

Third quarter results 2019

28 October 2019



KVERNER™

Highlights, third quarter 2019

- High activity in most parts of the organisation
- High marketing activity
- New contract, Njord HUC
- New contract for Gyda
- Pre-FEED for Equinor's Empire Wind

Subsequent event:

- Johan Sverdrup Phase 1 in operation



Contract with Repsol for Gyda field

Best in class HSSE = Competitive advantage

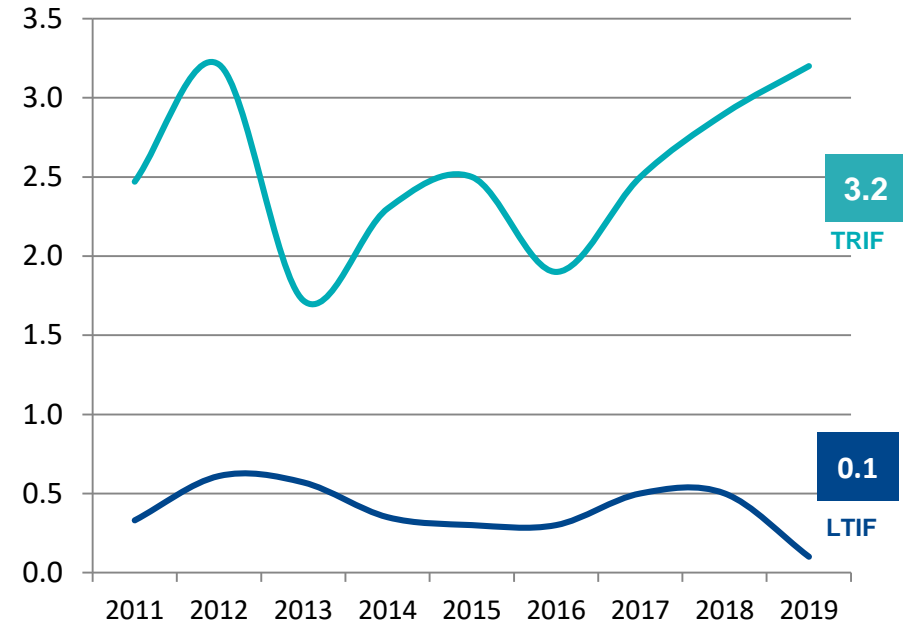
- High HSSE attention throughout org.
- Positive development within sick leave
- Joint HSSE campaign and safety culture initiatives with clients
- Digitalisation of HSSE processes and communication activities



- One serious incident
- Need to reduce minor medical treatment cases



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



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



Njord A upgrade



Johan Castberg FPSO



Johan Sverdrup RP module
and modification



Johan Sverdrup Phase 2
process platform jacket



Valhall Flank West
normally unmanned WHP



Nord Stream 2 onshore facility



West White Rose
marine operations

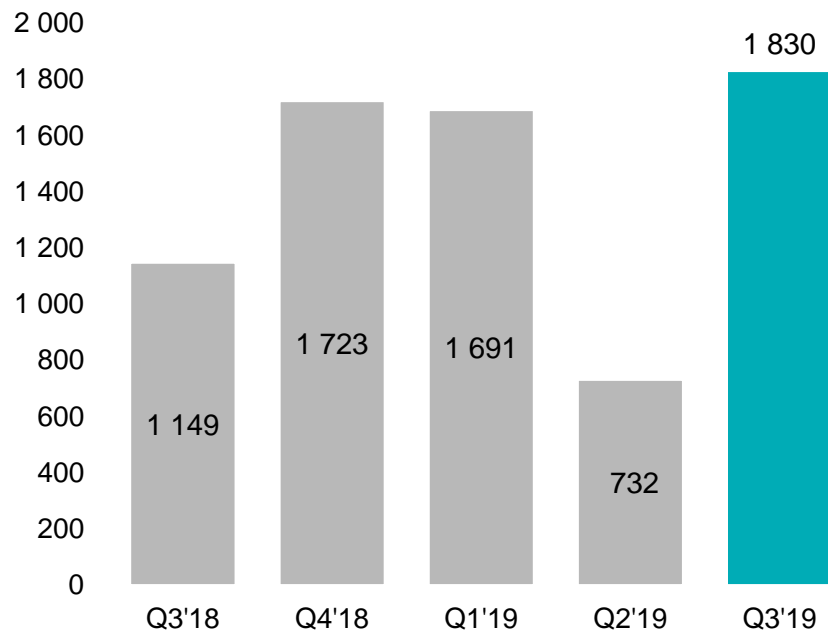
*Various smaller and
medium sized
projects*

Other projects

Order intake and backlog

Order intake

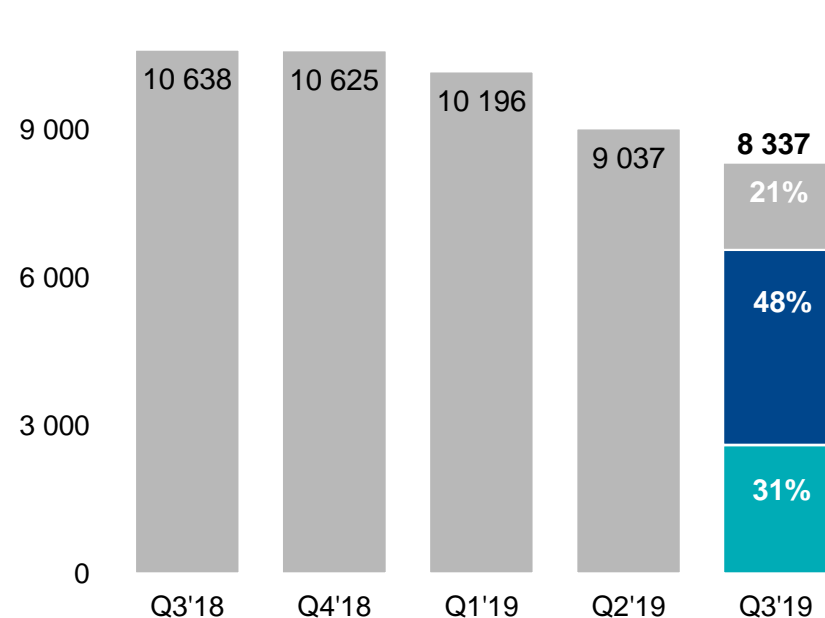
NOK million



Order backlog

NOK million

12 000



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

Estimated scheduling as of 30.09.2019:

- For execution in 2019
- For execution in 2020
- For execution in 2021+

Third quarter financials

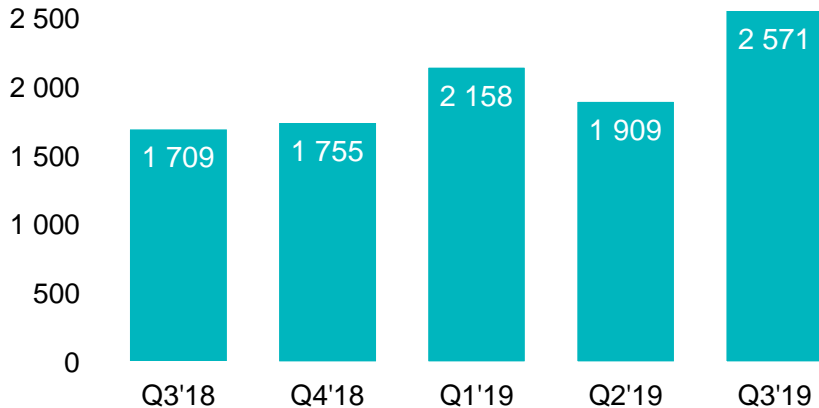
Idar Eikrem, Chief Financial Officer

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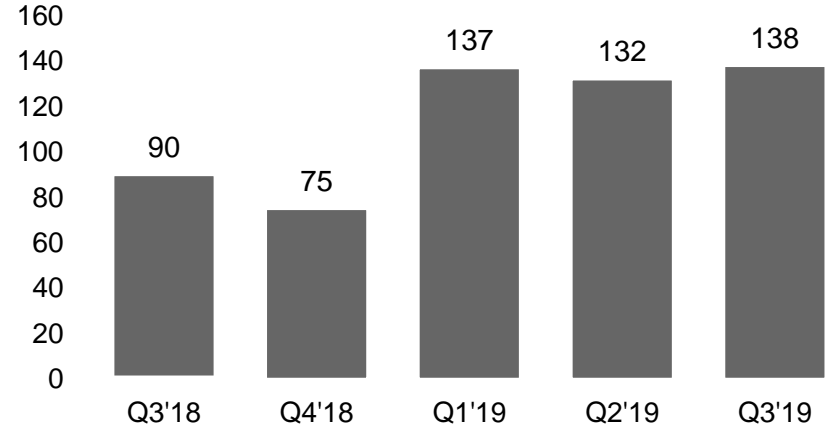
Field Development review

- › EBITDA margin for third quarter 2019 was 5.4 percent
- › Results reflect phasing of projects

Revenues
NOK million



EBITDA
NOK million



EBITDA-%	5.2%	4.3%	6.3%	6.9%	5.4%
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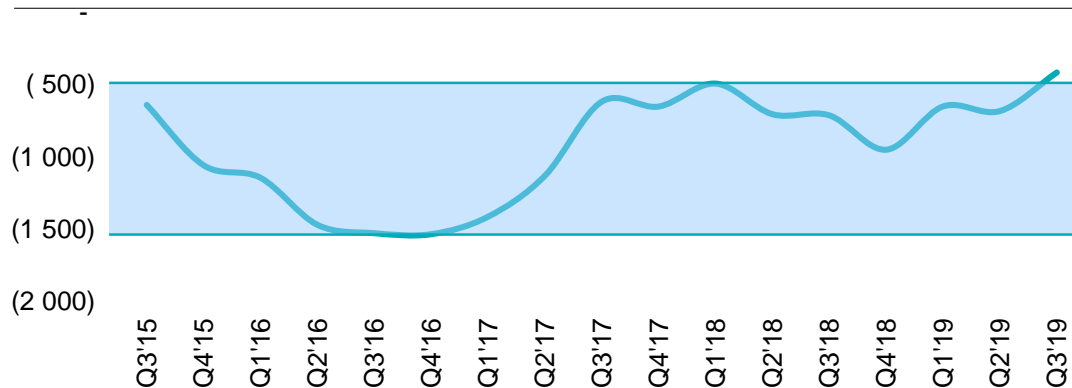
Note: All figures include Kvaerner's scope of work of jointly controlled entities

Cash flow and working capital development

Amounts in NOK million	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Cash flow from operating activities	(171)	227	27	(152)	349	719
Cash flow from investing activities	(105)	(101)	(103)	(276)	(209)	(335)
Cash flow from financing activities	(29)	(293)	(2)	(338)	(14)	(29)
Translation adjustments	10	4	(4)	21	(10)	(4)
Net increase/(decrease) in cash and bank deposits	(294)	(163)	(82)	(745)	116	352


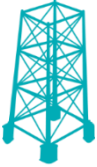




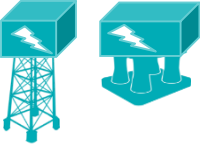


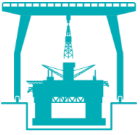



- Negative working capital of NOK 414 million
- Fluctuations in working capital must be expected
- Capital tied up in the Nordsee Ost project

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



Markets

Kvaerner will have a higher activity than before, in more areas than before

Process & Structures	FPSOs	Renewables
 <p>OIL AND GAS PLATFORM TOPSIDES</p>  <p>OIL AND GAS PLATFORM STEEL SUBSTRUCTURES</p>  <p>UNMANNED WELLHEAD PLATFORMS</p>  <p>CONCRETE SUBSTRUCTURES FOR OIL AND GAS PLATFORMS</p>	 <p>FLOATING PRODUCTION STORAGE AND OFFLOADING VESSELS</p>	 <p>OFFSHORE WIND TURBINE PLATFORMS</p>  <p>OFFSHORE WIND CONVERTER PLATFORMS</p>
 <p>MARINE OPERATIONS</p>  <p>ONSHORE PROCESS PLANTS</p>  <p>UPGRADING & MODIFICATION</p>  <p>DECOMMISSIONING & RE-USE / RECYCLING</p>		 <p>OFFSHORE FISH FARM FACILITIES</p>  <p>CARBON CAPTURE FACILITIES</p>

A clear strategic direction for growth

Increased
market share at NCS

1

Growth in selected
international markets

2

Increased business in
growth segments

3

Fundamentals for success:

- a) HSSE: best in class
- b) Increased productivity, reduced costs
- c) Effective delivery models
- d) Competence profile fit for upcoming market

3Q19 summary

- › Operations and results on track
- › Activity will be high through the winter
- › Positive market outlook, several important prospects expected to be concluded in 2020 and 2021

Way forward

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

Appendix third quarter results 2019

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Income statement

Amounts in NOK million	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Total revenue and other income ¹	2 450	1 876	1 764	6 445	5 504	7 220
Operating expenses	(2 312)	(1 744)	(1 687)	(6 045)	(5 145)	(6 783)
EBITDA	138	132	76	399	359	437
Depreciation, amortisation and impairment	(65)	(42)	(28)	(148)	(81)	(110)
EBIT	73	90	48	251	278	327
Net financial income/(expense)	13	2	4	1	(22)	11
Profit/(loss) before tax	86	92	53	253	256	338
Income tax expense	(13)	(21)	(15)	(52)	(66)	(60)
Profit/(loss) from continuing operations	72	71	37	201	190	278
Profit/(loss) from discontinued operations	(0)	(2)	(2)	(6)	2	0
Net profit/(loss)	72	69	35	195	192	278
EBITDA	138	132	76	399	359	437
Adjusted EBITDA ²	135	132	75	404	367	427
Adjusted EBITDA margin	5.5 %	7.0 %	4.2 %	6.3 %	6.7 %	5.9 %
Earnings per share (NOK)						
Basic and diluted EPS continuing operations	0.27	0.27	0.14	0.75	0.71	1.04
Basic and diluted EPS discontinued operations	(0.00)	(0.01)	(0.01)	(0.02)	0.01	0.00
Basic and diluted EPS total operations	0.27	0.26	0.13	0.73	0.72	1.04

- > IFRS 16 Leases
 - The standard has been implemented from 1 January 2019
 - Comparative figures are not restated
 - Impacts of the new standard are further specified in slide 22 and 23

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

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

Segment information third quarter

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018
Construction contracts	1 967	1 236	-	-	1 967	1 236
Services revenue	220	165	(9)	-	211	165
Revenue/share of result from joint ventures	254	241	(203)	(129)	51	112
Other revenue	130	67	86	181	216	248
Revenue from contracts with customers	2 571	1 709	(127)	51	2 445	1 760
Lease revenue	-	-	5	4	5	4
Gain on sale of assets	-	0	-	-	-	0
Internal revenue	0	0	(0)	(0)	-	-
Total revenue and other income	2 571	1 709	(122)	55	2 450	1 764
Adjusted EBITDA ¹	138	90	(3)	(15)	135	75
EBITDA	138	90	(0)	(13)	138	76
Depreciation, amortisation and impairment	(53)	(28)	(12)	-	(65)	(28)
EBIT	85	62	(12)	(13)	73	48
Net current operating assets	(362)	(748)	(51)	36	(414)	(711)

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

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

Segment information year to date

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018
Construction contracts	5 074	3 760	-	-	5 074	3 760
Services revenue	715	776	-	-	715	776
Revenue/share of result from joint ventures	597	682	(454)	(540)	143	142
Other revenue	252	280	246	535	498	816
Revenue from contracts with customers	6 638	5 498	(208)	(5)	6 430	5 494
Lease revenue	-	-	14	11	14	11
Gain on sale of assets	0	0	-	-	0	0
Internal revenue	0	0	(0)	(0)	-	-
Total revenue and other income	6 638	5 498	(194)	6	6 445	5 504
Adjusted EBITDA ¹	407	413	(3)	(45)	404	367
EBITDA	407	413	(8)	(53)	399	359
Depreciation and amortisation	(112)	(81)	(36)	-	(148)	(81)
EBIT	295	331	(44)	(53)	251	278

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

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

Segment information full year 2018

Amounts in NOK million	Field Development	Group activities and eliminations	Consolidated
	FY 2018	FY 2018	FY 2018
Construction contracts	4 811	-	4 811
Services revenue	1 272	-	1 272
Revenue/share of result from joint ventures	898	(706)	192
Other revenue	267	658	925
Revenue from contracts with customers	7 248	(48)	7 200
Lease revenue	-	14	14
Gain on sale of assets	6	-	6
Internal revenue	0	(0)	-
Total revenue and other income	7 253	(34)	7 220
Adjusted EBITDA ¹	487	(60)	427
EBITDA	487	(51)	437
Depreciation and amortisation	(110)	-	(110)
EBIT	377	(51)	327
Net current operating assets	(885)	(64)	(949)

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

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

Discontinued operations

<i>Amounts in NOK million</i>	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Total revenue and other income	-	-	-	-	-
Administrative and legal expenses	(2)	(2)	(7)	2	(1)
EBIT	(2)	(2)	(7)	2	(1)
Net financial income/(expense)	2	0	1	(0)	2
Profit/(loss) before tax	(0)	(2)	(6)	2	1
Income tax income/(expense)	-	(0)	-	(0)	(1)
Profit/(loss) from discontinued operations	(0)	(2)	(6)	2	0
Basic and diluted earnings/(losses) per share (NOK)	(0.00)	(0.01)	(0.02)	0.01	0.00
Net assets	(26)	(33)	(26)	(33)	(34)

➤ Full year 2018 results reflecting insurance settlements in Q2 2018

<i>Amounts in NOK million</i>	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Cash flow from operating activities	(5)	(5)	(16)	(1)	(6)
Cash transferred (to)/from parent	1	(11)	10	(2)	1
Translation adjustments	1	(0)	1	(0)	2
Net increase/(decrease) in cash and bank deposits	(3)	(17)	(4)	(4)	(3)
Cash at the beginning of the period	26	45	28	31	31
Cash at the end of the period	23	28	23	28	28

Financial items

<i>Amounts in NOK million</i>	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Net interest income/(expense) pre IFRS 16	3	3	13	3	6
Interest expense on lease liabilities	(3)	-	(10)	-	-
Profit/(loss) on foreign currency contracts	(0)	(0)	0	(0)	(0)
Foreign currency embedded derivatives impact	10	(1)	(1)	(24)	7
Net foreign exchange gain/(loss)	1	1	1	(0)	2
Other financial items, net	2	1	(1)	(1)	(4)
Net financial income/(expense)	13	4	1	(22)	11

Cash flow

<i>Amounts in NOK million</i>	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Profit before tax continuing operations	86	53	253	256	338
Profit before tax discontinued operations	(0)	(2)	(6)	2	1
Profit/(loss) before tax total operations	85	51	247	258	339
Depreciation, amortisation and impairment	65	28	148	81	110
Taxes (paid)/refund	(1)	2	(2)	(9)	(10)
Other cash flow from operating activities	(319)	(53)	(545)	18	281
Cash flow from operating activities	(171)	27	(152)	349	719
Capital expenditure	(115)	(103)	(267)	(202)	(334)
Other cash flow from investing activities	10	0	(9)	(6)	(1)
Cash flow from investing activities	(105)	(103)	(276)	(209)	(335)
Interest portion on lease liabilities	(3)	-	(10)	-	-
Principle portion on lease liabilities	(9)	-	(32)	-	-
Dividends	-	-	(268)	-	-
Other cash flow from financing activities	(17)	(2)	(28)	(14)	(29)
Cash flow from financing activities	(29)	(2)	(338)	(14)	(29)
Translation adjustments	10	(4)	21	(10)	(4)
Net increase/(decrease) in cash and bank deposits	(294)	(82)	(745)	116	352
Cash at the beginning of the period	2 714	3 011	3 165	2 812	2 812
Cash at the end of the period	2 420	2 929	2 420	2 929	3 165

Balance sheet - Assets

<i>Amounts in NOK million</i>	30.09.2019	30.09.2018	31.12.2018
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	1 129	875	967
Right-of-use assets (IFRS 16)	123	-	-
Intangible assets	729	695	710
Investments in associates and jointly controlled entities	61	82	69
Interest-bearing receivables	20	-	-
Other non-current assets	0	13	7
Total non-current assets	2 061	1 666	1 753
<i>Current assets</i>			
Trade and other receivables	1 808	1 866	1 402
Total cash and bank	2 420	2 929	3 165
Retained assets of business sold	0	0	0
Total current assets	4 227	4 795	4 567
Total assets	6 288	6 460	6 320

➤ Trade and other receivables at end of Q3 2019 includes contract assets of NOK 542 million

Balance sheet – Equity and liabilities

<i>Amounts in NOK million</i>	30.09.2019	30.09.2018	31.12.2018
Equity and liabilities			
<i>Equity</i>			
Share capital	91	91	91
Share premium	729	729	729
Retained earnings	2 636	2 627	2 710
Other reserves	(85)	(83)	(91)
Total equity	3 371	3 364	3 439
<i>Non-current liabilities</i>			
Non-current lease liabilities (IFRS 16)	89	-	-
Deferred tax liabilities	314	278	265
Employee benefit liabilities	229	207	229
Total non-current liabilities	632	485	494
<i>Current liabilities</i>			
Current lease liabilities (IFRS 16)	35	-	-
Trade and other payables	2 106	2 323	2 118
Tax liabilities	3	0	0
Provisions	115	254	233
Retained liabilities of business sold	26	34	35
Total current liabilities	2 286	2 611	2 386
Total equity and liabilities	6 288	6 460	6 320

> Trade and other payables at end of Q3 2019 includes contract liabilities of NOK 123 million

Basis for preparation

› *Accounting principles*

- The accounting principles applied in these condensed consolidated interim financial statements are the same as those applied in the Annual accounts 2018 except the implementation of new financial reporting standards as indicated below. Reference is also made to annual accounts 2018 note 2, discussing the new standards and potential impacts to the accounts
- IFRS 16 Leases
 - The group adopted IFRS 16 as from 1 January 2019. There were no transition impacts on equity on transition date
 - The new standard significantly changes how Kvaerner's lease contracts are accounted for
 - Kvaerner has elected to apply the modified retrospective approach (with practical expedients) at the date of initial application; 1 January 2019, with no restatement of comparable periods

IFRS 16 – impacts of new standard

Right-of-use assets and lease liabilities

<i>Amounts in NOK million</i>	Land and buildings	Machinery and vehicles	Total right-of-use assets	Lease liabilities
Balance at 1 January 2019	248	12	260	295
Additions ¹	51	1	52	52
Terminations ¹	(153)	-	(153)	(191)
Depreciation expense	(34)	(2)	(36)	
Installment lease payments				(32)
Balance at 30 September 2019	112	11	123	124

Actual and expected effects on income statement

<i>Amounts in NOK million</i>	Q3 2019	YTD 2019	FY 2019 Annual report 2018	FY 2019 Revised	FY 2020 Estimated
Lease expenses, effect on EBITDA	12	42	58	52	40
Depreciation of right-of-use assets	(12)	(36)	(47)	(45)	(37)
Interest expense on lease liabilities	(3)	(10)	(13)	(12)	(5)

- Earnings before interest, taxes, depreciation and amortisation (EBITDA) increases following implementation of IFRS 16, as lease payments are presented as depreciation and finance cost rather than operating expense
- Cash flow from operating activities increases and cash flow from financing activities decreases as the interest portion paid for the lease liability and the principle portion of the lease payments will be presented within financing activities
- New lease contracts, lease modifications and contract options could change the impacts on the group financials

¹ Main effects are due to relocation of Kvaerner's headquarters at end of September

Alternative performance measures

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

Profit measures

- **EBITDA** is short for Earnings before Interest, Taxes, Depreciation and Amortisation and is term commonly used by analysts and investors
- **Adjusted EBITDA** Earnings before Interest, Taxes, Depreciation and Amortisation excluding impact of embedded foreign currency derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities
- **Adjusted EBITDA pre IFRS 16 margin** is used to compare relative profit between periods. Adjusted EBITDA margin is calculated as Adjusted EBITDA pre IFRS 16 divided by revenue

Alternative performance measures

Order intake measures

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

Financing measures

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

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

Amounts in NOK million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
EBITDA	138	76	399	359	437
Adjustment for equity accounted investees ¹	(3)	(2)	5	8	(9)
Adjusted EBITDA	135	75	404	367	427

¹ Excluding embedded derivatives' impact reported.

Amounts in NOK million	30.09.2019	30.09.2018	31.12.2018
Trade and other receivables	1 266	1 297	979
Contract assets	542	569	423
Trade and other payables	(1 982)	(1 865)	(1 775)
Contract liabilities	(123)	(458)	(343)
Provisions	(115)	(254)	(233)
Net current operating assets (NCOA)	(414)	(711)	(949)
Total cash and bank	2 420	2 929	3 165
Interest-bearing receivables	20	-	-
Net interest bearing deposits and loans pre IFRS 16	2 440	2 929	3 165
Non-current lease liabilities (IFRS 16)	(89)	-	-
Current lease liabilities (IFRS 16)	(35)	-	-
Net interest bearing deposits and loans	2 316	2 929	3 165

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