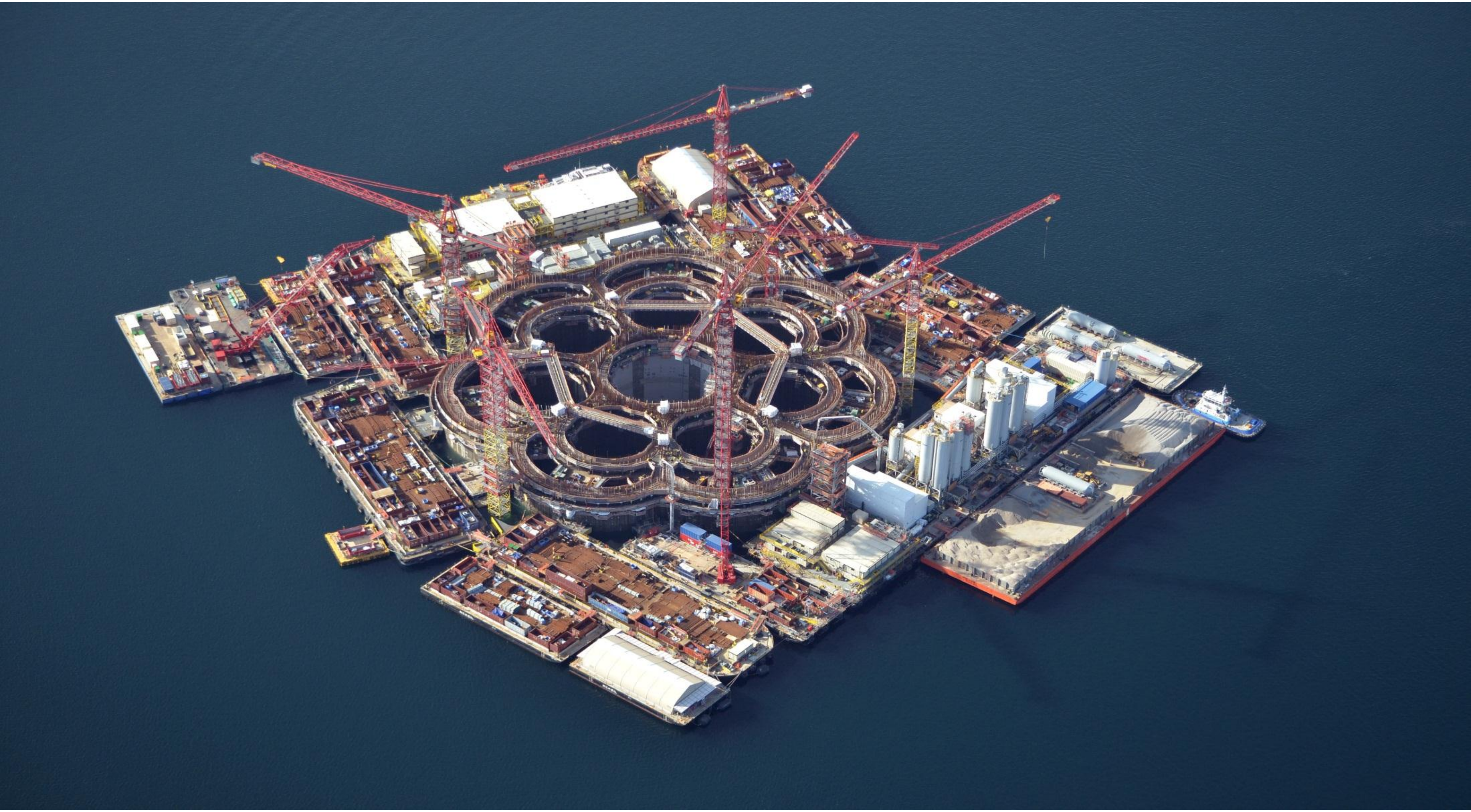
Fourth quarter results 2014



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Highlights

Fourth quarter 2014

- Offshore hook-up of Eldfisk being completed
- Impairment on goodwill
- New corporate organisational structure
- Order backlog of NOK 16.5* billion

Subsequent events

- Settlement agreement with Longview Power and other parties
- Final contract signed for first Sverdrup jacket
- Dividend proposed by the Board

The Eldfisk 2/7S platform started production 3 January 2015.

** Including incorporated joint ventures.*

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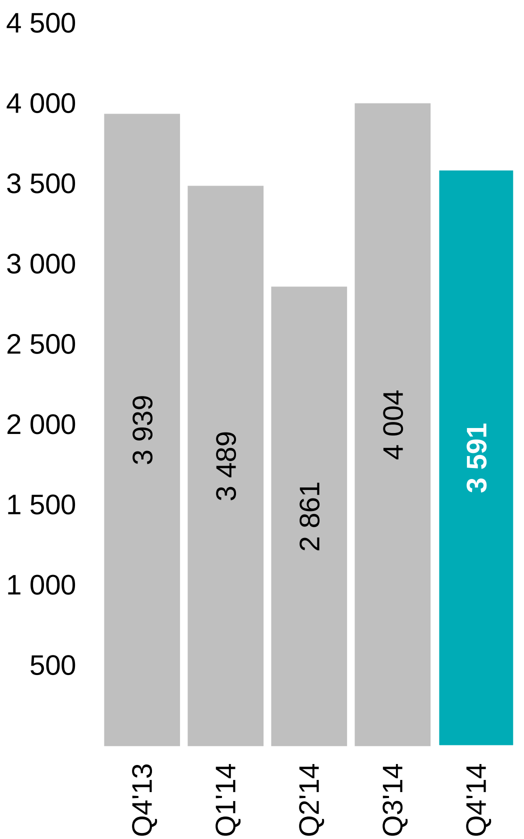
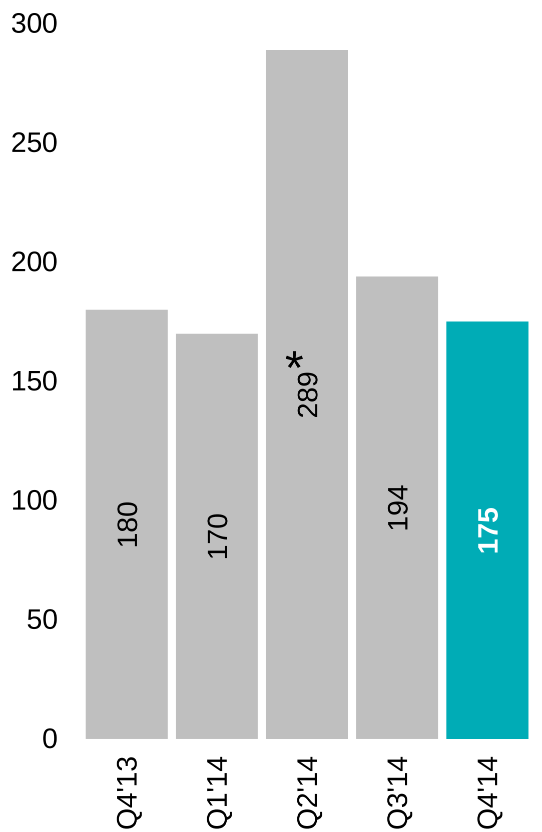
Key financials

Revenues
NOK million

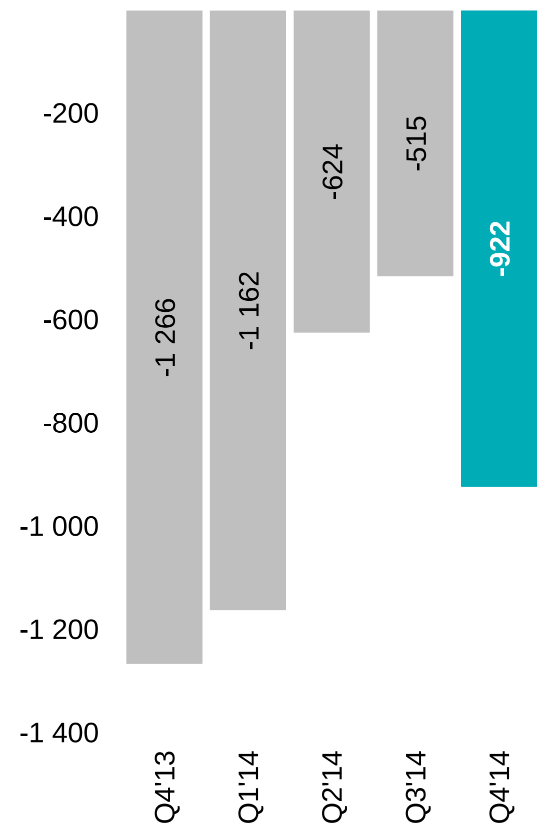


EBITDA
NOK million



EBITDA margin	4.6%	4.9%	10.1%	4.8%	4.9%

Net current operating assets
NOK million



** Reflecting 20 percent completion for one major project.*
Note: All historical figures restated after sale of the North American Construction business in Q4 2015.

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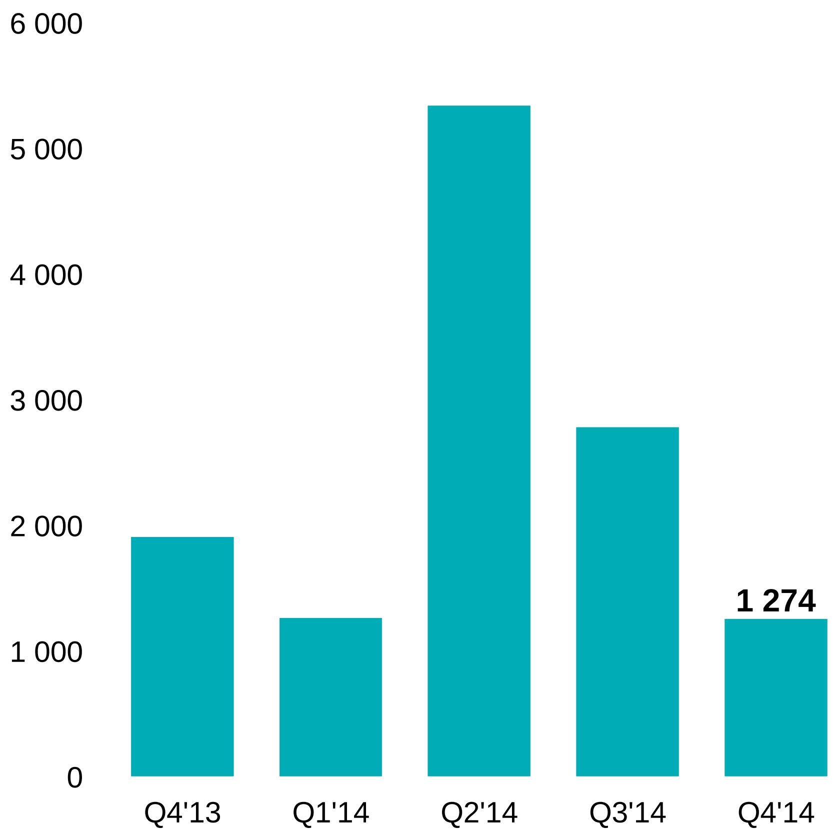
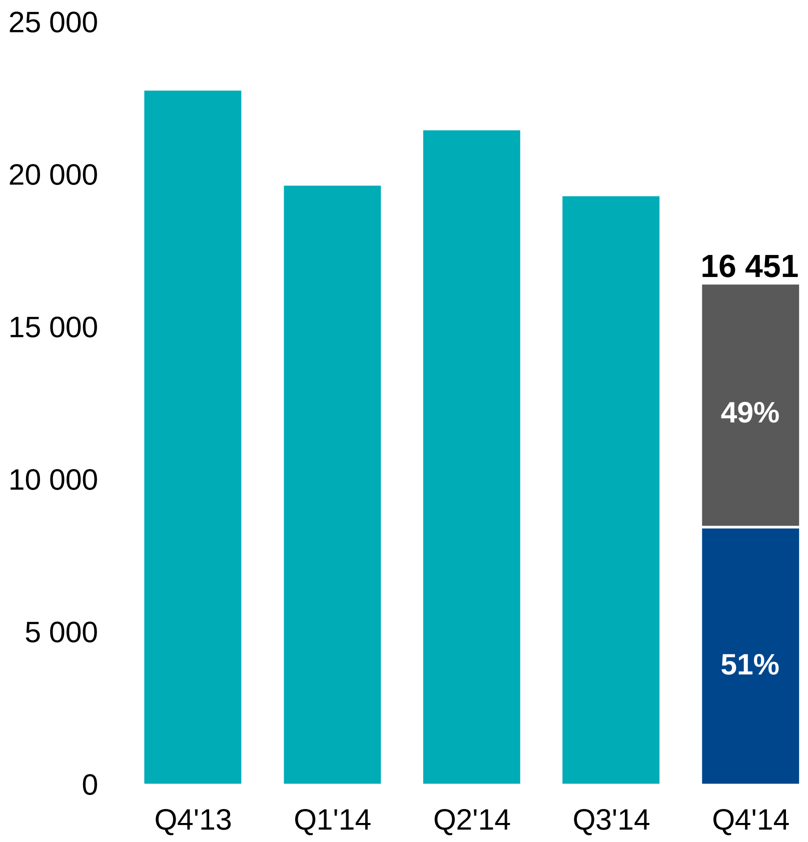
Order intake and backlog

Order intake
NOK million



Order backlog
NOK million



Estimated scheduling as of 31 December 2014:
- For execution in 2015
- For execution in 2016

Note: All figures include incorporated joint ventures.

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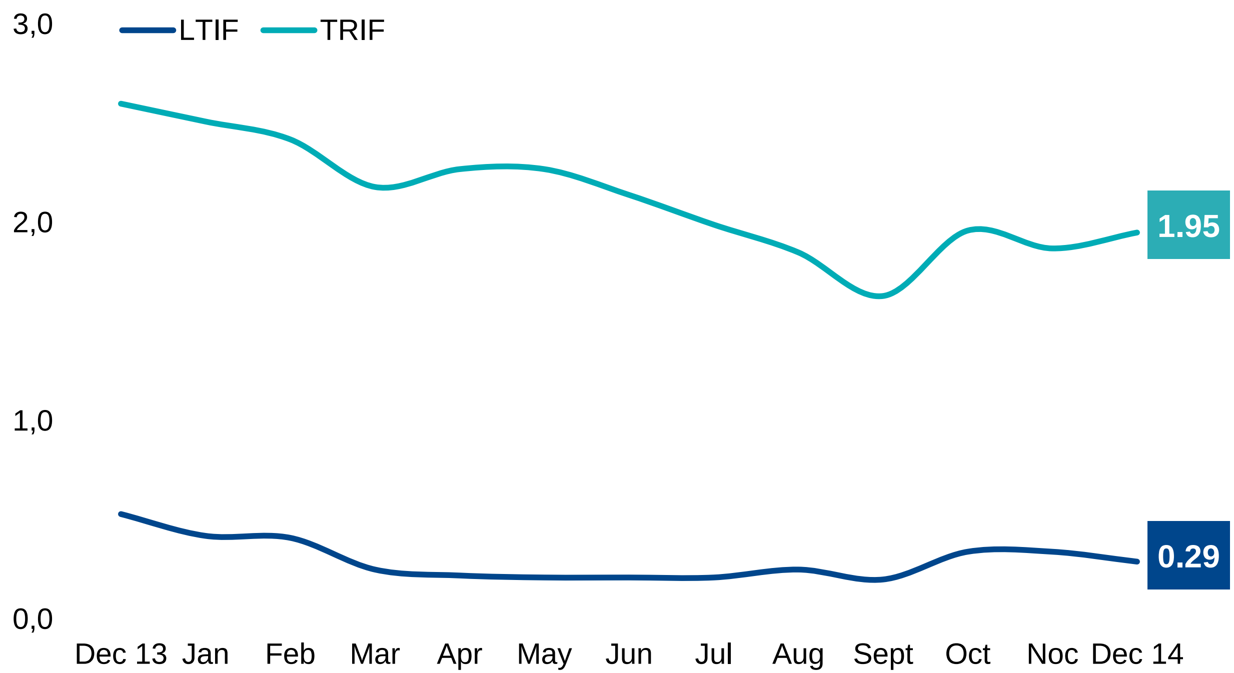
HSSE results improving

- Three Lost time Injury (Twisted knee, burns in hand and fracture of finger)
- Two serious incidents
- Total of 15 recordable incidents
- More than 5.8 million worked hours in the quarter

Lost time incident frequency (LTIF) and Total recorded incident frequency (TRIF)
Per million work hours and 12 months rolling averages



Highlights

Statistics continuously improving

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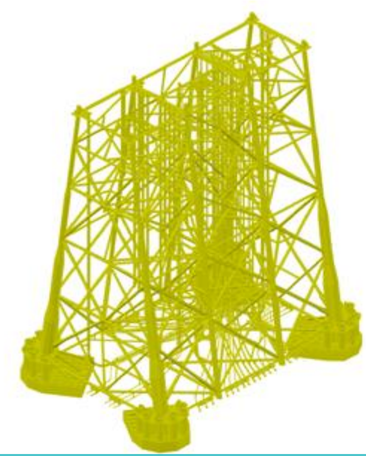
Operational highlights

E. Grieg topside – To be delivered mid-April 2015

Nyhamna – Important milestones reached

Hebron - Major slip form operation successfully completed



Sverdrup riser platform jacket – Engineering started

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Fourth quarter financials

Eiliv Gjesdal, Chief Financial Officer

Income statement

Amounts in NOK million	**Q4 2014**	**Q3 2014**	**Q4 2013**	**FY 2014**	**FY 2013**
Total revenue and other income	3 591	4 004	3 939	13 945	12 960
EBITDA	**175**	**194**	**180**	**828**	**636**
Depreciation and amortisation	(20)	(18)	(18)	(70)	(63)
Impairment charges	(266)	-	-	(266)	-
EBIT	**(111)**	**176**	**162**	**492**	**573**
Net financial income/(expense)	(54)	(15)	(54)	(105)	(96)
Equity accounted investees, incl. impairments	(1)	0	(53)	(59)	(78)
Profit/(loss) before tax	**(166)**	**161**	**54**	**329**	**399**
Income tax expense	(137)	(49)	(43)	(301)	(160)
Profit/(loss) from continuing operations	**(302)**	**112**	**11**	**27**	**239**
Profit/(loss) discontinued operations	**(25)**	**(12)**	**237**	**(96)**	**206**
Net profit/(loss)	**(327)**	**100**	**248**	**(69)**	**445**
EBITDA margin	4.9 %	4.8 %	4.6 %	5.9 %	4.9 %
Earnings per share (NOK)					
Basic and diluted EPS continuing operations	(1.12)	0.42	0.04	0.10	0.89
Basic and diluted EPS total operations	(1.22)	0.37	0.92	(0.26)	1.66

Note: Revenues excluding incorporated joint ventures.

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Upstream review

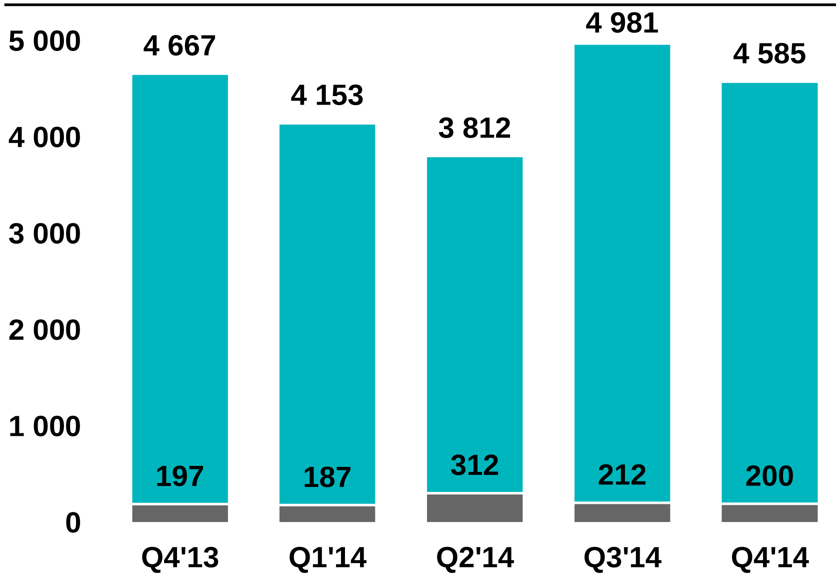
Financials

- High activity in most operations
- Projects with a relative wide margin range

Orders

- Growth in existing contracts

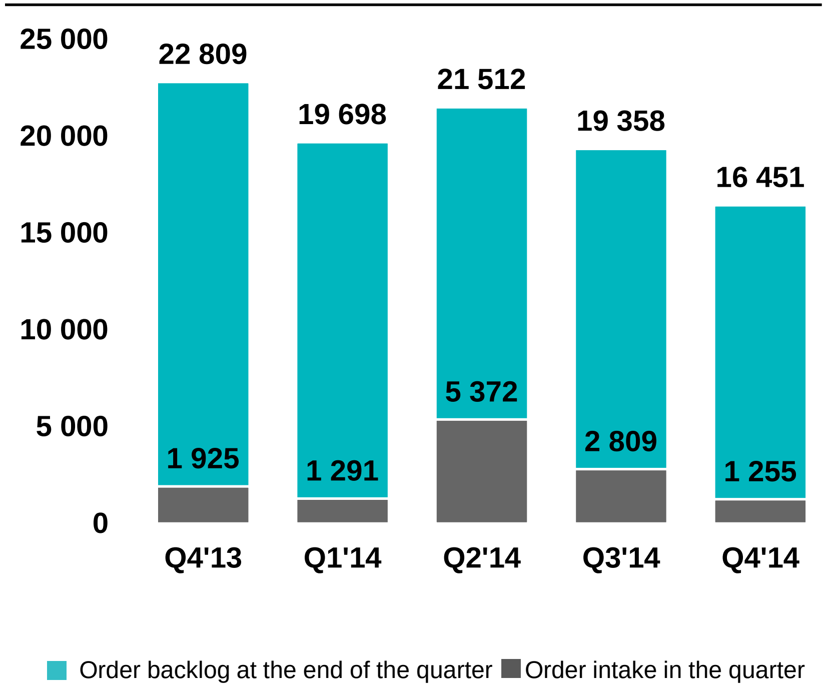
Revenues, EBITDA and EBITDA margin
NOK million



EBITDA-%	4.2%	4.5%	8.2%	4.3%	4.4%

Revenues EBITDA

Order backlog and order intake
NOK million



Note: All figures include incorporated joint ventures.

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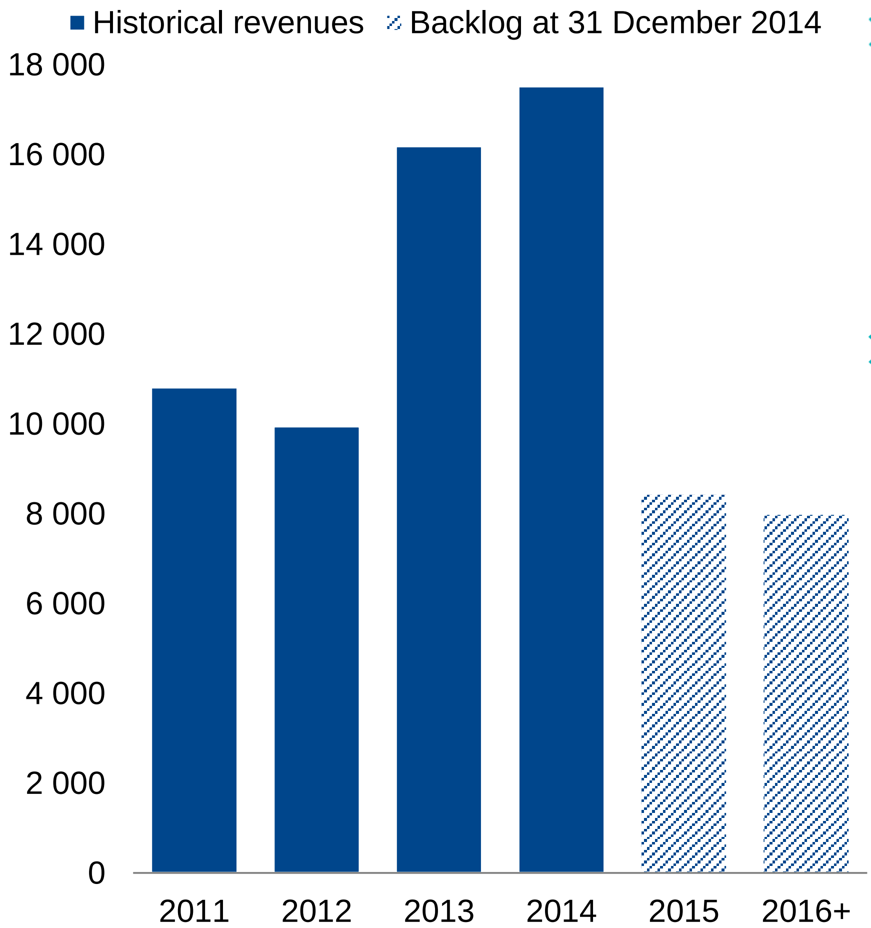
Financial outlook

Revenues and backlog by execution year (31 Dec 2014)
NOK million



Note: All figures include incorporated joint ventures.

Upstream revenues 2015

- E. Grieg to be delivered mid-April
- Low activity in Jackets first half year
- Activity level aimed at NOK 10-11 billion

EBITDA margin 2015

- Challenging first half year
- Project phasing
- International business development
- First Sverdrup jacket expected to reach 20% completion Q4 2015
- New contract awards will have limited margin contribution 2015

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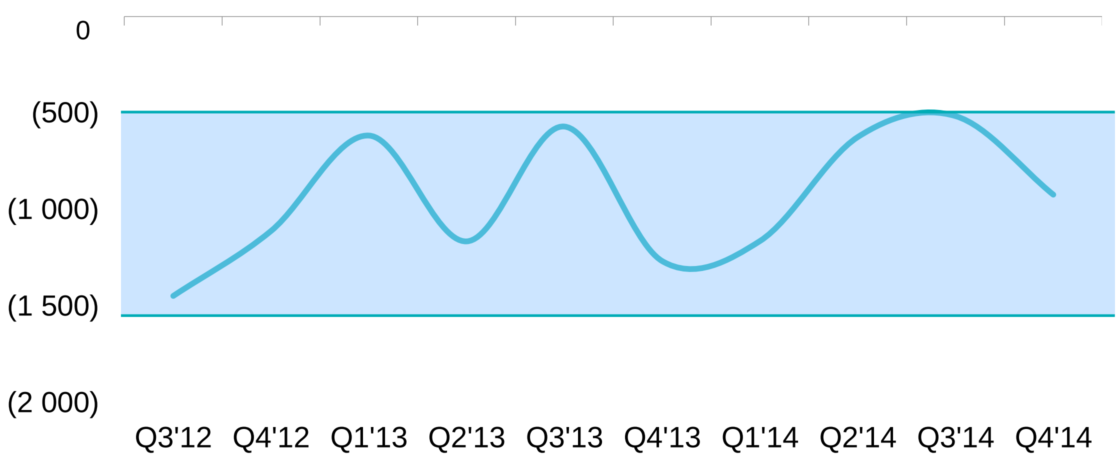
Cash flow and working capital development

Amounts in NOK million	Q4 2014	Q3 2014	Q4 2013	FY 2014	FY 2013
Cash flow from operating activities	365	102	694	193	606
Cash flow from investing activities	(36)	(17)	341	(171)	208
Cash flow from financing activities	(175)	(14)	(168)	(370)	(356)
Translation adjustments	9	2	(4)	11	19
Net increase/(decrease) in cash and bank deposits	**163**	**73**	**864**	**(337)**	**476**

- Customer pre-payments[1] of NOK 54 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)



[1] *Invoicing in excess of cost and estimated earnings less amounts billed in advance but not received (on a project by project basis).*

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Balance sheet

Amounts in NOK million	31.12.2014	30.09.2014	31.12.2013
Assets			
Total non-current assets	2 010	2 088	2 150
Prepaid company tax	31	95	93
Current operating assets	3 268	4 422	3 121
Total cash and bank	1 208	1 045	1 545
Retained assets on business sold	906	769	916
Total assets	**7 424**	**8 420**	**7 825**
Total equity	**2 337**	**2 663**	**2 511**
Non-current interest bearing liabilities	487	485	479
Other non-current liabilities	176	184	170
Current operating liabilities	4 190	4 937	4 387
Current tax liabilities	182	110	56
Retained liabilities on business sold	51	40	223
Total liabilities	**5 087**	**5 757**	**5 315**
Total equity and liabilities	**7 424**	**8 420**	**7 825**
Equtiy ratio	**31 %**	**32 %**	**32 %**
Net cash	**722**	**563**	**1 069**

- **Loan facilities of NOK 3 billion**
  - Maturity in May 2016

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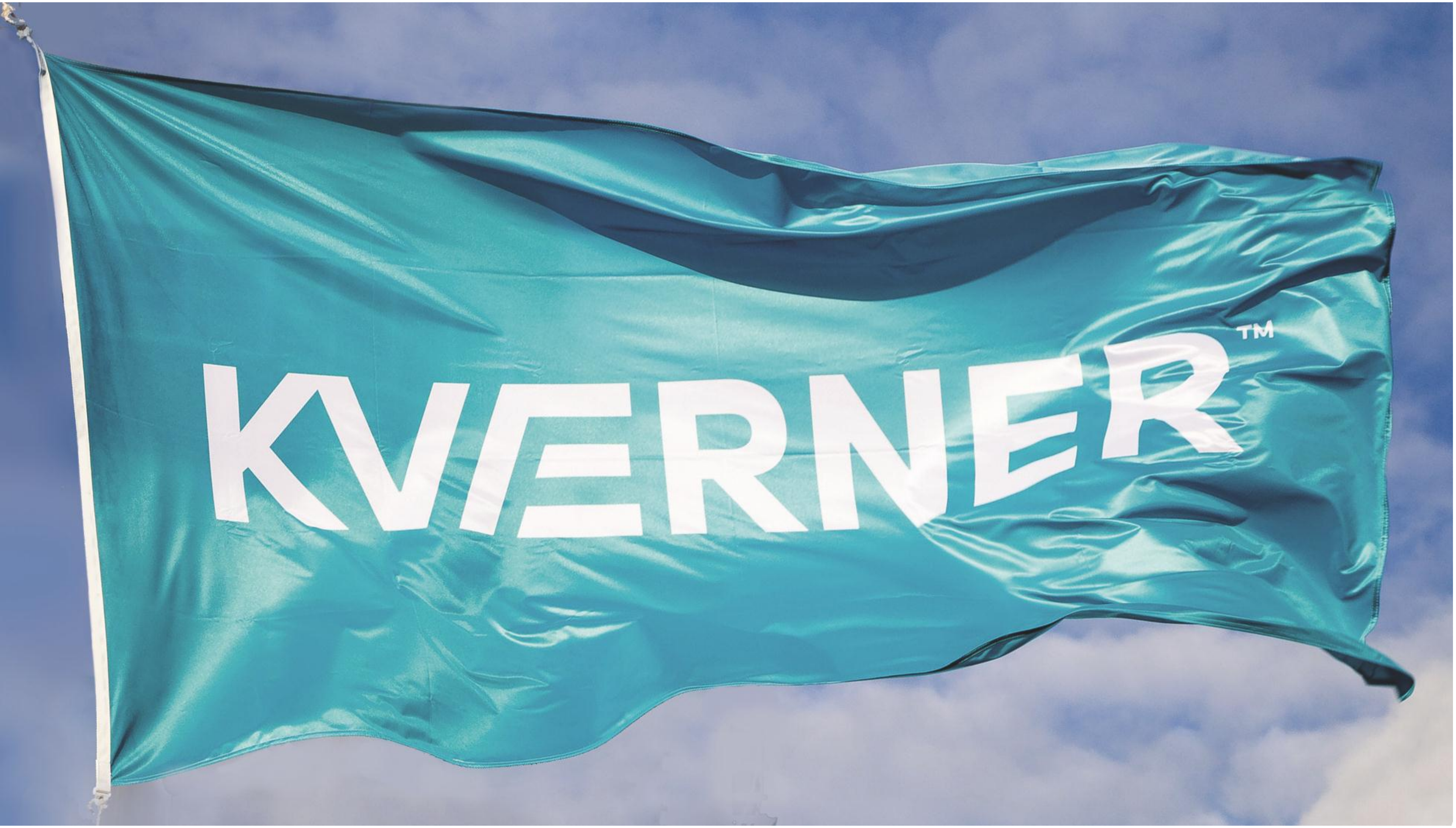
Market and outlook



Focused on market segments with positive opportunities

Market outlook

- Short term (2015):
  - Some key prospects up for award*
- Long term (2015 – 2022):
  - Anticipates several projects well fit for Kvaerner's expertise *
- Medium term (2016 – 2017):
  - Several possible projects, but timing is currently uncertain*

* *Sources: Rystad, own contact with customers*

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Focused on market segments with positive opportunities

Market outlook

- Short term (2015):
  - Some key prospects up for award*
- Long term (2015 – 2022):
  - Anticipates several projects well fit for Kvaerner's expertise *
- Medium term (2016 – 2017):
  - Several possible projects, but timing is currently uncertain*

Key prospects: *Some examples*

- Norway / North Sea region:
  - Johan Sverdrup
  - "Subsea-on-a-Stick®"
  - Other specific prospects with expected awards in 2015
- Outside North Sea Region:
  - Pursuing specific prospects, timing uncertain

**Sources: Rystad Energy, own contact with customers*

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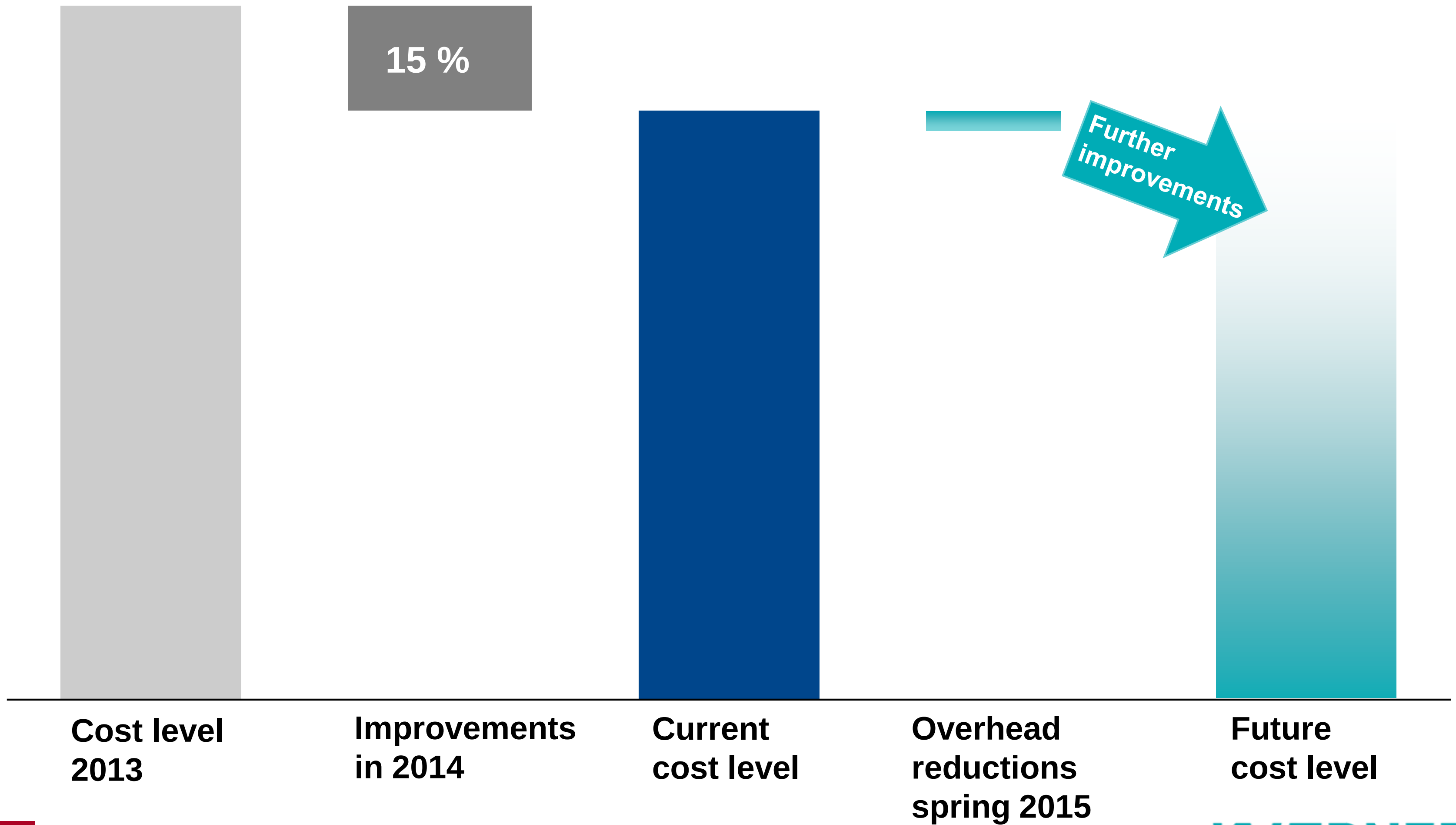
Significant opportunities for further cost improvements



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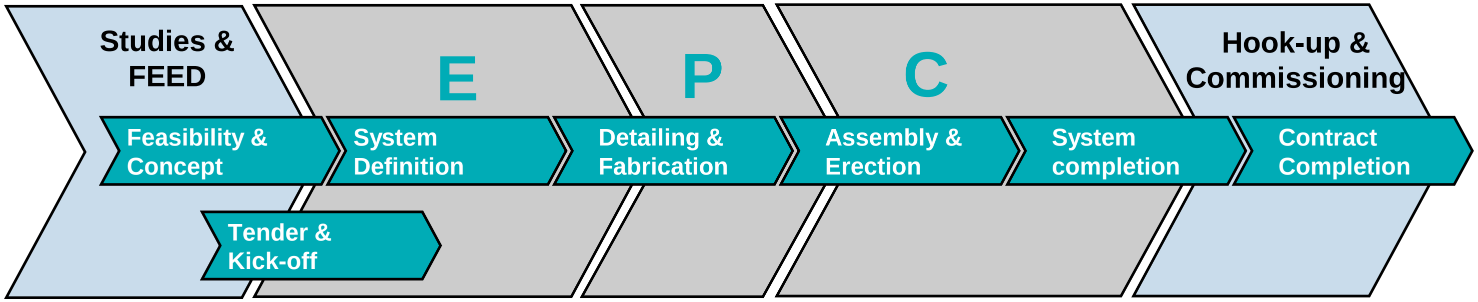
Reduced costs and improved competitive power:
Standardisation and industrialisation

Kvaerner's state of the art Project Execution Model



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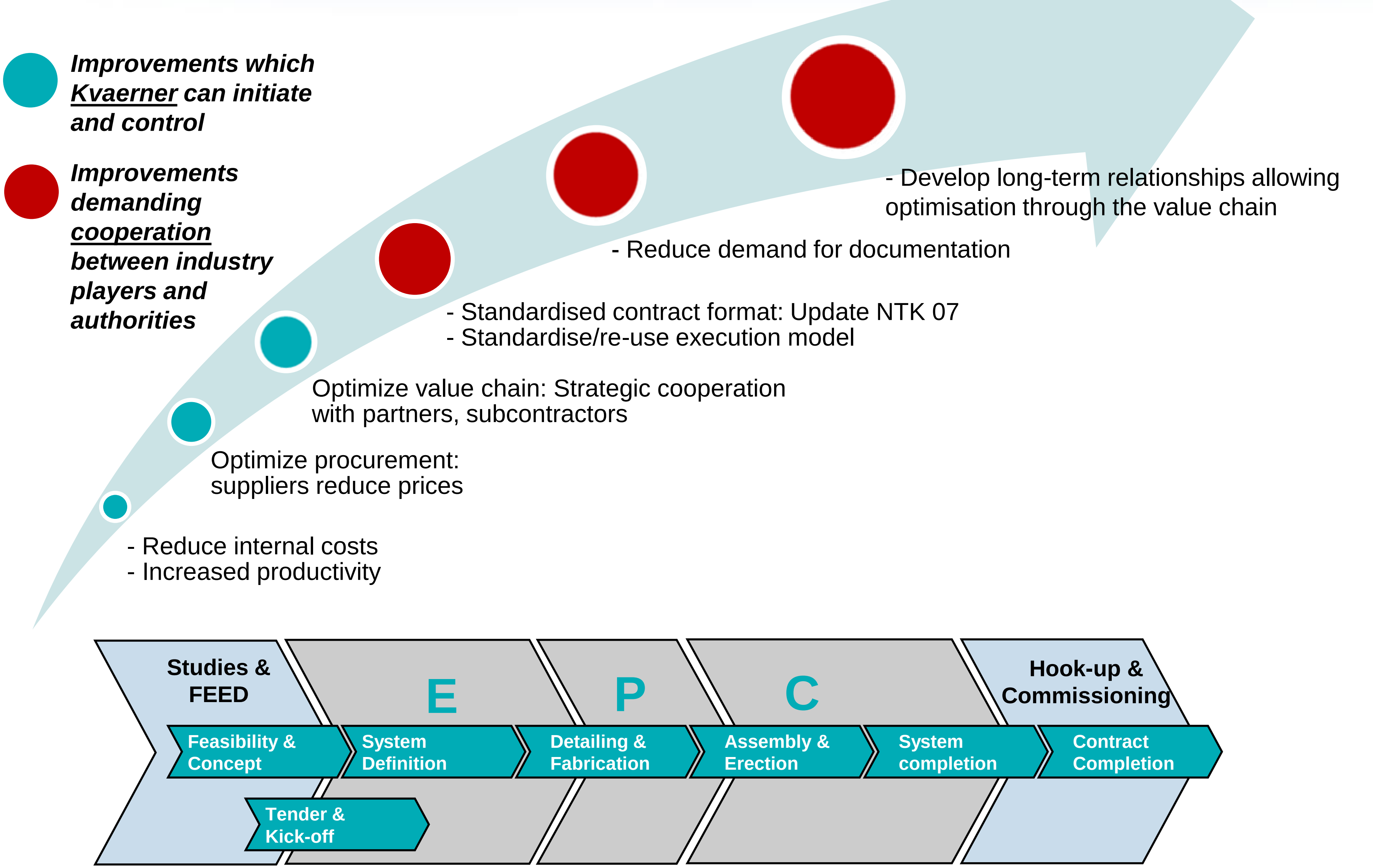
Reduced costs and improved competitive power:
Standardisation and industrialisation



Commit to deliver – Deliver as committed:

Well positioned for new projects

1) Globally recognized for predictable quality and schedule
2) Leading track record for predictability with regards to budgets
3) Documented effect of ongoing cost reductions – More improvements coming

Illustration: Statoil

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Concluding remarks

- Predictability + Improvements = Increased competitive power
- 2015 contract awards of key importance
- Solid balance sheet
- Sustained dividend policy

- **HSSE – core value and licence to operate**
- **Maintain and develop home markets**
- **Develop global delivery model for Norway and abroad**
- **Hands-on management**

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APPENDIX

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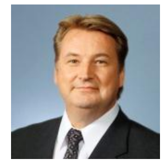
Executive Management Team

President & CEO
Jan Arve Haugan
Oslo

CFO
Eiliv Gjesdal
EVP, *Oslo*



Business Development
Risto Neuvo
SVP, *London*

Business Support
Knut Johan Malvik
SVP, *Oslo*

Americas
Jim Miller
EVP, *USA*

Legal & Compliance
Henrik Inadomi
SVP, *Oslo*

International Projects
Tony Allen
EVP, *London*

Topsides
Steinar Røgenes
EVP, *Stord*

Jackets
Sverre Myklebust
EVP, *Verdal*

Concrete Solutions
Arnt Knudsen
EVP, *Oslo*

Onshore
Olav Jan Støve
EVP, *Oslo*

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Financial items and tax

Amounts in NOK million	Q4 2014	Q4 2013	FY 2014	FY 2013
Net interest income/(expense)	(14)	(15)	(46)	(57)
Profit/(loss) on foreign currency contracts	(13)	(7)	(25)	(7)
Net foreign exchange gain/(loss)	(23)	(30)	(34)	(31)
Other financial items, net	(4)	(2)	0	(1)
Net financial income/(expense)	**(54)**	**(54)**	**(105)**	**(96)**

- Loss on foreign currency contracts: mainly unrealised loss on cash flow hedges not qualifying for hedge accounting.
- Other net foreign exchange loss: mainly net foreign exchange losses related to non-cash impacts from intercompany loans and equity settlements with foreign branches.

NOK million	2014
Profit before tax	**329**
Total tax reported	(301)
Tax rate	92 %
Significant one-off items	
Goodwill impairment - no tax effect	72
Write down of tax balances	60
Increased provisions on tax audits	26
Loss on associate investment write down	20
Other	9
Adjusted tax charge	**(115)**
Adjusted tax rate	35 %

- Tax rate of 92 percent for the year.
- Adjusting for significant, one-off items, adjusted tax rate is within expected range.

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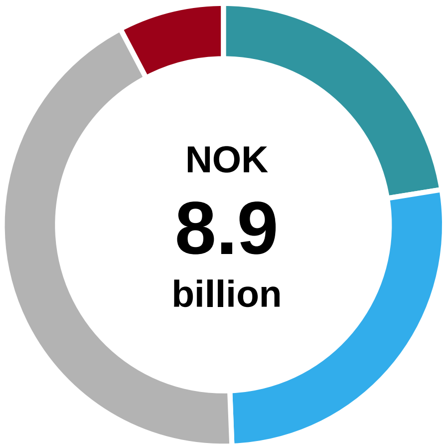
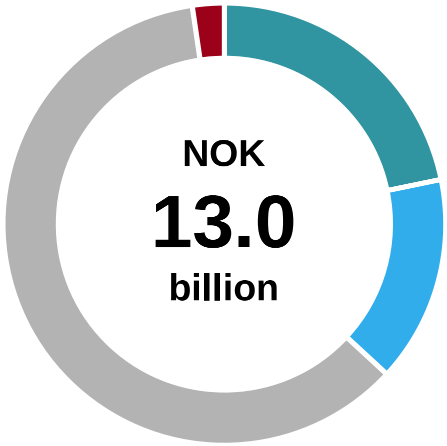
Revenue distribution – continuing operations

Share of revenues 2012
Percent



Share of revenues 2013
Percent



Share of revenues 2014
Percent

Contractors International | Concrete Solutions | Jackets | Contractors Norway

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