

A composite image featuring an offshore oil rig on the left and a line of wind turbines on the right, set against a sunset sky. A helicopter is flying in the upper right quadrant. The text is centered over the image.

First quarter results 2020

27 April 2020

Highlights, first quarter 2020

Strengthening position within Renewables

- Strategic positioning for hydrogen
- Strategic positioning for CCS and onshore process facilities

In general, high activity across the organisation prior to Covid-19

Crisis management – Covid-19

Subsequent events:

- Dividend proposal declined by AGM

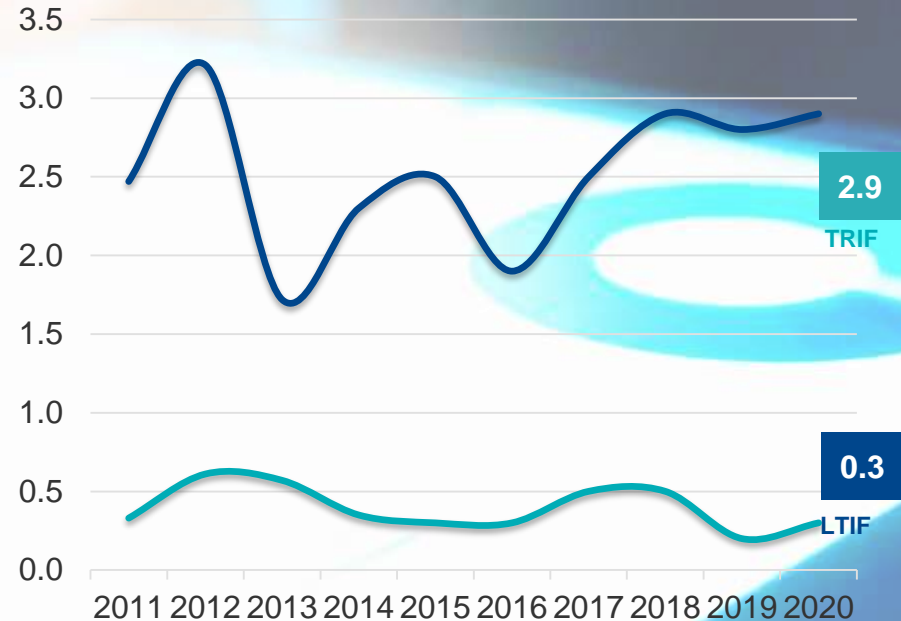


HSSE more important for sustainable business than ever before

- > High HSSE attention throughout org.
- > Joint industry campaign for safety
- > Serious incident frequency (SIF) and Falling object frequency (FOF) within target
- + > Safety behaviour program ongoing
- > Effective crisis management - Life and health number one priority during acute stage of Covid-19

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

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



Necessary measures against the Covid-19 virus

- Reduce number of people meeting each other at work
 - Home office solutions are used when possible
 - ~3 400 foreign hired-ins demobilised
- Comprehensive measures taken to prevent infection:
 - Travel restriction, reduced commuting, meetings etc.
- Support to the health authorities:
 - Donation of protective gear, foundations, consulting
- About three employees in quarantine
 - Two employees have been infected (while working from home-offices)

	Late Dec. 2019	Late Mar. 2020	Late Apr. 2020
Own employees	2 730	2 720	2 720
Hired-ins	3 630	595	559
TOTAL MANPOWER	6 360	3 315	3 279
Temporary lay-offs, own employees	0	140	225

Ongoing projects

Johan Castberg FPSO

Njord A Upgrade

Sverdrup P2 jacket

Sverdrup RP module

Hydro Husnes Aluminium

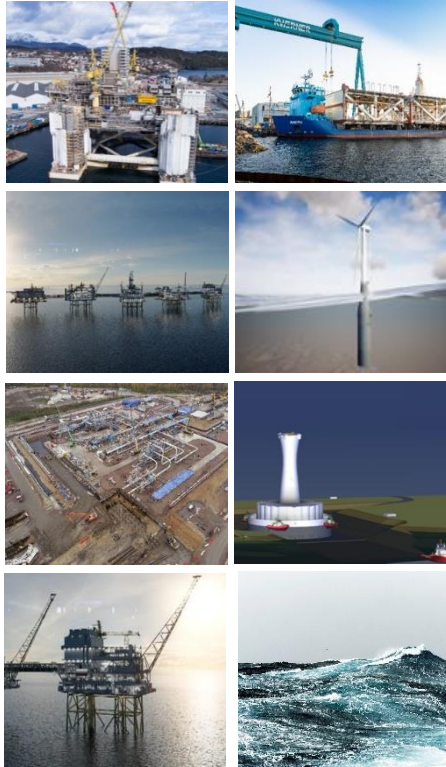
Hywind Tampen offshore vind

Removal of platform, Canada

West White Rose marine ops

Nord Stream 2

Decommissioning projects

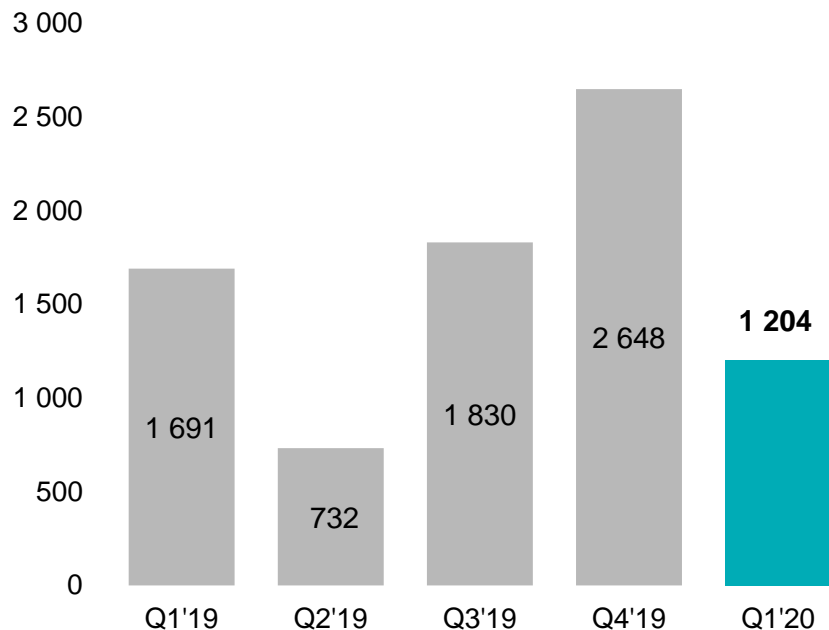


- Fewer hired-in resources, higher degree of own local employees until virus risk is mitigated
- Cost reductions, temporary leave and permanent lay-offs

Order intake and backlog

Order intake

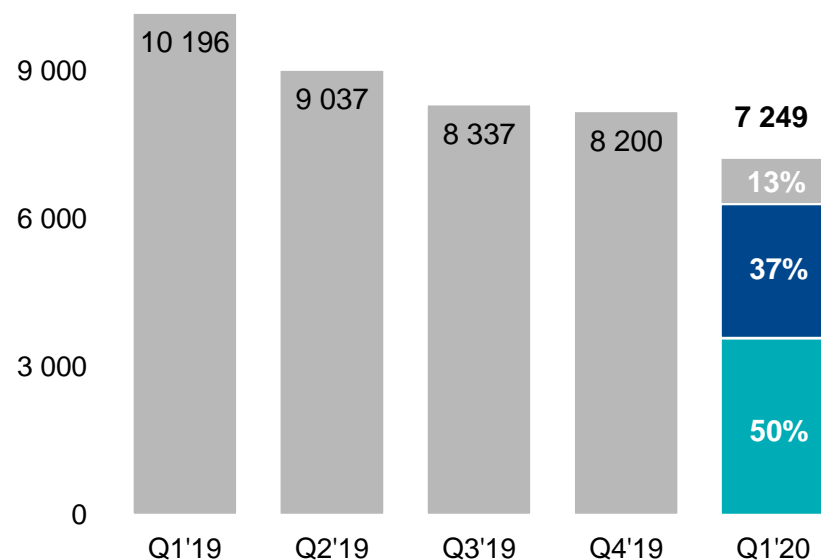
NOK million



Order backlog

NOK million

12 000



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

Estimated scheduling as of 31.03.2020:

- For execution in 2020
- For execution in 2021
- For execution in 2022+

First quarter financials

Idar Eikrem, Chief Financial Officer

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Covid-19 impacts on 2020 financial results

- Kvaerner follows the Covid-19 virus development with deep concern
 - Restrictions and guidelines from the authorities have been adopted
 - Demobilisation of most hired-in personnel previously based in camps at the Stord and Verdal yards

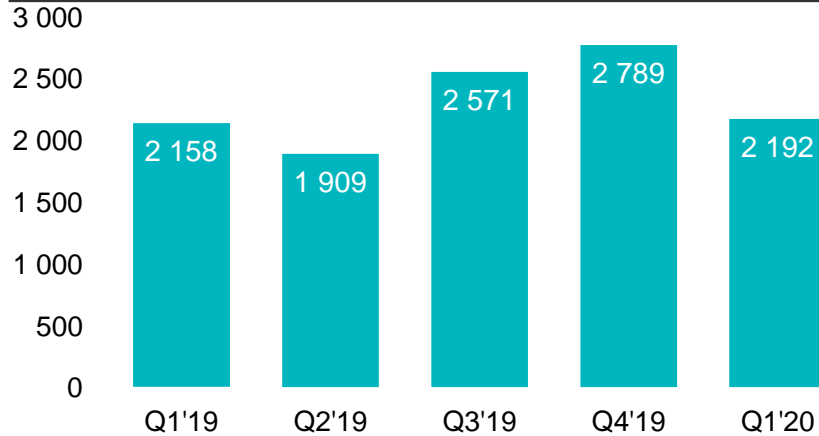
- Kvaerner is negatively impacted by the Covid-19 development
 - A provision of NOK 101 million has been made
 - Until the uncertainty related to availability and extra costs for projects resources is concluded - margin recognition temporarily reduced for some projects
 - In total these elements have contributed to a negative impact on Adjusted EBITDA of NOK 192 million for the first quarter 2020

- For 2020 as a whole, it is too early to assess the total effects of the virus development and of the volatile markets
 - Evaluation and mitigation associated with these issues, and if necessary also implementation of further steps to reduce risks, will be in focus through 2020

Field Development review

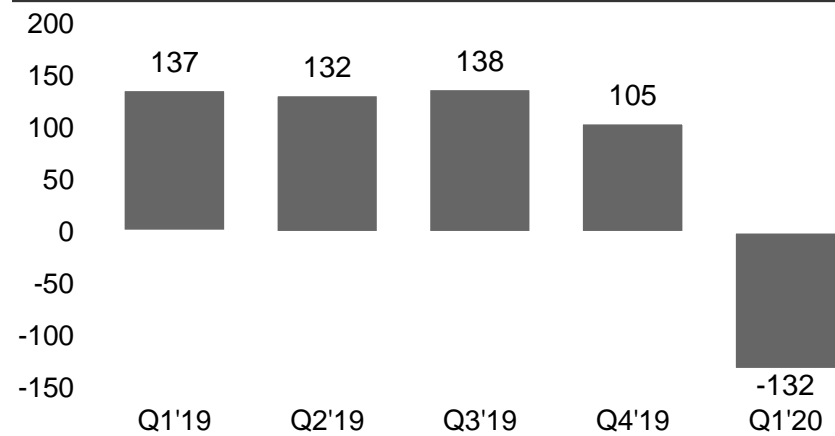
- EBITDA margin for first quarter 2020 was -6 percent
- Excluding Covid-19 effects, the EBITDA was NOK 60 million

Revenues NOK million



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

EBITDA NOK million



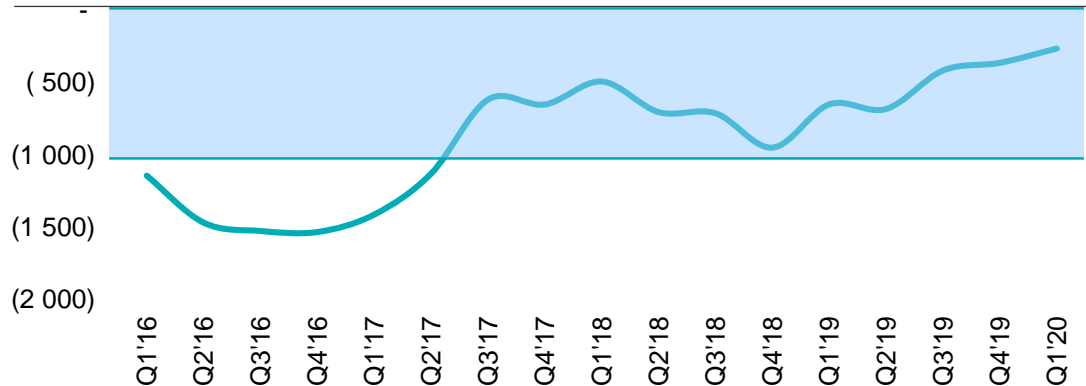
EBITDA-%	6.3%	6.9%	5.4%	3.8%	-6.0%
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Cash flow and working capital development

Amounts in NOK million	Q1 2020	Q4 2019	Q1 2019	FY 2019
Cash flow from operating activities	(240)	54	(208)	(98)
Cash flow from investing activities	(51)	(115)	(69)	(391)
Cash flow from financing activities	(10)	(29)	(17)	(367)
Translation adjustments	(4)	(5)	6	15
Net increase/(decrease) in cash and bank deposits	(304)	(96)	(288)	(841)

- Negative working capital of NOK 262 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)



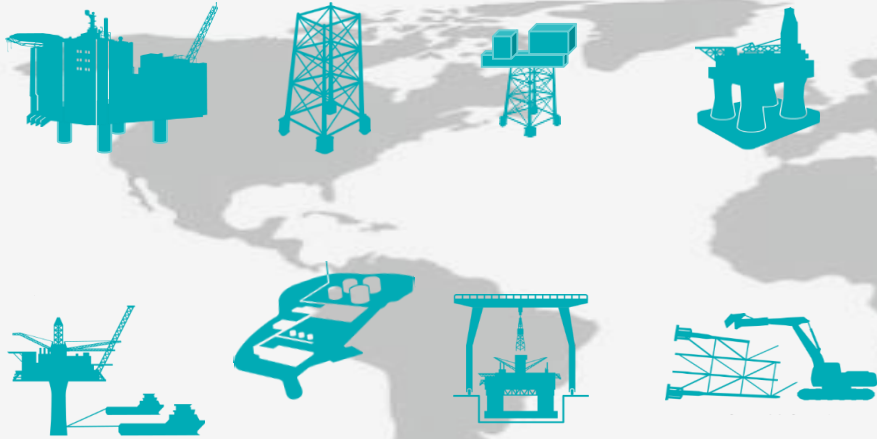
Market opportunities and way forward

Karl-Petter Løken, President & CEO

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A combination of several international drivers influence frame conditions and prospects

Process & Structures



FPSOs


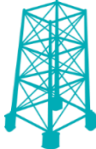














Renewables



- › International and national virus protection measures limits businesses
- › Reduced speed in global economic activity for a period
- › Volatile oil and gas markets
- › Customers postpone start of new projects, especially within oil and gas greenfield business

Markets

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

Positioning for several prospects, including within Renewables:

- Offshore windpower projects, prospects for both smaller units and larger converter platforms
- CCS-related facilities. MoU with Fortum regarding possible project at Klemetsrud, Norway
- Fishfarming-related prospects
- Decommissioning and re-use of old offshore installations
- Etc.


Summary: 1Q20 and way forward

Well positioned:

- HSSE – Best in class ambition
- Leading execution model
- Business model based on design-build contract, based on solid and positive cash flow
- Well positioned for new projects
 - Renewable business areas
 - Oil & gas projects



Main focus 2020

- Protect lives and health during the corona pandemic
 - Handle the company and its operations as well as possible during the crisis
 - Capacity adjustments and cost reductions
- 
- Prepare for the aftermath of the crisis
 - Strategic development of business

Kvaerner – building values and societies

Appendix first quarter results 2020

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Income statement

<i>Amounts in NOK million</i>	Q1 2020	Q4 2019	Q1 2019	FY 2019
Total revenue and other income ¹	2 134	2 588	2 119	9 032
Operating expenses	(2 262)	(2 489)	(1 990)	(8 534)
EBITDA	(128)	99	129	498
Depreciation, amortisation and impairment	(50)	(44)	(41)	(193)
EBIT	(178)	54	88	306
Net financial income/(expense)	11	0	(13)	2
Profit/(loss) before tax	(167)	55	75	307
Income tax expense	41	(12)	(17)	(64)
Profit/(loss) from continuing operations	(127)	43	57	244
Profit/(loss) from discontinued operations	3	(5)	(3)	(10)
Net profit/(loss)	(123)	39	54	233
EBITDA	(128)	99	129	498
Adjusted EBITDA ²	(137)	100	137	505
Adjusted EBITDA margin	-6.4 %	3.9 %	6.5 %	5.6 %
Earnings per share (NOK)				
Basic and diluted EPS continuing operations	(0.47)	0.16	0.21	0.91
Basic and diluted EPS discontinued operations	0.01	(0.02)	(0.01)	(0.04)
Basic and diluted EPS total operations	(0.46)	0.14	0.20	0.87

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 first quarter

Amounts in NOK million	Field Development		Group activities and eliminations		Consolidated	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Construction contracts	1 837	1 618	-	-	1 837	1 618
Services revenue	43	279	(0)	-	42	279
Revenue/share of result from joint ventures	255	208	(235)	(164)	21	44
Other revenue	57	53	176	121	233	174
Revenue from contracts with customers	2 192	2 158	(59)	(43)	2 134	2 115
Lease revenue	-	-	-	4	-	4
Gain on sale of assets	0	0	-	-	0	0
Internal revenue	0	0	(0)	(0)	-	-
Total revenue and other income	2 192	2 158	(59)	(39)	2 134	2 119
Adjusted EBITDA¹	(132)	137	(5)	0	(137)	137
EBITDA	(132)	137	4	(7)	(128)	129
Depreciation, amortisation and impairment	(40)	(29)	(10)	(12)	(50)	(41)
EBIT	(173)	108	(5)	(20)	(178)	88
Net current operating assets	(248)	(724)	(14)	75	(262)	(649)

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

Amounts in NOK million	Field Development	Group activities and eliminations	Consolidated
	FY 2019	FY 2019	FY 2019
Construction contracts	7 316	-	7 316
Services revenue	936	-	936
Revenue/share of result from joint ventures	867	(709)	158
Other revenue	293	315	608
Revenue from contracts with customers	9 412	(395)	9 018
Lease revenue	14	-	14
Gain on sale of assets	0	-	0
Internal revenue	0	(0)	-
Total revenue and other income	9 427	(395)	9 032
Adjusted EBITDA¹	512	(8)	505
EBITDA	512	(14)	498
Depreciation and amortisation	(102)	(91)	(193)
EBIT	410	(105)	306
Net current operating assets	(321)	(40)	(361)

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>	Q1 2020	Q1 2019	FY 2019
Total revenue and other income	0	-	-
Administrative and legal expenses	(2)	(3)	(11)
EBIT	(2)	(3)	(11)
Net financial income/(expense)	5	(0)	0
Profit/(loss) before tax	3	(3)	(10)
Income tax income/(expense)	-	-	-
Profit/(loss) from discontinued operations	3	(3)	(10)
Basic and diluted earnings/(losses) per share (NOK)	0.01	(0.01)	(0.04)
Net assets	(30)	(32)	(26)

<i>Amounts in NOK million</i>	Q1 2020	Q1 2019	FY 2019
Cash flow from operating activities	5	(5)	(18)
Cash transferred (to)/from parent	2	7	12
Translation adjustments	5	(0)	0
Net increase/(decrease) in cash and bank deposits	12	2	(6)
Cash at the beginning of the period	22	28	28
Cash at the end of the period	34	30	22

Financial items

<i>Amounts in NOK million</i>	Q1 2020	Q1 2019	FY 2019
Net interest income/(expense) pre IFRS 16	3	3	19
Interest expense on lease liabilities	(1)	(4)	(12)
Profit/(loss) on foreign currency contracts	(1)	0	0
Foreign currency embedded derivatives impact	7	(12)	(6)
Net foreign exchange gain/(loss)	5	0	2
Other financial items, net	(1)	(2)	(1)
Net financial income/(expense)	11	(13)	2

Cash flow

<i>Amounts in NOK million</i>	Q1 2020	Q1 2019	FY 2019
Profit before tax continuing operations	(167)	75	307
Profit before tax discontinued operations	3	(3)	(10)
Profit/(loss) before tax total operations	(164)	71	297
Depreciation, amortisation and impairment	50	41	193
Taxes (paid)/refund	(6)	(1)	(14)
Other cash flow from operating activities	(120)	(319)	(574)
Cash flow from operating activities	(240)	(208)	(98)
Capital expenditure	(31)	(70)	(374)
Other cash flow from investing activities	(20)	1	(16)
Cash flow from investing activities	(51)	(69)	(391)
Interest portion on lease liabilities	(1)	(4)	(12)
Principle portion on lease liabilities	(9)	(12)	(40)
Dividends	0	-	(268)
Other cash flow from financing activities	0	(2)	(47)
Cash flow from financing activities	(10)	(17)	(367)
Translation adjustments	(4)	6	15
Net increase/(decrease) in cash and bank deposits	(304)	(288)	(841)
Cash at the beginning of the period	2 324	3 165	3 165
Cash at the end of the period	2 020	2 877	2 324

Balance sheet - Assets

<i>Amounts in NOK million</i>	31.03.2020	31.03.2019	31.12.2019
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	1 158	989	1 164
Right-of-use assets (IFRS 16)	112	248	121
Intangible assets	737	728	740
Investments in associates and jointly controlled entities	95	110	73
Interest-bearing receivables	40	-	20
Other non-current assets	8	7	8
Total non-current assets	2 150	2 082	2 126
<i>Current assets</i>			
Trade and other receivables	1 897	1 831	1 906
Prepaid company tax	-	0	1
Total cash and bank	2 020	2 877	2 324
Retained assets of business sold	0	1	0
Total current assets	3 917	4 709	4 231
Total assets	6 068	6 791	6 357

Trade and other receivables at end of Q1 2020 includes contract assets of NOK 753 million

Balance sheet – Equity and liabilities

<i>Amounts in NOK million</i>	31.03.2020	31.03.2019	31.12.2019
Equity and liabilities			
<i>Equity</i>			
Share capital	91	91	91
Share premium	729	729	729
Retained earnings	2 549	2 767	2 672
Other reserves	(105)	(95)	(107)
Total equity	3 264	3 492	3 385
<i>Non-current liabilities</i>			
Non-current lease liabilities (IFRS 16)	78	236	87
Deferred tax liabilities	263	283	313
Employee benefit liabilities	236	219	243
Total non-current liabilities	577	738	643
<i>Current liabilities</i>			
Current lease liabilities (IFRS 16)	36	47	36
Trade and other payables	2 029	2 325	2 096
Tax liabilities	1	1	1
Provisions	130	156	170
Retained liabilities of business sold	31	32	26
Total current liabilities	2 227	2 561	2 330
Total equity and liabilities	6 068	6 791	6 357

Trade and other payables at end of Q1 2020 includes contract liabilities of NOK 169 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 2019. Reference is also made to annual accounts 2019 note 2 Accounting estimates and judgements

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

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	Q1 2020	Q1 2019	FY 2019
EBITDA	(128)	129	498
Adjustment for equity accounted investees ¹	(9)	8	6
Adjusted EBITDA	(137)	137	505

¹ Excluding embedded derivatives' impact reported.

Amounts in NOK million	31.03.2020	31.03.2019	31.12.2019
Trade and other receivables	1 144	1 242	1 002
Contract assets	753	589	904
Trade and other payables	(1 859)	(1 980)	(2 013)
Contract liabilities	(169)	(344)	(84)
Provisions	(130)	(156)	(170)
Net current operating assets (NCOA)	(262)	(649)	(361)
Total cash and bank	2 020	2 877	2 324
Interest-bearing receivables	40	-	20
Net interest bearing deposits and loans pre IFRS 16	2 060	2 877	2 344
Non-current lease liabilities (IFRS 16)	(78)	(236)	(87)
Current lease liabilities (IFRS 16)	(36)	(47)	(36)
Net interest bearing deposits and loans	1 945	2 594	2 221

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