>Current assets</i>                                     |              |              |
| Trade and other receivables                               | 1 427        | 1 740        |
| Total cash and bank                                       | 3 047        | 1 560        |
| Retained assets of business sold                          | 1            | 633          |
| <b>Total current assets</b>                               | <b>4 474</b> | <b>3 934</b> |
| <b>Total assets</b>                                       | <b>5 980</b> | <b>5 649</b> |
| <b>Equity and liabilities</b>                             |              |              |
| <i>Equity</i>   |              |              |
| Share capital   | 91           | 91           |
| Share premium   | 729          | 729          |
| Retained earnings   | 1 881        | 1 468        |
| Other reserves  | (46)         | 262          |
| <b>Total equity</b>                                       | <b>2 656</b> | <b>2 550</b> |
| <i>Non-current liabilities</i>                            |              |              |
| Deferred tax liabilities                                  | 62           | -            |
| Employee benefit liabilities                              | 205          | 180          |
| <b>Total non-current liabilities</b>                      | <b>267</b>   | <b>180</b>   |
| <i>Current liabilities</i>                                |              |              |
| Trade and other payables                                  | 2 826        | 2 633        |
| Tax liabilities   | 46           | 73           |
| Provisions  | 135          | 164          |
| Retained liabilities of business sold                     | 51           | 49           |
| <b>Total current liabilities</b>                          | <b>3 058</b> | <b>2 919</b> |
| <b>Total equity and liabilities</b>                       | <b>5 980</b> | <b>5 649</b> |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY**

| <i>Amounts in NOK million</i>        | Total paid<br>in capital | Retained<br>earnings | Other<br>reserves | Total equity |
|--------------------------------------|--------------------------|----------------------|-------------------|--------------|
| <b>Equity as of 31 December 2014</b> | <b>820</b>               | <b>1 309</b>         | <b>208</b>        | <b>2 337</b> |
| Profit for the period                | -                        | 393                  | -                 | 393          |
| Other comprehensive income           | -                        | -                    | 53                | 53           |
| Total comprehensive income           | -                        | 393                  | 53                | 446          |
| Employee share purchase programme    | -                        | (13)                 | -                 | (13)         |
| Dividend                             | -                        | (220)                | -                 | (220)        |
| <b>Equity as of 31 December 2015</b> | <b>820</b>               | <b>1 468</b>         | <b>262</b>        | <b>2 550</b> |
| Profit for the period                | -                        | 426                  | -                 | 426          |
| Other comprehensive income           | -                        | -                    | (308)             | (308)        |
| Total comprehensive income           | -                        | 426                  | (308)             | 118          |
| Treasury shares                      | -                        | (12)                 | -                 | (12)         |
| Other                                | -                        | (1)                  | 1                 | -            |
| <b>Equity as of 31 December 2016</b> | <b>820</b>               | <b>1 881</b>         | <b>(46)</b>       | <b>2 656</b> |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

| <i>Amounts in NOK million</i>                            | Q4 2016      | Q4 2015      | FY 2016      | FY 2015      |
|--|--------------|--------------|--------------|--------------|
| Profit before tax continuing operations                  | (2)          | 182          | 214          | 579          |
| Profit before tax discontinued operations                | (30)         | 18           | 346          | 57           |
| <b>Profit/(loss) before tax total operations</b>         | <b>(32)</b>  | <b>200</b>   | <b>560</b>   | <b>635</b>   |
| Depreciation, amortisation and impairment                | 225          | 20           | 298          | 81           |
| Taxes (paid)/refund                                      | 3            | (24)         | (77)         | (203)        |
| Other cash flow from operating activities                | 48           | 370          | 936          | 670          |
| <b>Cash flow from operating activities</b>               | <b>244</b>   | <b>566</b>   | <b>1 718</b> | <b>1 183</b> |
| Capital expenditure                                      | (17)         | 0            | (203)        | (55)         |
| Other cash flow from investing activities                | 1            | 3            | 1            | 5            |
| <b>Cash flow from investing activities</b>               | <b>(16)</b>  | <b>3</b>     | <b>(201)</b> | <b>(50)</b>  |
| Instalment borrowings                                    | -            | -            | -            | (500)        |
| Dividends  | -            | (40)         | -            | (220)        |
| Other cash flow from financing activities                | (4)          | (10)         | (30)         | (66)         |
| <b>Cash flow from financing activities</b>               | <b>(4)</b>   | <b>(51)</b>  | <b>(30)</b>  | <b>(786)</b> |
| Translation adjustments                                  | 4            | (1)          | (1)          | 6            |
| <b>Net increase/(decrease) in cash and bank deposits</b> | <b>228</b>   | <b>518</b>   | <b>1 486</b> | <b>352</b>   |
| Cash at the beginning of the period                      | 2 819        | 1 043        | 1 560        | 1 208        |
| <b>Cash at the end of the period</b>                     | <b>3 047</b> | <b>1 560</b> | <b>3 047</b> | <b>1 560</b> |

## SEGMENT INFORMATION

Following sale of Kvaerner's onshore construction business in North America in December 2013, Kvaerner only has one reportable segment; Field Development (previously named Upstream). Up until year end 2015, the segment included the business areas Topsides, Onshore, Jackets and Concrete Solutions.

As from 1 January 2016, Kvaerner has changed to a matrix based organisation model with enhanced focus on project execution. The business area structure has been removed and most of the Norwegian employees are allocated into resource centres. The previous business areas are replaced by the following operational areas: Process Solutions (previously Topsides and Onshore), Structural Solutions (previously Jackets), New Solutions and Concrete Solutions. The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's operating activities. The operational areas comprise the Field Development segment as from 2016, with no changes to the group's segment reporting.

| Amounts in NOK million                    | Field Development |            | Group activities and eliminations |             | Consolidated |            |
|---|-------------------|------------|-----------------------------------|-------------|--------------|------------|
|   | Q4 2016           | Q4 2015    | Q4 2016                           | Q4 2015     | Q4 2016      | Q4 2015    |
| Total external revenue and other income   | 2 368             | 3 345      | (534)                             | (768)       | 1 834        | 2 577      |
| Internal revenue                          | 10                | (11)       | (10)                              | 11          | 0            | -          |
| Total revenue and other income            | 2 378             | 3 334      | (544)                             | (757)       | 1 834        | 2 577      |
| <b>Adjusted EBITDA<sup>1</sup></b>        | <b>232</b>        | <b>202</b> | <b>(12)</b>                       | <b>(24)</b> | <b>219</b>   | <b>178</b> |
| <b>EBITDA</b>                             | <b>232</b>        | <b>202</b> | <b>(3)</b>                        | <b>(25)</b> | <b>229</b>   | <b>177</b> |
| Depreciation, amortisation and impairment | (225)             | (17)       | -                                 | (3)         | (225)        | (20)       |
| <b>EBIT</b>                               | <b>6</b>          | <b>185</b> | <b>(3)</b>                        | <b>(28)</b> | <b>4</b>     | <b>156</b> |

| Amounts in NOK million                    | Field Development |            | Group activities and eliminations |             | Consolidated |            |
|---|-------------------|------------|-----------------------------------|-------------|--------------|------------|
|   | FY 2016           | FY 2015    | FY 2016                           | FY 2015     | FY 2016      | FY 2015    |
| Total external revenue and other income   | 10 330            | 14 863     | (2 434)                           | (2 779)     | 7 896        | 12 084     |
| Internal revenue                          | 34                | 53         | (34)                              | (53)        | 0            | -          |
| Total revenue and other income            | 10 364            | 14 917     | (2 468)                           | (2 832)     | 7 896        | 12 084     |
| <b>Adjusted EBITDA<sup>1</sup></b>        | <b>741</b>        | <b>613</b> | <b>(61)</b>                       | <b>(77)</b> | <b>680</b>   | <b>536</b> |
| <b>EBITDA</b>                             | <b>741</b>        | <b>613</b> | <b>(111)</b>                      | <b>(39)</b> | <b>629</b>   | <b>574</b> |
| Depreciation, amortisation and impairment | (294)             | (77)       | (4)                               | (4)         | (298)        | (81)       |
| <b>EBIT</b>                               | <b>447</b>        | <b>536</b> | <b>(116)</b>                      | <b>(43)</b> | <b>331</b>   | <b>493</b> |
| Net current operating assets              | (1 797)           | (1 106)    | 263                               | 49          | (1 534)      | (1 057)    |

<sup>1</sup> Adjusted EBITDA excludes impact of embedded foreign currency derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities

## NOTES

### Note 1 General

Kværner ASA (the company) is a company domiciled in Norway. The Kvaerner group consists of Kværner ASA and its subsidiaries.

### Note 2 Basis for preparation

#### *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 for interim reporting as adopted by the European Union and additional Norwegian regulations.

#### *Accounting principles*

The accounting principles applied in these condensed consolidated interim financial statements are the same as those applied in the Annual accounts 2015.

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 2015 financial statements for Kvaerner are available upon request from the company's office at Oksenøyveien 10, Fornebu, Norway or at [www.kvaerner.com](http://www.kvaerner.com).

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.

The condensed consolidated interim financial statements reflect all adjustments, consisting only of normal, recurring adjustments that, in the opinion of Kvaerner's management, are necessary for a fair presentation of the results of operations for the periods presented. 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 3 Judgments, estimates and assumptions

In applying the accounting policies, management makes judgments, estimates and assumptions that affect 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 2015.

### Note 4 Financial items

| <i>Amounts in NOK million</i>                | Q4 2016    | Q4 2015   | FY 2016      | FY 2015   |
|--|------------|-----------|--------------|-----------|
| Net interest income/(expense)                | 3          | (3)       | (4)          | (35)      |
| Profit/(loss) on foreign currency contracts  | (6)        | 10        | 22           | (24)      |
| Foreign currency embedded derivatives impact | 10         | (1)       | (128)        | 133       |
| Net foreign exchange gain/(loss)             | 0          | 11        | 1            | 3         |
| Other financial items, net                   | (12)       | 8         | (8)          | 8         |
| <b>Net financial income/(expense)</b>        | <b>(6)</b> | <b>25</b> | <b>(117)</b> | <b>86</b> |

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 31 December 2016.

| <i>Amounts in NOK million</i> | Assets at fair value | Liabilities at fair value | Net fair value |
|-------------------------------|----------------------|---------------------------|----------------|
| Embedded derivatives          | 14                   | (6)                       | 8              |
| Not hedge accounted           | 1                    | (0)                       | 1              |
| Cash flow hedges              | 8                    | (8)                       | 0              |
| <b>Total</b>                  | <b>24</b>            | <b>(14)</b>               | <b>10</b>      |

### Note 5 Share capital and equity

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

Kværner 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:

| <i>Numbers in thousands</i>                 | Q4 2016        | Q4 2015        | FY 2016        | FY 2015        |
|---|----------------|----------------|----------------|----------------|
| Shares issued                               | 269 000        | 269 000        | 269 000        | 269 000        |
| Effect of own shares held                   | (3 674)        | (2 257)        | (3 062)        | (1 290)        |
| <b>Average number of outstanding shares</b> | <b>265 326</b> | <b>266 743</b> | <b>265 938</b> | <b>267 710</b> |

### Note 6 Contingent events

Given the scope of the group's operations, group companies are inevitably involved in legal disputes and arbitration 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 not possible to estimate when the arbitration will be finalised.

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

### Note 7 Related parties

The largest shareholder of Kværner ASA, Aker Kværner Holding AS, is controlled by Aker ASA (70 percent) which in turn is controlled by Kjell Inge Røkke and his family through TRG Holding AS and The Resource Group AS. In accordance with IAS 24, all entities controlled by Aker ASA, associated companies and joint ventures of Kværner and certain other related parties are reported as related parties to Kværner.

Kværner 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.

| <i>Amounts in NOK million</i> | FY 2016 | FY 2015 |
|-------------------------------|---------|---------|
| Revenue                       | 607     | 438     |
| Operating expenses            | (724)   | (1 295) |
| Trade and other receivables   | 136     | 84      |
| Trade and other payables      | 73      | 91      |

**Note 8 Discontinued operations – summary of financial data**

Following the sale of Kvaerner's onshore construction business in North America in December 2013, remaining legacies within the segment are presented as discontinued operations in the group's financial statements.

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

| <i>Amounts in NOK million</i>                       | Q4 2016     | Q4 2015    | FY 2016     | FY 2015     |
|---|-------------|------------|-------------|-------------|
| Total revenue and other income                      | 0           | (0)        | 0           | (0)         |
| Administrative and legal expenses                   | (19)        | 6          | 85          | (85)        |
| <b>EBIT</b>   | <b>(19)</b> | <b>5</b>   | <b>85</b>   | <b>(85)</b> |
| Net financial income/(expense)                      | (11)        | 12         | 261         | 142         |
| <b>Profit/(loss) before tax</b>                     | <b>(30)</b> | <b>18</b>  | <b>346</b>  | <b>57</b>   |
| Income tax income/(expense)                         | (1)         | 0          | (1)         | (1)         |
| <b>Profit/(loss) from discontinued operations</b>   | <b>(32)</b> | <b>18</b>  | <b>345</b>  | <b>56</b>   |
| Basic and diluted earnings/(losses) per share (NOK) | (0.12)      | 0.07       | 1.30        | 0.21        |
| <b>Net assets</b>                                   | <b>(50)</b> | <b>584</b> | <b>(50)</b> | <b>584</b>  |

The positive operating result for full year 2016 reflects recognition of insurance recovery related to the Longview Power project. Full year financial income is related to foreign exchange accounting effect on repayment of capital of NOK 261 million in 2016 and NOK 139 million in 2015, with no impact on group equity.

Cash flows from discontinued operations are as follows:

| <i>Amounts in NOK million</i>                            | Q4 2016   | Q4 2015     | FY 2016   | FY 2015   |
|--|-----------|-------------|-----------|-----------|
| Cash flow from operating activities                      | 55        | 32          | 735       | 321       |
| Cash transferred (to)/from parent                        | (34)      | (51)        | (730)     | (319)     |
| Translation adjustments                                  | 1         | (1)         | (1)       | 5         |
| <b>Net increase/(decrease) in cash and bank deposits</b> | <b>22</b> | <b>(20)</b> | <b>4</b>  | <b>6</b>  |
| Cash at the beginning of the period                      | 13        | 50          | 30        | 24        |
| <b>Cash at the end of the period</b>                     | <b>35</b> | <b>30</b>   | <b>35</b> | <b>30</b> |

## Note 9 Quarterly historical information – continuing operations

| Amounts in NOK million                             | Q4 2016        | Q3 2016        | Q2 2016        | Q1 2016        | Q4 2015        | Q3 2015       |
|--|----------------|----------------|----------------|----------------|----------------|---------------|
| <b>Total revenue and other income</b>              | <b>1 834</b>   | <b>1 975</b>   | <b>1 859</b>   | <b>2 228</b>   | <b>2 577</b>   | <b>2 858</b>  |
| Field Development                                  | 2 378          | 2 727          | 2 475          | 2 785          | 3 334          | 3 615         |
| <b>Adjusted EBITDA</b>                             | <b>219</b>     | <b>248</b>     | <b>106</b>     | <b>106</b>     | <b>178</b>     | <b>148</b>    |
| Field Development                                  | 232            | 265            | 122            | 123            | 202            | 166           |
| <b>Adjusted EBITDA margin</b>                      | <b>11.9 %</b>  | <b>12.6 %</b>  | <b>5.7 %</b>   | <b>4.8 %</b>   | <b>6.9 %</b>   | <b>5.2 %</b>  |
| Field Development                                  | 9.7 %          | 9.7 %          | 4.9 %          | 4.4 %          | 6.1 %          | 4.6 %         |
| <b>Net profit/(loss) - continuing operations</b>   | <b>(68)</b>    | <b>119</b>     | <b>15</b>      | <b>16</b>      | <b>128</b>     | <b>95</b>     |
| <b>Basic and diluted EPS continuing operations</b> | <b>(0.26)</b>  | <b>0.45</b>    | <b>0.06</b>    | <b>0.06</b>    | <b>0.48</b>    | <b>0.35</b>   |
| <b>Order intake <sup>1</sup></b>                   | <b>768</b>     | <b>1 049</b>   | <b>602</b>     | <b>519</b>     | <b>1 486</b>   | <b>2 027</b>  |
| Field Development                                  | 768            | 1 049          | 602            | 485            | 1 472          | 2 051         |
| <b>Order backlog <sup>1</sup></b>                  | <b>6 459</b>   | <b>8 397</b>   | <b>10 172</b>  | <b>12 054</b>  | <b>14 346</b>  | <b>16 232</b> |
| Field Development                                  | 6 459          | 8 397          | 10 172         | 12 043         | 14 346         | 16 233        |
| <b>NCOA</b>  | <b>(1 534)</b> | <b>(1 527)</b> | <b>(1 469)</b> | <b>(1 143)</b> | <b>(1 057)</b> | <b>(639)</b>  |
| Field Development                                  | (1 797)        | (1 748)        | (1 693)        | (1 382)        | (1 106)        | (696)         |
| <b>Net interest bearing deposits and loans</b>     | <b>3 047</b>   | <b>2 821</b>   | <b>2 444</b>   | <b>2 119</b>   | <b>1 562</b>   | <b>1 044</b>  |

<sup>1</sup> Including Kvaerner's scope of work of jointly controlled entities closely related to Kvaerner's operating activities.

## Note 10 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 and other financial items, Taxes, Depreciation and Amortisation and is term commonly used by analysts and investors

**Adjusted EBITDA** Earnings before Interest and other financial items, 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 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:

| <i>Amounts in NOK million</i>  | Q4 2016    | Q4 2015    | FY 2016    | FY 2015    |
|--|------------|------------|------------|------------|
| EBITDA   | 229        | 177        | 629        | 574        |
| Adjustment for equity accounted investees' embedded derivatives impact | (10)       | 1          | 50         | (38)       |
| <b>Adjusted EBITDA</b>   | <b>219</b> | <b>178</b> | <b>680</b> | <b>536</b> |

| <i>Amounts in NOK million</i>                  | 31.12.2016     | 31.12.2015     |
|--|----------------|----------------|
| Trade and other receivables                    | 1 427          | 1 740          |
| Trade and other payables                       | (2 826)        | (2 633)        |
| Provisions                                     | (135)          | (164)          |
| <b>Net current operating assets (NCOA)</b>     | <b>(1 534)</b> | <b>(1 057)</b> |
| Total cash and bank                            | 3 047          | 1 560          |
| Interest-bearing receivables                   | -              | 2              |
| <b>Net interest bearing deposits and loans</b> | <b>3 047</b>   | <b>1 562</b>   |