Annual Report 2019

KVÆRNER™

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Board of Directors' report 2019

Operational highlights

Order intake worth a total of NOK 6.9 billion secured, including:

- A strategic breakthrough for our Renewables area securing the contract for the Hywind Tampen offshore wind project, worth NOK 1.5 billion. The scope includes the delivery of 11 floating concrete hulls for the turbines, in addition to marine operations
- Awarded the first contract in onshore market outside oil and gas sector, worth NOK 200 million, to install new equipment for the production line B at Hydro's aluminium plant at Husnes, Norway
- Assisting Equinor with the offshore hook-up work to prepare Njord A for production start in the fourth quarter 2020
- Secured the decommissioning contract of Allseas' Gyda platform. This includes offshore preparations assistance, onshore disposal and recycling
- Awarded a marine operations contract which includes the removal of a production platform offshore Canada
- Shell UK awarded Kvaerner a contract to perform early phase design engineering of the planned Jackdaw wellhead platform on the UK continental shelf

Key project milestones and deliveries

- Johan Sverdrup utility and living quarter (ULQ) topside: Project sat a new standard for pre-completion of installation prior to sail-away, resulting platform commencing operation one month ahead of schedule. Sail- away was on schedule 15 February
- Valhall Flank West wellhead platform jacket: fabrication and jacket assembly was completed in the first quarter of 2019. Jacket was towed to the field on 27 April on schedule
- Valhall Flank West unmanned wellhead platform topside: transported from Kvaerner's yard in Verdal on schedule in mid-June, with first oil in mid-December
- Valhall decommissioning: Valhall living quarter platform and bridge arrived at Kvaerner's yard at Stord for deconstruction and recycling in the second quarter
- Njord A Upgrade: heavy lift programme completed in the first quarter, connecting all new and existing systems
- Johan Castberg FPSO: modules from Poland arrived in the third quarter. Fabrication of modules is ongoing at Kvaerner's yards at Stord and Verdal as well as Aker Solutions' yard in Egersund
- Johan Sverdrup RP module and modification: fabrication of the new module started in Poland and at Stord during the second quarter, while offshore work commenced early January 2020
- Johan Sverdrup phase 1: Kvaerner's hook-up and commissioning personnel was part of the finalisation of phase 1, enabling production start on 5 October
- Johan Sverdrup phase 2 process platform jacket: prefabrication started on 20 June. Design engineering completed end-October, while the first roll-up was completed in early January 2020
- Nord Stream 2 landfall contract: majority of mechanical work completed by the end of 2019
- West White Rose marine operations: customer decided to extend the project schedule by one year to 2022

Strategic development

The global energy mix is changing, with an increasing share of renewable energy production. Although the near term oil and gas market is robust, the longer term demand is more uncertain. Kvaerner expects that the number of large new platform projects will decline, and there is a need for large scale discoveries on the Norwegian continental shelf. New oil and gas fields will be important in order to secure the same level of Norwegian value creation, while transitioning to more sustainable production.

Moving forward, Kvaerner expects that its contract portfolio will be more diversified in terms of project sizes and types of industries. The company sees increasing interest and activity around small and medium-sized assets. For these types of projects, customers are increasingly interested in contractors who can offer industrialised concepts which will also contribute to cost reduction. Kvaerner has therefore strategically increased efforts to develop more standardised solutions and delivery models. The awards for the unmanned wellhead platform Valhall Flank West and the Johan Castberg FPSO are examples of this.

The renewables market is expected to continue to grow in the years to come. Particularly within offshore wind, which holds significant opportunities for Kvaerner. Kvaerner is currently targeting several upcoming opportunities within offshore wind turbine foundations and converter stations. In October 2019, Kvaerner was awarded the engineering, construction and installation (EPCI) contract for the largest floating wind project to date, Hywind Tampen.

The foundation of Kvaerner's competitive advantage is employees with industry leading skills and experience, together with state-of-the-art project execution models. The One Kvaerner Academy has been established as an umbrella covering all internal training. This coordinated approach to training and sharing of best practices will increase Kvaerner's competitiveness and strengthen its ability to retain and attract the most talented people. Furthermore, Kvaerner's delivery models are based on effective combination of own capabilities and the yard facilities at Stord and Verdal, together with strategic partners, subcontractors and suppliers.

In 2019, the company has continued to invest in upgrading its facilities, including the quayside at Stord. Kvaerner now believes that it is able to offer one of the world's best production lines for advanced FPSOs (FPSO factory), focusing on secure execution within agreed quality, time and price. In addition, Kvaerner announced a strategic partnership agreement with Samsung Heavy Industries and Aker Solutions in 2019, for joint delivery of upcoming FPSO contracts. The partners have identified several potential prospects for FPSO field developments in the coming years, especially in the northern hemisphere

In light of the continued cost focus in the industry, several improvement initiatives have been initiated and successfully completed; reducing cost levels for upcoming projects by more than 20 percent. Refinement of cost effective delivery models will be a key in the strategic development throughout 2020, and is vital for Kvaerner's competitiveness.

Business overview

Core operations

Kvaerner is a project execution specialist and a trusted advisor for our clients. We provide engineering, procurement and construction (EPC) services and deliver advanced offshore platforms, onshore plants, floating production units (i.e. FPSOs) and renewable energy solutions.

We have offices in seven countries and approximately 2 800 employees. We offer cost-effective, high quality fabrication capacity at our Norwegian yards at Stord and Verdal. In addition to operating these two facilities in Norway, Kvaerner is highly experienced in executing projects at third party yards with recent experience from Canada and Russia. Kvaerner also has solid experience in setting up fabrication sites in new locations.

Kvaerner normally acts as lead contractor on projects, subcontracting work to numerous larger and smaller suppliers.

In September 2019, Kvaerner announced its planned growth in three market areas:

- Process & Structures, serves the market for traditional oil and gas platforms, onshore facilities, decommissioning and marine operations
- Floating production units (i.e. FPSOs), was established to pursue and execute FPSO projects
- Renewables, was established to pursue and execute projects within offshore wind power, green onshore facilities and other renewable business

Over time it is expected that each of the three operational areas will contribute with approximately one third of annual revenues.

Kvaerner is one of the market leaders in delivery of complete offshore platforms and onshore plants for upstream oil and gas projects. The company has been a key contractor for around 70 percent of the platform development projects on the Norwegian continental shelf. Kvaerner has also delivered a significant number of challenging offshore projects around the world.

For deliveries of complete platform topsides, Kvaerner's capabilities include expertise to integrate systems such as oil and gas treatment, oil and gas storage, offloading and export, utility and process support systems, drilling facilities and living quarters. Within steel substructures, Kvaerner's track record includes 47 steel jackets delivered in 46 years, plus 55 smaller structures for offshore wind power. In 2019, Kvaerner delivered the topside and steel jacket substructure for the unmanned Valhall Flank West wellhead platform, and these kind of deliveries represents an interesting market opportunity. Kvaerner's expertise in concrete solutions for marine projects is also attracting new customers with plans for offshore wind energy installations based on concrete substructures. The company offers both medium-sized and major modification upgrades of existing offshore platforms; such as the ongoing Njord A platform upgrade. Kvaerner provides turnkey EPCI services, upgrading platforms to extend their field life and facilitating new satellite tie-ins with installation of new modules and functions.

Kvaerner is also one of the world's most experienced contractors for delivery of floating oil and gas installations. The company has had a key role in delivery of more than 15 of the world's most acknowledged floating platform projects. Having invested more than NOK 350 million in the quayside facilities at Stord yard in recent years, Kvaerner has one of the world's best production lines for advanced FPSOs. Kvaerner has historically completed six FPSO projects and is currently working on its sixth FPSO, Johan Castberg.

The Kvaerner marine operations team manages stand-alone projects for customers, as well as providing support to Kvaerner's in-house EPCI projects. In 2019, marine operations won a contract to remove a production platform offshore Canada.

At the end of the offshore oil and gas value chain is decommissioning and re-use/recycling of old offshore platforms. Kvaerner's facility at Eldøyane, Stord, is purpose-built for effective and environmentally friendly decommissioning and recycling of offshore platforms. Since identifying decommissioning as a new growth area in 2017, Kvaerner has successfully won a number of projects to recycle old platforms, including the Gyda platform in 2019.

In 2019, Kvaerner has reinforced the focus on the market for renewable business. Kvaerner is already an experienced player within the segment, having previously delivered around 60 units for offshore wind projects. In the past year, Kvaerner was awarded the contract to deliver the 11 floating concrete hulls for the Hywind Tampen offshore wind power project. In addition to this, the company is also currently involved in early phase work for several other customers. Within offshore wind, Kvaerner provides fixed and floating turbine foundations, in both steel and concrete for wind turbines. The company also offers converter platforms and sub-stations for offshore wind power developments.

In addition to Kvaerner's offshore heritage, the company is a leading provider of onshore receiving and processing facilities. Kvaerner has been a key contractor for seven out of the seven largest onshore oil and gas plants in Norway. Throughout 2019, Kvaerner has also been the main contractor for the North Stream 2 pig trap onshore facility in Russia.

In 2019, Kvaerner has experienced increased interest in the delivery model from the green onshore process industry, including aluminium, fertiliser, petrochemicals, minerals and metals. The first contract within this new onshore market was awarded in 2019, for Hydro's aluminium plant at Husnes, Norway.

Within onshore renewables, Kvaerner aims to apply its proven execution model for carbon capture and storage facilities, biofuels- and hydrogen plants.

For all of the above-mentioned segments, Kvaerner has a particularly strong position for projects where engineering, procurement, construction and installation (EPCI) are integrated in one contract. With the technical complexity of large installations; with a relatively short schedule for delivery, there are few contractors world-wide who have credible expertise for such complete deliveries.

To ensure effective use of common resources across Kvaerner, and to provide the best possible support to Kvaerner's projects, the execution of all key projects are organised within one of the three previously mentioned operational areas.

Strategic partnerships and use of subcontractors

Kvaerner's business model includes a clear strategy to use long term partners and subcontractors in order to optimise the value chain for its project delivery models. An example which illustrates potential synergy effects of such partnerships is the wellhead platform alliance established in 2017 with Aker BP, Kvaerner, ABB and Aker Solutions. The partnership between Kvaerner, Samsung Heavy Industries and Aker Solutions for joint delivery of upcoming FPSO contracts is another. Kvaerner has a continuous focus to develop and build on effective and flexible delivery models, and optimise contributions from external partners.

Project Execution Model

Kvaerner's Project Execution Model (PEM™) is based on 40 years' experience with complex oil and gas industry projects. The model is continuously improved and adapted for new products and solutions by including learnings and experiences from execution of EPCI projects. The PEM™ ensures that the work progresses in a controlled manner, ensuring that projects are executed at the right time, to the right quality and at the agreed cost, thereby enabling Kvaerner to meet its business objectives. Consequently, the PEM™ contributes towards maintaining Kvaerner's record of safe and successful project execution.

The Kvaerner PEM™ shall safeguard safety, the environment, quality and cost efficiency by constantly focusing on:

- Quality in deliveries by proper planning; assurance and control throughout the value chain; with particular emphasis on the early phases to secure quality in all stages
- Continuous improvement of processes and products
- Lessons learned from previous projects are always considered
- Predictability in project execution and operations by using well-proven and transparent methodology well known to the teams
- Coordinated efforts across disciplines based on understanding of interactions between work processes
- Control of internal and external interfaces as a foundation for a successful project execution
- Effective management within the defined scope, quality, resources (time and budget) and risk criteria
- That appropriate governance and control are developed, executed and monitored throughout the project's life-time

Markets and target regions

Markets

Kvaerner has reorganised its corporate structure in 2019. Of the three operational areas, the new renewable area represents a stronger focus within the industry. Offshore wind is a growing market where Kvaerner is well positioned for fixed and floating wind turbine foundations, as well as for converter platforms. This can be both steel and concrete structures. The onshore green process industry is also considered part of renewables and is of interest to Kvaerner. New contracts have been secured in 2019 and more are expected in 2020.

Within the more traditional oil and gas market, Kvaerner has two operational areas: the FPSOs and Process & Structures operational area which covers all oil and gas projects offshore and onshore as well as decommissioning. Following the fall in oil price, and subsequent fall in activity level in the industry some years ago, we now see an increase in activities and project opportunities.

Within the FPSO segment we are building on current contracts and developing new complete FPSO delivery models together with partners. Focus is on northern hemisphere with FPSOs specifications that Kvaerner are familiar with. Some other FPSO opportunities are also pursued on a case by case basis.

There are limited number of large field developments within the traditional oil and gas area, such as the Johan Sverdrup field which is now in production. However, there are several smaller and medium-sized projects in the North Sea basin, including smaller platforms with modern unmanned solutions. We also see significant activity in the onshore oil and gas market. Refurbishment of existing fixed and floating platforms, are also a key market. Within decommissioning, there is expected to be a steady flow of opportunities. The number of oil and gas contractors around the North Sea basin has been reduced in the last years. Going forward some over-capacity among oil and gas yards in Northern Europe is expected, as well as strong competition from Asian yards.

Target regions

Kvaerner's traditional home market, the North Sea, is evolving as the Norwegian continental shelf is becoming more mature. As a consequence, Kvaerner is more actively pursuing projects outside the Norwegian continental shelf, particularly in regions with similar harsh environment specifications, such as Canada and Russia. This can be fixed and floating facilities as well as onshore projects.

Within renewables and offshore wind in particular, the market is very international. The UK sector for instanse is very active with a large number of installations expected in the years ahead. Kvaerner is quite selective in terms of projects pursuit, focusing on where we have a competitive edge. There are also markets outside the North Sea within offshore wind that are of interest to Kvaerner, including North America and Asia. In order to serve the North American market better, Kvaerner will establish an office in Boston in 2020.

Kvaerner has a network of offices around the world for project execution, as well as business development activities. Outside Norway, Kvaerner currently has offices in Moscow, Russia; St. John's, Canada; Beijing, China and Ulvila, Finland and during 2020, an office in Boston, USA. In Norway, Kvaerner has facilities in Verdal, Trondheim, Stord, Stavanger and Fornebu.

Market segments

Kvaerner focus areas are upstream oil and gas projects and renewables. The following is a summary of market segments, both in Norway and internationally;

Operational area: Renewables

- Offshore wind turbine foundation, both steel and concrete, fixed and floating
- Complete HVDC platforms together with an electrical equipment supplier as partner
- Onshore green processing plants, for example CO_2 capture facilities, or process facilities for hydrogen, biofuels, etc.

Operational area: Process & Structures

- EPC projects for steel and concrete substructures for offshore platforms
- EPC projects for onshore oil and gas upstream facilities
- EPC projects for larger rebuilds/refurbishment of offshore platforms/onshore plants, including separate contracts for assembly, hook-up, completion, commissioning of offshore platforms and onshore plants
- Unmanned wellhead platforms for tieback of satellite fields and reservoirs
- Major modifications and redeployments of offshore facilities
- Decommissioning of offshore installations

Operational area: FPSOs

- EPC projects for FPSO units for harsh environments

Objectives and strategic direction

Kvaerner's ambition is to support energy companies in developing their most challenging projects.

Kvaerner's mission as a supplier in the industry is clear: Kvaerner makes it possible for its customers to realise the world's most amazing and demanding projects. Kvaerner enables customers and societies to realise energy projects for prosperity, in balance with a target of zero harm to people, property and the environment.

Strategic direction

The energy mix is set to change. Although the near term oil and gas market seems robust, the long term demand is increasingly uncertain. New oil and gas fields need to be developed, but the cost pressure is increasing in Norway and internationally. Kvaerner has a strong track record of delivery on time and with expected quality and cost. The company will continue its focus on improving the company's delivery model and cost position in the oil and gas market.

A growing numbers of costumers together with national authorities are prioritising projects with significantly reduced environmental footprint. Kvaerner's strategy is to be a part of the solutions for these market development.

Renewable energy is expected to grow substantially in the years to come. Particularly, the offshore wind market hosts significant potential for Kvaerner going forward.

Against this background, Kvaerner's focus for the coming years is to:

- Execute existing backlog in line with plans
- Continue cost and operational improvement initiatives
- Leading EPC contractor for energy and process industry projects
- Wider product offering
- Develop a strong position in the renewables industry, particularly within offshore wind
- Increased international activity
- Annual revenues >NOK 10 billion for 2023
- Shareholder value

Digitalisation
Continuing the implementation of the digitalisation roadmap established in 2017, Kvaerner has in 2019 developed and rolled out new tools and work processes to affect the required transformation of our capabilities. 2019 highlights include:

- Multiple mobile apps making up the digital work surface for operators and foremen have been developed, and deployed to approximately 400 users across Kvaerner locations. Providing functionality for operators, ranging from fully digital work orders, through material ordering and logistics, to digitally managed recheck of scaffolding, rigging and preservation
- Using advanced optimisation techniques, Kvaerner has developed software for automated design of optimal scaffolding for designated volumes directly in the 3D CAD model; with subsequent generation of material lists and work orders. Resulting in a step change in productivity and work management for indirect disciplines
- Extensive development of Kvaerner's data warehouse, providing standardised views of project state and production progress for key processes. Data are made available to relevant stakeholders through user-friendly dashboards, available across stationary and mobile devices
- Prototype development of a constructability engine which provides automated checking and verification of Kvaerner-defined constructability rules across several disciplines for any given 3D model. Providing machine-assisted quality checking for design input to fabrication engineering
- First-version development of digital twins for Kvaerner's yards at Stord and Verdal. Providing operational insight and monitoring, digital asset management, compliance information, and first-version planning capabilities for yard operations

Digitalisation investments will continue in 2020 and beyond, driven by project needs and demonstrable return on investment, in collaboration with Kvaerner's IT partners and service providers.

Continuous improvement
During 2019, Kvaerner Beyond has been rolled out to the entire company. Kvaerner Beyond is a lean-based systematic improvement programme, that includes earlier improvement initiatives and constitutes a framework for improved productivity and competitive power. Kvaerner Beyond builds on six key principles: flow, progress management, continuous improvement, empowerment, technology driven and committed partnership. It includes tools, methods and training to achieve precise work execution and improvement within, and across functions and processes. The overall ambition of Kvaerner Beyond is stated as: "We will work smarter, more predictably and deliver faster – to create value".

During 2019, more than 150 managers have received training in Kvaerner Beyond. A video training programme has been used to support training of all staff, and several units that were picked as front runners, have received dedicated support to implement Kvaerner Beyond in their units. More than 40 persons have been trained as Kvaerner Beyond champions, to support and drive improvement work in their local units, as part of their normal job.

The #RealiseImprovement programme is incorporated in Kvaerner Beyond and continues to deliver major improvements that are subject to verification of business case and end result. The front runner units that have implemented Kvaerner Beyond have mostly focussed on reduced through-put times, waste reduction and quality deliveries. Kvaerner has experienced improved productivity in these processes as a result of better flow and goal oriented leadership.

Research and development (R&D)
There is a growing demand for field development solutions that can help oil companies reduce their overall costs and increase value creation. Part of Kvaerner's competitive strength is solutions and methods, that make it technically possible and financially attractive to develop reserves which have previously been considered non-viable. During 2019 Kvaerner has reorganised and combined all engineering under one leader. This will also strengthen the focus on R&D.

Kvaerner's R&D strategy has a clear focus on creating values and results. The company strives to identify the potential commercial opportunities before new R&D activities are started, and new developments are preferably executed with customers or business partners as sponsors. This approach increases the market interest in new technologies and methods.

Within the oil and gas sector the focus in 2019 has been on unmanned production facilities, both fixed and floating. Some of the development work has been done as part of larger engineering studies.

Within the renewable sector and offshore wind, Kvaerner's focus in 2019 has been on wind turbine foundation solutions and converter platforms.

For turbine foundations, Kvaerner has developed solutions within the floating foundation segment and looked into concrete gravity base foundations for wind power turbines. Special attention has been on cost effective, execution-friendly design for large volume fabrication and installation. Kvaerner aims at leveraging its EPCI expertise and experience to provide new and cost effective development solutions.

Further, within the offshore wind segment, Kvaerner has spent time on activities related to developing competitive design and execution models for HVDC (high voltage direct current) converter platforms.

Kvaerner actively participates in several joint industry research projects, with the main focus on Arctic technology and concrete technology. Kvaerner is engaged in approximately ten research projects in Norway, EU and Canada, together with national and international industry partners, universities and research organisations, with public funding through various research programmes

Report for 2019

Financials
Kvaerner presents its accounts in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. Unless otherwise specified, figures in brackets represent figures for the previous year (2018).

Profit and loss

Consolidated operating revenue for 2019 was NOK 9 032 million (NOK 7 220 million). Consolidated operating revenues were higher in 2019 compared to 2018 due to larger share of revenue from wholly owned projects in the year. In 2018, the group's revenue was to a larger extent impacted by activity in jointly controlled projects, where only the share of net result is reflected within group revenue.

Earnings before interest, taxes, depreciation, amortisation and impairment (EBITDA) were NOK 498 million for 2019 (NOK 437 million). The group's key measure of financial performance is Adjusted EBITDA. Adjusted EBITDA excludes impact of embedded foreign currency derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities. Refer to Note 4 Operating segments (page 25) to see how the adjusted EBITDA measure is derived from the consolidated financial statements.

Adjusted EBITDA amounted to NOK 505 million, an increase of NOK 78 million from 2018 (NOK 427 million). The adjusted EBITDA margin for 2019 was 5.6 percent (5.9 percent).

Adjusted EBITDA excludes NOK 6 million cost accounting impact from embedded foreign currency derivatives, related to equity accounted investees closely related to Kvaerner's operating activities (NOK 9 million income).

Depreciation and amortisation charges totalled NOK 193 million, an increase of NOK 83 million from 2018 (NOK 110 million) of which depreciation of right-of-use assets accounted for NOK 45 million. Consolidated earnings before interest and taxes (EBIT) were NOK 306 million (NOK 327 million). Net financial income amounted to NOK 2 million (NOK 11 million) and reflects interest expense on lease liabilities, embedded derivative losses offset by higher interest income compared to last year.

The tax expense was NOK 64 million (NOK 60 million), which corresponded to an effective tax rate of 21 percent (18 percent). Compared to the nominal Norwegian statutory tax rate in 2019 of 22 percent, the effective tax rate reflects various tax reconciling items. Profit from continuing operations amounted to NOK 244 million (NOK 278 million), and basic and diluted earnings per share from continuing operations were NOK 0.91 (NOK 1.04). Discontinued operations had a net loss of NOK 10 million for 2019 (NOK nil). The result in 2018 was positively impacted by insurance recoveries of more than USD 2 million, offsetting the associated legacy costs. Basic and diluted earnings per share for discontinued operations were negative NOK 0.04 (NOK nil).

Net profit for total operations in 2019 was NOK 233 million (NOK 278 million), with basic and diluted earnings per share of NOK 0.87 (NOK 1.04).

Cash flow

Consolidated cash flow from operating activities depend on a number of factors, including progress on and delivery of projects, changes in working capital and pre-payments from customers. Net cash outflow from operating activities was NOK 98 million in 2019 (inflow of NOK 719 million). The decrease mainly reflects deterioration of working capital position in 2019, compared to an improved position in 2018.

Net cash outflow from investing activities in 2019 was NOK 391 million (outflow of NOK 335 million) and mainly relate to capacity and maintenance investments at the facilities at Stord and in Verdal, Norway and strategic digitalisation initiatives. In 2018, Kvaerner's Board of Directors approved an investment of NOK 370 million in new quay at Stord and the upgrade is progressing in accordance with plan. For 2019, progress of the quay investment reflect a capex of NOK 173 million. A total maintenance capex for the group of approximately NOK 50 million is expected annually. Additional strategic and capacity investments at the yards such as production facilities, equipment and digitalisation tools resulted in a total capex of NOK 374 million for 2019 (NOK 334 million).

Net cash outflow from financing activities was NOK 367 million in 2019 (NOK 29 million), mainly reflecting dividend payment of NOK 268 million, lease payments and fees on credit facility.

Balance sheet and liquidity

The group's total assets were NOK 6 357 million on 31 December 2019 (NOK 6 320 million). Net current operating assets (NCOA) were negative NOK 361 million at year-end, a deterioration of NOK 588 million from the end of 2018 (negative NOK 949 million). Movements in working capital will impact cash balances and at year-end 2019, net cash excluding negative NCOA was NOK 1 963 million. Equity as of 31 December 2019 totalled NOK 3 385 million (NOK 3 439 million). The group's equity ratio was 53.2 percent at year-end 2019, compared with 54.4 percent at year-end 2018. Equity ratio is calculated as total equity divided by total assets.

The revolving credit facility agreement of NOK 2 000 million established in July 2015, originally to mature in July 2020, was cancelled and refinanced per 19 September 2019. The new credit facility agreement, a revolving credit facility of NOK 2 000 million, matures in September 2024. The facility is provided by a syndicate of high-quality international banks. The revolving credit facility was undrawn during 2019 and as per 31 December 2019. The terms and conditions include restrictions which are customary for these kinds of facilities, including inter alia negative pledge provisions and restrictions related to acquisitions, disposals and mergers. There are also certain provisions of change of control included in the agreement. There are no restrictions for dividend payments. The facility is unsecured.

The financial covenants are based on three sets of key financial parameters; an equity ratio based on consolidated total borrowings/consolidated total equity, a cash covenant calculated by consolidated total borrowings less consolidated net current operating assets and consolidated cash and cash equivalent assets and an interest coverage ratio based on consolidated EBITDA/consolidated finance costs. The financial covenants are tested on a quarterly basis. As of 31 December 2019 the company is in compliance with all covenants. The margin applicable to the facility is based on a price grid determined by the gearing ratio.

Consolidated non-current assets totalled NOK 2 126 million (NOK 1 753 million) as of 31 December 2019, of which goodwill amounted to NOK 607 million (NOK 607 million). Net interest-bearing deposits and loans amounted to NOK 2 344 million at the end of 2019 (NOK 3 165 million). With undrawn, committed, long-term credit facilities of NOK 2 billion, the Board considers available capital adequacy and liquidity as good and ensures that Kvaerner is well positioned to meet the challenges and opportunities over the coming years.

Segment review

Kvaerner does not have any remaining operations in the US within the Downstream & Industrials segment, and the segment is presented as discontinued operations in the group's financial statements. Consequently, Kvaerner continues to have one reportable segment; Field Development. The Field Development segment includes results from Kvaerner's own operations and Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's operating activities.

Kvaerner has a matrix based organisational model, with operational areas and resource centres, where the projects are the main focus. As of 1 October 2019, the Field Development segment includes the following operational areas: Process & Structures serves the market for traditional oil and gas platforms, onshore facilities, decommissioning and marine operations; Floating production units (i.e. FPSOs) dedicated to pursuing such projects; Renewables, established to reinforce the focus on the market for renewable business and pursue and execute projects within offshore wind power, green onshore facilities and other renewable business.

Field Development

Operating revenues in 2019 totalled NOK 9 427 million (NOK 7 253 million). EBITDA was NOK 512 million (NOK 487 million), with an EBITDA margin of 5.4 percent, a decrease from 6.7 percent in 2018. Increased activity is mainly within the operational area FPSOs, but activity has also been high within Process & Structures. There were limited activity within the operational area Renewables.

Order intake for the year amounted to NOK 6 902 million (NOK 9 827 million) and reflects new secured contracts, listed under Operational highlights in this report, growth in existing projects and smaller orders. Order backlog as of 31 December 2019 is estimated to be NOK 8 200 million (NOK 10 625 million).

Discontinued operations

Following the sale of Kvaerner's onshore construction business in North America in December 2013, Kvaerner does not have any remaining operations in the USA within the Downstream & Industrials segment, and the segment has been presented as discontinued operations in the group's financial statements since the sale.

Discontinued operations had a net loss of NOK 10 million for 2019 (NOK nil). The operating result for 2018 was positively impacted by recognition of insurance recoveries of more than net USD 2 million in 2018, offsetting the associated legacy costs. Please see Note 26 Discontinued operations (page 58) for Summary of financial data for discontinued operations.

Corporate and unallocated costs

For the full year, unallocated costs pre effects from IFRS 16 leases were NOK 60 million (NOK 60 million). Net unallocated cost including effects from IFRS 16 leases were NOK 8 million for 2019. It is expected that the recurring level of net corporate costs pre effects from IFRS 16 leases will be approximately NOK 60–70 million annually.

Going concern

Based on the group's financial results and position described above, the Board of Directors confirms that the company is a going concern and that the annual accounts for 2019 have been prepared under this assumption.

Parent company accounts

The parent company, Kværner ASA, had a net loss of NOK 4 million for 2019 (loss of NOK 14 million). Kværner ASA has no employees and operating expenses are mainly shareholder costs for the parent holding company. The parent company's main asset is shareholdings in subsidiaries. Equity ratio was 67.2 percent at year-end 2019 (66.9 percent).

Allocation of net results

Pursuant with the company's dividend policy, the Board of Directors propose to the Annual General Meeting that a dividend of NOK 0.5 per share should be paid. The Board of Directors thereby proposes the following allocation of net loss in Kværner ASA:

Proposed dividend	NOK 134.5 million
Transferred from other equity	(NOK 138.9 million)
Total allocated	(NOK 4.4 million)

Total equity in Kværner ASA after the proposed allocation of net loss amounts to NOK 3 925 million (NOK 4 064 million). The Board of Directors have considered the proposed dividend in conjunction with equity and liquidity requirements under the Norwegian Limited Company Act and based on the Board's best judgement, the proposed dividends are within these requirements.

Events after the balance sheet date

There have been no subsequent events since year-end at the date of signing these accounts.

Dividend and dividend policy

Kvaerner's financial results are the effects of a business characterised by projects running over long period. The overall financial performance is best assessed looking at longer intervals. A solid financial platform is a key enabler for growth in new target segments and for establishing alliances with strategic partners.

Hence, the Board of Directors has decided to change from the previous dividend policy, where dividend payment has been considered two times per year, to an updated policy where dividend payment is considered once every year, after the fourth quarter accounts.
The following updated dividend policy decided by the Board of Directors is implemented with immediate effect:

- Kværner ASA's dividend policy is based on an annual evaluation of dividend distribution. Decisions as to actual dividend payments shall depend on outlook, liquidity, and considerations such as alternative use of cash and future strengthening of the company's financial structure
- Extraordinary dividends may be considered if, and when the liquidity, financial strength and financial structure of the company allows.
- The Annual General Meeting will approve the final and total annual dividend based on a proposal from the Board
- A dividend of NOK 1.00 per share was paid on 9 April 2019 based on annual accounts for 2018

After the fourth quarter 2019 the Board of Directors has in accordance with the dividend policy proposed to pay a dividend of NOK 0.5 per share in April 2020. Subject to approval by the Annual General Meeting (AGM), the dividend payment will take place on or about 3 April 2020 to shareholders of record as per the date of the AGM scheduled for 24 March 2020.

Corporate responsibility

Kvaerner is committed to conduct its business with integrity and high ethical standards and corporate responsibility is an integrated part of the management responsibility within Kvaerner anchored at the Board of Directors' level.

The company's commitment to respect human and labour rights is covered by the Global Framework Agreement between Aker ASA and the Norwegian and international trade unions Fellesforbundet, IndustriALL Global Union, NITO and Tekna. Kvaerner reports the results of the company's efforts regarding environmental, social and governance (ESG) responsibilities annually in a separate report.

More information is available in Kvaerner's ESG report for 2019 published on https://www.kvaerner.com/about-us/corporate-responsibility/corporate-responsibility-reporting/.

Corporate governance

Kvaerner's Code of Conduct, values and global policies and procedures provides the framework on acceptable business performance and guides decision-making processes in all parts of the company. The Board of Directors, appointed by the Annual General Meeting, is responsible to ensure sound corporate governance in Kvaerner and sets the strategic direction, the overall governance structure, values and policies in accordance with Norwegian legislation and frameworks, in particular the principles set out in the Norwegian Code of Practice for Corporate Governance. The Audit Committee supports the Board and monitors Kvaerner compliance with and implementation of sound corporate governance.

More information is available in Kvaerner's corporate governance statement for 2019 published on https://www.kvaerner.com/investors/corporate-governance/corporate-governance-statement/.

Whistelblowing

Kvaerner encourages its employees as well as contract staff, partners, suppliers and customers to report any concerns in terms of compliance with law and/or ethical standards. The company has an established whistleblowing channel accessible at https://www.kvaerner.com/about-us/raising-concerns-whistleblowing/. All reports go directly to the SVP Corporate Support & General Counsel and an investigation team for follow-up of compliance issues and are treated with strict confidentiality.

Risk management

As a key work process for securing Kvaerner's business, the company actively works to identify and manage risk related to all aspects of its operations. This applies both to projects and in the corporate organisation.

Kvaerner's mission is to realise complex projects, and the management of risk in these projects is instrumental to success. All Kvaerner's projects maintain a risk register where identified risks and opportunities are recorded with corresponding actions to secure the best possible outcome. This work process forms an integral part of Kvaerner's project management approach as defined in Kvaerner's Project Execution Model (PEM™). This structured methodology for controlled project execution also provides sets of quality requirements for various stages of projects through defined milestones, thus providing a framework for assessing status of the project execution through gate reviews/audits.

All projects report status on management of risk as part of the monthly reporting to Kvaerner's operational areas. Based on this reporting and possible operational risk issues outside projects, the operational areas report status on management of risk to the executive management team on a quarterly basis.

On a corporate level, an annual risk review is performed and presented to the Board of Directors. This report builds on risk reporting from operational areas, corporate staff functions, Kvaerner's projects and the strategic objectives of Kvaerner. The risk review is executed to identify the most significant risk areas and to establish associated risk-reducing actions. In this assessment, the consolidated view across all Kvaerner's units is looked into, top company risks are identified and risk-reducing measures agreed upon.

Please see Note 20 Financial risk management and exposures (page 49), for a detailed description of the group's financial risks and Note 18 Provisions and contingent liabilities (page 47) for an overview of significant current disputes. Kvaerner has defined procedures and routines for managing the group's financial market exposure.

Further to this, Kvaerner's corporate risk committee performs risk assessment of all major tenders prior to submission and also conducts reviews of selected projects after start-up. Internal audits are performed to ensure compliance with Kvaerner policies, laws and regulations as well as project specific audits.

Kvaerner works with a number of partners and hundreds of suppliers and subcontractors around the world. Kvaerner performs risk based due diligence as part of the pre-qualification processes. Kvaerner's supplier qualification and information system database is a key enabler for Kvaerner to increase its supplier performance.

All potential joint venture partners and third party representatives must go through due diligence assessments and have to be approved by the President & CEO of Kvaerner.

Health, safety, security and environment (HSSE)

Care for health, safety, security and the environment (HSSE) is a core value in Kvaerner and expressed in the Life Saving Rules mind-set. HSSE is fundament to all Kvaerner's operations and the people working for Kvaerner are all keystones in its work towards the ultimate goal of an injury and illness free workplace, causing zero harm to people, material, non-material assets and to the environment. This ambition is not only part of the company's core values, but is the company's licence to operate.

Kvaerner has in past year established a new HSSE strategy, started a safety behaviour programme "QOMPLIT", released a new HSS handbook and started up dedicated cross industry HSS forum together with some of the key customers and contractors within the oil service field.

In 2019, there has been a positive trend in serious incidents and near misses compared to previous year, and there has been a negative trend in the total recordable injury frequency (TRIF). Kvaerner has started a number of new initiatives during 2019 to further improve within HSSE, including enforcing more visible management in field, training sessions within safety leadership, safety behaviour and risk awareness, HSSE development of subcontractors, and more.

More information about Kvaerner's HSSE programme and activities, including key performance indicators, is available in Kvaerner's ESG report for 2019 published on https://www.kvaerner.com/about-us/corporate-responsibility/corporate-responsibility-reporting/.

HSSE training

Competence occupies a central place in Kvaerner's HSSE programme. All personnel must possess the necessary knowledge, skills and behaviour to perform their work safely. To reach out to all employees in an efficient way, Kvaerner uses dedicated training programmes at operational and project levels, as well as eLearning programmes for key areas within HSSE.

Safety

2019 showed a positive development for several key HSSE indicators compared to previous years. However, there was still a number of incidents which shows that it is imperative that the HSSE efforts are further developed.

In 2019 there has been a slight increase in injury frequency and a decrease in incidents with high risk potential. Improvement actions have been implemented to address the issues. The high risk potential incident was related to a falling object. Safety culture initiatives, improved training programmes and management follow-up has been implemented. Several good initiatives have been introduced in 2019, such as learning packages for high risk operations, training programmes in risk awareness and safety leadership.

The HSSE development of subcontractors has continued in 2019. In addition, compliance and leadership, barriers and risk awareness have been key focus areas.

Digitalisation of the HSSE work has been further developed with roll-out of an improved mobile phone application for reporting of incidents and non-conformities.

There has been a positive transfer of experience between Kvaerner projects. In addition, an incentive programme contributes to local clubs and associations upon achievement of the project HSSE targets. These awards provide positive incentives and are connected to high scores in inspections, housekeeping, and reporting rates of HSSE observations.

Occupational health

Kvaerner in Norway participates in the More Inclusive Working Life (IA) agreement. The IA Agreement is an instrument aimed at reducing sick leave and increasing the focus on job presence.

Kvaerner cooperates with some other companies who share a relation to Aker. The company's participation in the Aker Active programme, which offers a wide range of activities within physical exercise and nutrition for employees on all locations, is an example of health initiatives. More information is available in Kvaerner's ESG report for 2019 published on https://www.kvaerner.com/about-us/corporate-responsibility/corporate-responsibility-reporting/.

Environment

Kvaerner continuously works to reduce the environmental footprint of our operations and products. From 2020 and onwards, Kvaerner will gradually adopt Task Force on Climate-related Financial Disclosures (TCFD) recommendations on climate-related financial disclosures in order to provide stakeholders will structured information about how the company managing climate-related issues that affect its business.

The Kvaerner methodology for reporting environmental impact derives from the Greenhouse Gas Protocol (GHG) and the Global Reporting Initiative (GRI). Kvaerner is certified according to the ISO 14001:2015 standard.

In a typical EPC project managed by Kvaerner, up to two-thirds of the contract value is related to procurement from subcontractors or contributions from partners. The procured materials and products therefore constitute a significant proportion of the total environmental footprint of Kvaerner's deliveries. In our supplier declaration, which all suppliers to Kvaerner must sign in order to be pre-qualified, suppliers must therefore commit to work to minimise negative impacts on the environment, taking into consideration the full life cycle of their products. Suppliers commit to work to achieve energy efficiency and minimise harmful discharge, emissions and waste production, and to comply with national environmental legislation and discharge permits.

In order to minimise the environmental impact, Kvaerner is also executing several energy efficiency initiatives within the company's own operations. In addition, Kvaerner is continuously conducting environmental monitoring of dust, water, sediments and noise from its Stord yard. As a part of the measuring programme at the Stord yard, monitoring of pollutants in blue mussels and fish has been carried out in 2019 and noise emission maps have been updated. In 2019, Kvaerner has increased its focus on waste recycling. Newly purchased cars used at the yards are electric vehicles. More information is available in Kvaerner's ESG report for 2019 published on https://www.kvaerner.com/about-us/corporate-responsibility/corporate-responsibility-reporting/.

Kvaerner has actively participated in clean the beach-day on Kvaerner's locations.

Security

Due to the global nature of Kvaerner's operations, the company is exposed to changes in the global risk situation. Kvaerner operates in a wide range of regions, which means that potential security threats may arise. Kvaerner is linked to International SOS and Control Risks, which provides a global tool for risk assessment and risk control. To mitigate possible risk situations, all employees can at all times be provided with a reliable and updated risk assessment and have access to information, as well as to local contacts and a pre-established network. Currently, Kvaerner has no operations in areas with high or extreme risk as classified by International SOS.

With regards to cyber security, Kvaerner has joined the Aker group-wide security initiative, further promoting a uniform security approach across the Aker companies. Several security products have been implemented as countermeasure to the increased cyber security threat, with emphasis on phishing.

People and organisation

The organisational structure of Kvaerner was changed as of 1 October 2019. The three operational areas in Kvaerner are Process & Structures, FPSO and Renewables. Each of the areas is headed by an executive vice president. The new EPCI unit is established to contain all resources, the yards and staffing functions to support the organisation. The resource centers Business Development, Finance and Corporate Support remain unchanged. The executive management team of Kvaerner (EMT) consists of eight persons including President & CEO. A complete presentation of the EMT is available at https://www.kvaerner.com/members-category/executive-management-team/.

More information is available in Kvaerner's ESG report for 2019 published on https://www.kvaerner.com/about-us/corporate-responsibility/corporate-responsibility-reporting/.

Developing people and teams

Kvaerner is globally recognised for its expertise in executing large and complex oil and gas projects. Kvaerner's expertise within the fields of engineering, procurement and construction builds on multidiscipline competence from successful projects both in and outside Norway.

Kvaerner has earned this reputation due to extensive investments in organised workplace training and continuous focus on developing skills and capabilities. The company's competitive edge is more dependent on people and competence than on physical facilities. Kvaerner's ability to further develop its employees' competence in a manner that enable them to execute projects in new market segments and geographical regions is of strategic importance. Training and competence transfer to new generations of skilled employees is equally important.

Kvaerner Academy is our established learning institution providing strategic leadership courses and other development courses for strategic and critical business areas. The courses provided are constantly evaluated and adjusted in order to keep a high quality of the training programmes and to ensure that the content is updated and to keep a state-of-art level.

More information is available in Kvaerner's ESG report for 2019 published on https://www.kvaerner.com/about-us/corporate-responsibility/corporate-responsibility-reporting/.

Organisational development

Throughout 2019, Kvaerner has been working with follow-up activities after the People Survey 2018. Three major focus areas were identified as improvement areas; leadership, working environment and communication. We have been strengthening our leadership by conducting regular meetings for people leaders, encourage participation in Kvaerner Leadership Development programmes and provide general coaching and guidance in people matters. A succession management programme has also been implemented on the top levels in the organisation.

To improve and develop our working environment even further with a special attention to avoid and prevent bullying, harassment and discrimination, it is a clear focus area in Kvaerner to increase awareness around such matters. Kvaerner has a zero tolerance for any kind of bullying, harassment and discrimination, and any incident would be a breach of our code of conduct.

Diversity and inclusion

Kvaerner is emphasising diversity of gender, experience, competence, age, education, ethnicity, sexual orientation and disabilities. We cover many nationalities and the principles of equal opportunity are well established throughout the group. No differences shall exist due to nationality, religion or ethnicity. Employment conditions and compensation packages are based on responsibility, complexity of job and personal performance, irrespective of gender, religion or ethnicity.

Leadership training is an important contribution towards increasing diversity of people promoted to managerial positions. In 2019, the share of women holding senior management positions was 18 percent compared to 22 percent in 2018, whereof the share of women completing leadership training in 2019 was 29 percent. In 2019, one of the eight EMT members is a woman and two of Kvaerner's five shareholder-elected Directors are women. One of three Directors elected by and among the employees is a woman.

Remuneration and performance

Kvaerner shall provide an individual compensation level for employees and management which enables the company to attract, retain and motivate employees and leaders with the right attitudes, skills and ability to deliver strong performance in accordance with Kvaerner's values and the Code of Conduct. Kvaerner aims to reward performance, results, skills, attitude and behaviour. The total remuneration shall be internally fair, consistent, comprehensible and competitive without being market leading. Kvaerner uses regular benchmark to ensure we stay competitive. For further details, see Note 5.

The total remuneration for executives, senior management and management consists of three main elements:

- Annual base salary
- Benefits
- Participation in a variable pay programme

The executives, senior management and management are members of the standard pension and insurance schemes applicable to all employees in the company. Other benefit programmes are not granted. The variable pay programmes shall secure a market competitive total remuneration as well as being a driver for exceptional financial, operational and personal performance.

Completion of the performance management process is fundamental to secure the connection between performance and remuneration. For management taking part in variable pay programmes, predefined financial, operational and personal objectives are set on annual basis. The achievement of the objectives is assessed and forms basis for the remuneration triggered by the variable pay programmes.

The assessment of achieved goals and performance takes place in an annual performance dialogue, where discussion around the individual's performance and behaviour is essential. This performance dialogue further provides the opportunity for recognition of achieved results, consideration of career opportunities and competence development. Kvaerner also encourages people managers to provide regular feedback and coaching to their direct reports.

Further details about remuneration to EMT members are provided in Note 5 Employee benefit expenses (page 28) in the consolidated financial statements. The report to shareholders on executives' remuneration is approved by the Board of Directors and is available on www.kvaerner.com.

Share capital

The company's shares are listed on Oslo Børs (Oslo Stock Exchange) and are freely transferable. No transferability restrictions are incorporated into the Articles of Association. There are 269 000 000 shares issued and outstanding, all of which are of the same class and with equal voting and dividend rights. Each share has a par value of NOK 0.34. The largest shareholder of Kværner ASA is Aker Kværner Holding AS, holding 41.02 percent of the shares. Aker ASA owns 70 percent of Aker Kværner Holding AS, while the Norwegian Ministry of Trade, Industry and Fisheries owns 30 percent as of 31 December 2019. Proposition No. 88 (2006–2007) to the Storting (Norwegian Parliament) contains more detailed information concerning the establishment of Aker Kværner Holding AS, and the agreement between Aker ASA and the Norwegian Ministry of Trade, Industry and Fisheries. The company is not party to any agreement that is conditional upon offerings of take-over in the company.

Kvaerner had 8 969 shareholders (8 085) as of 31 December 2019, of which 22.3 percent (26 percent) were non-Norwegian. The share price was NOK 11.12 at year-end 2019, compared to NOK 12.06 at year-end 2018. During 2019 Kvaerner's share price decreased by 10.3 percent, the Oslo Stock Exchange benchmark index increased by 10.7 percent and the Philadelphia Oil Service Index decreased by 15.6 percent.

As of 31 December 2019, Kværner ASA held 1 093 777 treasury shares.

Outlook

In 2019, Kvaerner presented and ambition to grow annual revenues to above NOK 10 billion for the year 2023. The company expects that total income over time will be composed of approximately one third of the revenues from each of the three market areas: Process & Structures, FPSOs and Renewables.

As most of the larger new contracts are expected to be awarded in 2020 and 2021, combined with a slow market for contract awards in 2018 and 2019, the 2020 annual revenues are expected to decline to a level around NOK 6 billion for the Field Development segment. The EBITDA margin for the year 2020 is estimated to approximately three percent, reflecting temporarily declining revenues and that fixed costs are kept stable to position for upturn from 2021.

Further, Kvaerner estimates that a new normalised level for net working capital (NCOA) will be in a band between NOK 0 (nil) to negative NOK 1 billion from 2020 and onwards. Kvaerner also expects a lower investment level (capex) in 2020 and forward compared to the relatively high investment levels seen in 2018 and 2019.

Acknowledgements

During 2019, Kvaerner has continued to execute projects according to customers' plans and expectations. At year-end, all projects were on track.

World class HSSE performance is important both as a value and for competitiveness, and the Board of Directors supports the further initiatives to drive Kvaerner's HSSE improvements further.

The company's continued intense work to improve quality, cost, productivity and competitiveness is vital to put Kvaerner in a good position for upcoming prospects.

The Board of Directors extends its appreciation to the management and employees for its efforts and achievements in 2019.

Fornebu, 11 February 2020
The Board of Directors and the President & CEO of Kværner ASA

Leif-Arne Langøy Chairman	Jan Arve Haugan Director	Thorhild Widvey Director	Kjell Inge Røkke Director	Lone Fønss Schrøder Director
Rune Rafdal Director	Ståle Knoff Johansen Director	Bernt Harald Kilnes Director	Karl-Petter Løken President & CEO	

Annual accounts Kvaerner group

Income statement 01.01 – 31.12

Amounts in NOK million	Note	2019	2018
Total revenue and other income	3, 4	**9 032**	7 220
Materials, goods and services		**(5 946)**	(4 372)
Salaries, wages and social security costs	5	**(2 441)**	(2 260)
Other operating expenses	6	**(147)**	(151)
Operating profit before depreciation and amortisation		**498**	437
Depreciation, amortisation and impairment	10, 11, 16	**(193)**	(110)
Operating profit/(loss)		**306**	327
Finance income	7	**49**	38
Finance expenses	7	**(47)**	(27)
Profit/(loss) before tax		**307**	338
Income tax expense	8	**(64)**	(60)
Profit/(loss) from continuing operations		**244**	278
Profit/(loss) from discontinued operations	26	**(10)**	0
Profit/(loss) for the year		**233**	278
Profit/(loss) for the period attributable to:			
Equity holders of the parent company		**233**	278
Earnings per share (NOK):			
Basic and diluted EPS continuing operations	9	**0.91**	1.04
Basic and diluted EPS discontinued operations	9	**(0.04)**	0.00
Basic and diluted EPS - total operations	9	**0.87**	1.04

The notes on pages 23 to 58 are an integral part of these consolidated financial statements.

Statement of other comprehensive income 01.01 - 31.12

Amounts in NOK million	2019	2018
Profit/(loss) for the year	**233**	278
Items that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges, net of tax		
- Fair value adjustment recognised in equity	**0**	1
- Reclassified to profit or loss	**0**	0
Translation differences - equity-accounted investees (no tax impact)	**1**	0
Translation differences - foreign operations (no tax impact)	**5**	2
Reclassification of translation differences on discontinued operations and international branches	**(1)**	(3)
Items that may be reclassified to profit or loss in subsequent periods	**5**	0
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) on defined benefit pension plans, pre tax	**(27)**	(19)
Actuarial gains/(losses) on defined benefit pension plans, tax effect	**6**	3
Actuarial gains/(losses) on defined benefit pension plans, net of tax	**(21)**	(16)
Items not to be reclassified to profit or loss in subsequent periods	**(21)**	(16)
Total other comprehensive income for the year, net of tax	**(16)**	(16)
Total comprehensive income for the year	**217**	262
Total comprehensive income attributable to:		
Equity holders of the parent company	**217**	262

The notes on pages 23 to 58 are an integral part of these consolidated financial statements.

Balance sheet as of 31 December

Amounts in NOK million	Note	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	10	**1 164**	967
Right-of-use assets	16	**121**	-
Intangible assets	11	**740**	710
Investments in associated companies and jointly controlled entities	24	**73**	69
Interest-bearing receivables		**20**	-
Other non-current assets		**8**	7
Total non-current assets		**2 126**	1 753
Current assets			
Current tax assets	8	**1**	-
Trade and other receivables	12	**983**	947
Contract assets	3	**915**	427
Fair value embedded derivatives	21	**8**	28
Cash and cash equivalents	13	**2 324**	3 165
Retained assets of business sold	26	**0**	0
Total current assets		**4 231**	4 567
Total assets		**6 357**	6 320

Amounts in NOK million	Note	2019	2018
Equity and liabilities			
Equity			
Share capital		**91**	91
Share premium		**729**	729
Retained earnings		**2 672**	2 710
Other reserves		**(107)**	(91)
Total equity	9, 14	**3 385**	3 439
Non-current liabilities			
Non-current lease liabilities	16	**87**	-
Employee benefits obligations	15	**235**	218
Other long term liabilities		**8**	10
Deferred tax liabilities	8	**313**	265
Total non-current liabilities		**643**	494
Current liabilities			
Current lease liabilities	16	**36**	-
Current tax liabilities	8	**1**	-
Provisions	18	**170**	233
Fair value embedded derivatives	21	**1**	14
Trade and other payables	19	**2 012**	1 761
Contract liabilities	3	**84**	343
Retained liabilities of business sold	26	**26**	35
Total current liabilities		**2 330**	2 386
Total liabilities		**2 972**	2 880
Total liabilities and equity		**6 357**	6 320

The notes on pages 23 to 58 are an integral part of these consolidated financial statements.

Fornebu, 11 February 2020
The Board of Directors and the President & CEO of Kværner ASA

Leif-Arne Langøy
Chairman

Jan Arve Haugan
Director

Thorhild Widvey
Director

Kjell Inge Røkke
Director

Lone Fønss Schrøder
Director

Ståle K. Johansen.
Ståle Knoff Johansen
Director

Line Småge Breidablikk
Director

Rune Rafdal
Director

Karl-Petter Løken
President & CEO

Statement of changes in equity 01.01 – 31.12

Amounts in NOK million	Number of shares	Share capital	Share premium	Retained earnings	Hedge reserve	Currency translation reserve	Pension reserve	**Total equity**
Equity as of 31 December 2017	269 000 000	91	729	2 431	0	(6)	(69)	**3 176**
Profit/(loss) for the period		-	-	278	-	-	-	**278**
Other comprehensive income		-	-	-	1	(1)	(16)	**(16)**
Total comprehensive income		-	-	278	1	(1)	(16)	**262**
Treasury shares		-	-	3	-	-	-	**3**
Employee share purchase programme		-	-	(2)	-	-	-	**(2)**
Equity as of 31 December 2018	269 000 000	91	729	2 710	1	(7)	(85)	**3 439**
Profit/(loss) for the period		-	-	233	-	-	-	**233**
Other comprehensive income		-	-	-	0	5	(21)	**(16)**
Total comprehensive income		-	-	233	0	5	(21)	**217**
Treasury shares		-	-	(1)	-	-	-	**(1)**
Employee share purchase programme		-	-	(3)	-	-	-	**(3)**
Dividend		-	-	(268)	-	-	-	**(268)**
Equity as of 31 December 2019	269 000 000	91	729	2 672	1	(2)	(106)	**3 385**

The notes on pages 23 to 58 are an integral part of these consolidated financial statements.

Statement of cash flows 01.01 - 31.12

Amounts in NOK million	Note	2019	2018
Cash flow from operating activities			
Profit/(loss) for the period		**233**	278
Adjusted for:			
Income tax expense	8	**64**	60
Net financial items	7	**(2)**	(11)
Depreciation, amortisation and impairment	10, 11, 16	**193**	110
Difference between pension premiums paid and pension expense, defined benefit schemes		**(16)**	(3)
Difference between income and dividends received from equity accounted investees	24	**(4)**	(54)
(Gains)/losses on sale of fixed assets		**(0)**	(6)
Interest income received		**41**	27
Income taxes paid		**(14)**	(10)
Changes in other net operating assets		**(592)**	329
Net cash from operating activities		**(98)**	719
Cash flow from investing activities			
Investment in property, plant and equipment and intangible assets	10, 11	**(374)**	(334)
Other cash flow from investing activities		**(16)**	(1)
Net cash from investing activities		**(391)**	(335)
Cash flow from financing activities			
Interest expense and fees paid		**(30)**	(17)
Interest portion on lease liabilities		**(12)**	-
Principle portion on lease liabilities		**(40)**	-
Treasury shares		**(8)**	(8)
Employee share purchase programme		**(9)**	(4)
Dividend payment		**(268)**	-
Net cash from financing activities		**(367)**	(29)
Effect of exchange rate changes on cash and bank equivalents		**15**	(4)
Net increase/(decrease) in cash and bank equivalents		**(841)**	352
Cash and cash equivalents at the beginning of the period		**3 165**	2 812
Cash and cash equivalents at the end of the period	13	**2 324**	3 165

The notes on pages 23 to 58 are an integral part of these consolidated financial statements.

Notes to the annual consolidated financial statements

General information

Note 1 Company information

Kværner ASA (the company) and its subsidiaries (together Kvaerner or the group) is a specialised provider of engineering, procurement and construction services for offshore platforms, onshore plants, floating production units (i.e. FPSOs) and renewable energy solutions. Kværner ASA is listed on the Oslo Stock Exchange under the ticker KVAER. Kværner ASA's registered office address is Snarøyveien 20, 1360 Fornebu, Norway.

Note 2 Basis of preparation

Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, relevant interpretations and additional requirements following the Norwegian Accounting Act as of 31 December 2019.

The consolidated financial statements will be presented for approval by the Board of Directors and President & CEO as shown on the dated and signed balance sheet.

The consolidated financial statements will be approved by the Annual General Meeting on 24 March 2020.

Basis of measurement
The consolidated financial statements are prepared on the historical cost basis, except for derivative financial instruments and defined benefit pension plan assets and liabilities which are measured at fair value.

Functional and presentation currency
The consolidated financial statements are presented in Norwegian kroner (NOK), which is Kværner ASA's functional currency.

All financial information presented in NOK has been rounded to the nearest million, except where otherwise indicated. As a result of rounding differences, numbers or percentages may not add up to the total.

Alternative Performance Measures
Kvaerner discloses alternative performance measures in addition to those normally required by IFRS. The group's key measure of financial performance is adjusted EBITDA. Adjusted EBITDA excludes the impact of embedded foreign currency derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities. See Note 4 for adjusted EBITDA performance. EBITDA definition: earnings before interest (net financial items), taxes, depreciation, amortisation and impairment.

Financial reporting principles
The relevant financial reporting principles are described in the relevant note to the consolidated statements. In the section below, principles applicable to several notes and/or the overall financial statements are detailed. This is the first set of annual financial statements in which IFRS 16 Leases has been applied. The effects of the transition to IFRS 16 are described in Note 16.

All other financial reporting principles have been applied consistently to all periods presented in these consolidated financial statements.

Consolidation
The consolidated financial statements of Kværner ASA incorporate the financial statements of the company and its subsidiaries, and the group's interests in associates and joint arrangements.

Transactions eliminated in consolidation
Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate on that date. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated according to the functional currency at the exchange rates on the date the fair value was determined.

Foreign operations

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates. The results and financial position of all group entities that have a functional currency different from the group's presentation currency are translated to the group's presentation currency of NOK as follows:

- Assets and liabilities, including applicable consolidation adjustments, for each balance sheet presented, are translated at the closing rate on the date of that balance sheet
- Income and expenses for each income statement are translated at the average exchange rates for the year, calculated on the basis of 12 monthly rates

Foreign exchange differences arising from this translation are recognised in other comprehensive income, and presented as a separate component in equity.

Exchange differences arising from the translation of the net investment in foreign operations are included in other comprehensive income as a translation reserve. These translation differences are reclassified to the income statement upon disposal or liquidation of the related operations.

Exchange differences arising from non-current monetary receivable or payable by a foreign operation where settlement is neither planned nor likely in the foreseeable future, forms part of the net investment in that entity and are recognised in other comprehensive income. These translation differences are reclassified to the income statement upon disposal of the related operations or when settlement of the receivable or payable is planned or is considered likely to happen in the foreseeable future.

Accounting estimates and judgements

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the group's reported revenues, expenses, assets and liabilities. Given the size and complexity of Kvaerner's projects, the financial results could be materially impacted for any differences between current estimates and actual outcomes. Estimation uncertainties result primarily from the outcome of arbitration processes and final project results impacted by costs to complete, incentives etc. Estimates and underlying assumptions are continuously reviewed, based on historical experiences and expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Relevant accounting estimates and judgements are described in the respective note to the consolidated financial statements.

New financial reporting standards

Some new standards, amendments to standards and interpretations have been published, but are not yet effective and have not been applied in preparing these consolidated financial statements. These standards are not expected to have a material impact on the consolidated financial statements.

Note 3 Revenue and contract balances (IFRS 15)

Financial reporting principles

IFRS 15 was adopted on 1 January 2018 and introduced a new five step model that applies to all customer contracts. The deliveries in contracts are reviewed to identify if there are distinct performance obligations. As Kvaerner's EPC contracts normally represent a single, combined output for the customers, contracts will ordinarily contain one performance obligation. For the majority of performance obligations/contracts, control has been assessed to be transferred to the customer over time as the performance obligation is satisfied. Revenue is recognised over time using a cost progress method, best reflecting the pattern of transfer of control of goods and services to the customer.

Variation orders are included in the transaction price when they have been approved, either verbally, in writing or implied by customary business practice. Variable considerations, such as incentive payments, are included in the transaction price when they are highly probable to be realised. Potential liquidated damages (LD) are recognised as a reduction of the transaction price unless it is highly probable that they will not be incurred. Profit on projects is not recognised until the outcome of the performance obligations can be measured reliably. Contract costs are expensed as incurred. The full loss is recognised immediately if contracts are forecast to be loss making. The group's revenue is mainly derived from contracts with customers. The disaggregation of revenue is disclosed in Note 4, based on the following categories:

Construction contracts

Revenues from contracts with customers to provide engineering, procurement and construction services (EPC-contracts) for offshore installations, onshore plants, FPSOs and decommissioning projects which have no alternative use for the group. It has been assessed that these contracts ordinarily will be one performance obligation and that revenue will be recognised over time using a cost progress method. The cost progress method is based on the proportion of costs incurred to date compared to the estimated total contract costs. Time and material are normally invoiced on a monthly basis in accordance with progress and/or in line with achieved milestones, also representing progress. Payment terms on invoiced amounts are normally 30 days. Some EPC contracts include lease revenue, though these amounts are typically insignificant in context of the contract and are therefore included in Construction revenue.

Services revenue

Revenue from contracts with customers for other services is recognised over time using a cost progress method, or is recognised over time as man-hours and materials are delivered to the customer. Payment terms are on average around 45 days after time and materials are delivered. Hook-up contracts will normally be included within this category of revenue.

Revenue/share of result from joint ventures
On segment level, revenue and results from associated companies and jointly controlled operations closely related to the group's operating activities are presented gross. At group level, the net share of result from joint ventures is presented in line with the equity method as part of operating revenue and other income.

Other revenue
Other revenue relates to FEEDs, studies, sale of man-hours and other projects.

Lease revenue
Sublease arrangement for offices.

Accounting estimates and judgements

Contract accounting estimates
The majority of the group's revenues and profits are derived from long-term construction contracts which often have duration of up to four years from award date. These contracts typically comprise integrated engineering, procurement, construction and integration activities, often with the use of subcontractors, and give rise to complex technical and execution risks as they are highly customised to customer requirements. Contracts may be lump sum, reimbursable, target cost or a combination thereof, and often include incentive payments based on key performance indicators (KPIs) and meeting key milestones, in particular towards the end of the projects. KPIs can be related to schedule, cost targets, HSSE measures and others of which some are objective, subject to interpretation or at the discretion of customers, and can include reductions for penalty clauses for late delivery (liquidated damages). The scope of work to be performed by the group may also change over time and can be subject to variations and claims with both the customer and subcontractors which impact various factors including compensation, costs, and contractual delivery dates.

Following the above, estimates are inherent in the group's accounting for long-term construction contracts and judgements are required to:

- Determine the forecast revenues and profit margin on each contract based on:
  - Estimates of contract revenues including variable revenues which may be dependent upon future performance; and
  - Forecasts of contract costs at completion including risk contingencies for uncertain costs to complete
- Assess the stage of completion of the contract, which determines the revenues, costs and margins to be recognised based on the project forecast. Progress measurement based on costs has an inherent risk related to the cost estimate and the estimation uncertainty during the early stages of a contract is mitigated by not recognising revenue in excess of costs on large projects before project forecast is considered reliable, normally around 20 percent completion
- Appropriately provide for any loss-making contracts

Even though management has extensive experience in assessing project revenue, cost and margin, uncertainties exist.

Cost to complete depends on productivity factors and the cost of inputs. Weather conditions, performance of subcontractors and others with an impact on schedules, bulk materials prices and currency rates can all affect cost estimates. Experience, systematic use of the project execution model and focus on core competencies reduces, but do not eliminate the risk that estimates may change significantly. A risk contingency is included in project cost based on the risk register that is prepared for every project and is updated throughout the project as the need for contingencies lapses or new risks are identified.

Contract balances

Amounts in NOK million	**2019**	2018
Contract assets (unbilled revenue)	**915**	427
Contract liabilities (advances from customers and deferred revenue)	**(84)**	(343)

Contract assets relate to consideration for work done, but yet not invoiced at reporting date (revenue accruals). Contract assets are presented as receivables when the right to payment becomes unconditional, typically when invoices are issued to customer for agreed amounts. Contract liabilities relate to cash advances from customers for work not yet performed. Movements in contract assets and liabilities relate to project portfolio and phasing of projects.

Revenue recognised in 2019 for performance obligations satisfied or partially satisfied in prior years was NOK 169 million. This amount includes revenue recognised in 2019 for projects that did not report margin in earlier periods as the project forecast was not considered reliable, in addition to changes in estimates of variable revenue.

Largest projects in progress at year-end and backlog phasing

Project	Customer	Estimated delivery
Field Development segment		
Njord A Future	Equinor	2020
Nord Stream 2 onshore facility	Nord Stream 2	2020
Johan Sverdrup phase 2 process platform jacket	Equinor	2021
West White Rose engineering and marine operations	Husky Energy	2022
Johan Castberg FPSO	Equinor	2022
Johan Sverdrup riser platform modification	Equinor	2022
Hywind Tampen offshore wind concrete hulls	Equinor	2022

At year-end 2019, order backlog or remaining performance obligations, including Kvaerner's scope of work of jointly controlled entities, is estimated to be NOK 8 200 million. Incentives are only included when they are regarded as highly probable and provisional sums are based on most likely estimates. Order backlog or remaining performance obligations may change as a result of change in scope of contracts and incentives. Estimated scheduling of the order backlog is approximately 64 percent for execution in 2020 and approximately 36 percent for execution in 2021 and later.

Note 4 Operating segments

Kvaerner does not have any remaining operations in the US within the Downstream & Industrials segment, and remaining legacies within the segment are presented as discontinued operations in the group's financial statements. Consequently, Kvaerner continues to have one reportable segment; Field Development.

Kvaerner has a matrix based organisational model, with operational areas and resource centres, where the projects are the main focus. In September 2019, Kvaerner announced that it was building its planned growth through a focus on three market areas. As from 1 October 2019, the Field Development segment includes the following operational areas: Process & Structures, Floating production units (i.e. FPSOs) and Renewables. Process & Structures serves the market for traditional oil and gas platforms, onshore facilities, decommissioning and marine operations. FPSOs was established in 2019 as an operating area dedicated to pursuing such projects. The operating area Renewables was also established in 2019 to reinforce the focus on the market for renewable business and pursue and execute projects within offshore wind power, green onshore facilities and other renewable business.

Financial reporting principles
The accounting principles of the reportable segments are the same as described in this annual report, except for hedge accounting and accounting for joint ventures. When contract revenues and contract costs are denominated in a foreign currency, the subsidiaries hedge the exposure with Kvaerner Treasury. Hedge accounting is applied in segment reporting independently of whether or not the hedge qualifies for hedge accounting in accordance with IFRS. The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's operating activities while under IFRS, Kvaerner's investment is accounted for using the equity method. The correction of the non-qualifying hedges to ensure that the consolidated financial statements are in accordance with IFRS, is made as an adjustment at Kvaerner's corporate level. This means that the group's segment reporting reflects all hedging relationships as if hedge accounting applies even though they may not qualify in accordance with IFRS. Inter-segment pricing is determined according to arm's length principles.

Aggregation
The operational areas within the Field Development segment may meet the definition of an operating segment but have been aggregated based upon criteria in IFRS 8. Aggregation of the operating segments are considered to be consistent with the core principle of IFRS 8, as the projects within all operational areas are engineering, procurement and construction services relating to the construction of onshore and offshore facilities to be used in the upstream oil and gas industry or renewable energy industry, or otherwise below the thresholds of the standard.

The operating segments Process & Structures and FPSOs are considered to have similar economic characteristics. Demand for the products and services in both operational areas are driven by the oil price. The gross margin and profit/loss in a given year is not necessarily similar. There are few major projects within each operational area and the gross margin and profit/loss in a given year may be influenced by specific circumstances in one project. However, the long-term gross margin is expected to be similar over the long term and into the future. Cash flows and capex are also similar, as well as the use of EPC contracts. Customer contracts for these operational areas are typically a combination of reimbursable elements, lump sum elements, incentives and penalties.

The operational areas Process & Structures and FPSOs are considered similar in the respects of nature of product/service, nature of production processes, the type of customer, distribution method and regulatory environment. Both areas execute large and complex EPC projects. The main customers for all projects within the operational areas Process & Structures and FPSOs are the large, international oil companies.

Within the operating segment Renewables, offshore wind is a growing market where Kvaerner is well positioned for fixed and floating wind turbine foundations as well as for converter platforms. This can be both steel and concrete structures, utilising Kvaerner's competence from the oil industry. The onshore green process industry is also considered part of renewables. Within onshore renewables, Kvaerner aims to apply its proven execution model for carbon capture and storage facilities, biofuels plants and hydrogen plants. Renewables may involve business with existing customers and new clients compared with the Process & Structures and FPSOs operating segments. Within renewables and offshore wind in particular, the market is international, with a client base similar to our existing customers.

The majority of Kvaerner employees can be used for projects within all areas, as the skills and knowledge needed are similar in the projects within the different areas.

As the two operating segments, Process & Structures and FPSOs, which represent the majority of Kvaerner's current business, have similar economic characteristics, and whilst the activity within the Renewables segment is currently limited and below the thresholds of the standard for separate segment reporting, all operating segments have been aggregated into a single reportable segment.

Measurement of segment performance
Performance is measured by segment earnings before interest (net financial items), taxes, depreciation, amortisation and impairment (EBITDA) and earnings before interest (net financial items) and taxes (EBIT), as included in internal management reports. The Field Development segment reporting includes Kvaerner's share (proportionate consolidation) of jointly controlled entities closely related to Kvaerner's operating activities. Segment profit, together with key financial information as presented below, gives management relevant information in evaluating the results of the segment and performance relative to other entities operating within the industry. The President & CEO will normally not review financial items or total liabilities on segment level.

2019 Operating segments

Amounts in NOK million	Note	Field Development	Other/ Eliminations	Total
Operating revenue and other income				
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**
Inter-segment revenue		0	(0)	**-**
Total operating revenue and other income		9 427	(395)	**9 032**
EBITDA		512	(14)	**498**
Depreciation, amortisation and impairment	10, 11, 16	(147)	(45)	**(193)**
EBIT		365	(59)	**306**
EBITDA		512	(14)	**498**
Adjustment for equity accounted investees[1]		-	6	**6**
Adjusted EBITDA		512	(8)	**505**
Assets				
Current operating assets		1 897	9	**1 906**
Non-current operating assets		1 904	121	**2 024**
Operating assets		3 801	129	**3 930**
Tax-related assets				**1**
Investments in associates and jointly controlled entities				**73**
Investments in other companies				**8**
Financial receivables				**20**
Cash and cash equivalents				**2 324**
Retained assets of business sold				**0**
Total assets				**6 357**

Amounts in NOK million	Note	Field Development	Other/ Eliminations	Total
Liabilities				
Current operating liabilities		2 218	48	**2 267**
Non-current operating liabilities		235	8	**243**
Operating liabilities		2 454	56	**2 510**
Non-current lease liabilities				**87**
Current lease liabilities				**36**
Tax-related liabilities				**314**
Retained liabilities of business sold				**26**
Total liabilities				**2 972**
Net current operating assets		(321)	(40)	**(361)**
Cash flow				
Cash flow from operating activities		47	(145)	**(98)**
Investment in property, plant and equipment and intangible assets	10, 11	374	-	**374**
Order intake (unaudited)		6 902	-	**6 902**
Order backlog[2]		8 200	-	**8 200**
Own employees (unaudited)		2 806	27	**2 833**

1 Impact of embedded derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities.
2 Refer to Note 3 for more information.

2018 Operating segments

Amounts in NOK million	Note	Field Development	Other/ Eliminations	Total
Operating revenue and other income				
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**
Inter-segment revenue		0	(0)	**-**
Total operating revenue and other income		7 253	(34)	**7 220**
EBITDA		487	(51)	**437**
Depreciation and amortisation	10, 11	(110)	-	**(110)**
Goodwill impairment	11			**-**
EBIT		377	(51)	**327**
EBITDA		487	(51)	**437**
Adjustment for equity accounted investees [1]		-	(9)	**(9)**
Adjusted EBITDA		487	(60)	**427**
Assets				
Current operating assets		1 428	(26)	**1 402**
Non-current operating assets		1 677	(0)	**1 677**
Operating assets		3 105	(26)	**3 079**
Investments in associates and jointly controlled entities				**69**
Investments in other companies				**7**
Cash and cash equivalents				**3 165**
Retained assets of business sold				**0**
Total assets				**6 320**

Amounts in NOK million	Note	Field Development	Other/ Eliminations	Total
Liabilities				
Current operating liabilities		2 313	38	**2 351**
Non-current operating liabilities		218	10	**229**
Operating liabilities		2 531	49	**2 580**
Tax-related liabilities				**266**
Retained liabilities of business sold				**35**
Total liabilities				**2 880**
Net current operating assets		(885)	(64)	**(949)**
Cash flow				
Cash flow from operating activities		569	151	**719**
Investment in property, plant and equipment and intangible assets	10, 11	334	-	**334**
Order intake (unaudited)		9 827	-	**9 827**
Order backlog		10 625	-	**10 625**
Own employees (unaudited)		2 698	29	**2 727**

1 Impact of embedded derivatives reported in jointly controlled entities closely related to Kvaerner's operating activities.

Major customers
For the group, revenue and other income from the three largest customers represented NOK 7.9 billion, or 87 percent, of total revenue of NOK 9 billion (2018: NOK 6.6 billion and 91 percent). Of this, one customer represented 73 percent (2018: 81 percent), the second represented nine percent (2018: eight percent) and the third represented five percent (2018: three percent) of the total revenue of the Kvaerner group.

For the Field Development segment, revenue and other income from the three largest customers represented NOK 8.6 billion, or 91 percent, of the segment's total revenue of NOK 9.4 billion (2018: NOK 6.7 billion and 93 percent). Of this, one customer represented 78 percent (2018: 82 percent), the second represented nine percent (2018: eight percent) and the third represented four percent (2018: three percent) of the total revenue of the Field Development segment.

Geographical information
Geographical segment revenue is based on the geographical location of customers' operations. Non-current segment assets are based on geographical location of the assets.

	Total revenue and other income		Non-current segment assets	
Amounts in NOK million	**2019**	2018	**2019**	2018
Norway	**7 972**	6 698	**1 898**	1 674
Europe	**944**	432	**1**	1
Canada	**67**	78	**5**	2
Rest of the world	**50**	13	**0**	0
Total	**9 032**	7 220	**1 904**	1 677

Note 5 Employee benefit expenses

Financial reporting principles
Employee benefits comprise all types of remuneration to personnel employed by the group and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid as a result of past service provided by the employee.

Under the variable pay programmes some executives are entitled to a matching element paid in Kvaerner shares after three years. The monetary amount earned is converted into a number of shares based on the market value of the shares on 30 April the year after the grant date of the programme. Expected future dividends over the vesting period are considered when determining the grant date fair value per share. The grant date fair value of the shares is expensed over the vesting period until the shares are allocated. The shares are allocated to the executive conditional upon continued employment. The executive does not receive any dividends until the shares are allocated.

Employee benefit expenses

Amounts in NOK million	Note	**2019**	2018
Salaries and wages including holiday allowance		**1 944**	1 779
Social security tax/national insurance contribution		**282**	260
Pension costs including social security tax	15	**146**	156
Other employee costs		**69**	65
Salaries, wages and social security costs		**2 441**	2 260

Guidelines for remuneration to the President & CEO and the executive management of Kvaerner
The main purpose of the executive remuneration programme is to encourage a strong and sustainable performance-based culture, which supports growth in shareholder value. The total remuneration to executives consists of

- annual base salary
- participation in a variable pay programme
- pension and benefits

General
The company practices standard employment contracts and standard terms and conditions regarding notice period and severance pay for the President & CEO and executive management.

Pension and benefits
The President & CEO and the members of the executive management team participate in a standard employee and management pension scheme, a standard disability pension scheme and a standard insurance plan applicable to all employees in the company.

Variable pay programme
The company has a deliberate policy of offering limited fixed benefits, and rather securing market competitiveness by offering participation in an annual executive variable pay programme. The objective of the programme is to recognise and reward the achievement of financial and operational results as well as personal performance. The earnings under the programme are dependent on annual achievement of financial targets, the company's key performance indicators and personal performance rating.

Executive management and some senior managers are entitled to a matching element under the programme paid in Kvaerner shares after three years. In 2019 the company awarded 187 092 shares under the 2018 programme which will be delivered to executive management in 2021, if still employed. Expected dividends per annum at grant date has been reflected in determining the grant date fair value per share of NOK 12.14. The total expense in 2019 related to the matching element was NOK 2.3 million (NOK 3.0 million in 2018) for executive management.

Employee share purchase programmes
In 2019 a share purchase programme was offered to all Norwegian employees. A total of 1 430 429 Kværner ASA shares were distributed to the employees in December 2019 at a price of NOK 12.46 per share. A share purchase programme was also offered in 2018.

Share options programme
The company does not offer share options programmes to any managers or employees or other share based payment compensation programmes, except for the share based variable pay programme described above.

Severance pay
Severance pay is applicable in case there is a mutual understanding between the company and the executive or some senior managers that the employment shall be terminated or the company requests the resignation of the executive management and senior managers out of concern for the affairs of Kvaerner. If so, they would be entitled to severance pay corresponding to three or six months regular fixed salary. Severance pay does not include holiday allowance or pension entitlements.

Kvaerner has no outstanding loans or guarantees to any employees, managers or Directors.

Remuneration to members of the executive management team

2019

Amounts in NOK		Base salary[1]	Variable pay[2]	Other benefits[3]	Pension benefits[4]	Total remuneration
Karl-Petter Løken	01.01.2019 - 31.12.2019	5 162 769	3 009 440	11 887	99 150	8 283 247
Steinar Røgenes	01.01.2019 - 31.12.2019	2 247 162	1 634 649	14 571	174 035	4 070 417
Sturla Magnus	01.01.2019 - 31.12.2019	2 241 482	1 577 521	420 681	121 880	4 361 563
Idar Eikrem	01.01.2019 - 31.12.2019	2 456 418	1 849 730	12 324	156 561	4 475 034
Henrik Inadomi	01.01.2019 - 31.12.2019	2 140 155	2 183 614	14 689	113 368	4 451 826
Arnt Knudsen	01.01.2019 - 31.12.2019	2 146 422	1 598 496	19 526	293 706	4 058 150
Guro Høyaas Løken	01.10.2019 - 31.12.2019	596 260	301 138	2 479	39 504	939 381
Kenneth Simonsen	01.10.2019 - 31.12.2019	588 000	317 674	4 373	40 110	950 157
Elly Bjerknes	01.01.2019 - 30.09.2019	1 607 410	1 244 414	11 082	135 179	2 998 084
Hans Petter Mølmen	01.01.2019 - 30.09.2019	1 549 606	1 170 926	9 537	147 629	2 877 697
Ellen Grete Andersen	01.01.2019 - 30.09.2019	1 461 282	1 127 456	9 946	195 646	2 794 329
		22 196 966	**16 015 059**	**531 093**	**1 516 766**	**40 259 885**

1 Base salary represents salary expensed while holding an executive position, and includes holiday pay.
2 Variable pay reported is based on expensed cost, while holding an executive position, rather than paid benefits, and includes holiday pay.
3 Other benefits include telephone, insurance agreements, housing allowance etc.
4 Pension benefits include the standard employee and management pension scheme and a disability pension scheme.

2018

Amounts in NOK		Base salary[1]	Variable pay[2]	Other benefits[3]	Pension benefit[4]	Total remuneration
Jan Arve Haugan	01.01.2018 - 28.02.2018	1 247 628	-	7 675	15 751	1 271 053
Karl-Petter Løken	07.05.2018 - 31.12.2018	3 166 640	2 072 000	5 944	61 917	5 306 501
Steinar Røgenes	01.01.2018 - 31.12.2018	2 222 573	1 327 775	14 619	184 341	3 749 307
Sturla Magnus	01.01.2018 - 31.12.2018	2 216 954	1 153 239	656 791	113 236	4 140 220
Elly Bjerknes	01.01.2018 - 31.12.2018	2 224 454	1 323 811	12 149	187 370	3 747 784
Hans Petter Mølmen	01.01.2018 - 31.12.2018	2 125 846	1 209 967	12 958	212 067	3 560 839
Idar Eikrem[5]	01.01.2018 - 31.12.2018	2 991 708	2 208 048	10 521	116 364	5 326 641
Arnt Knudsen	01.01.2018 - 31.12.2018	2 123 342	1 288 791	17 520	424 698	3 854 352
Ellen Grete Andersen	01.01.2018 - 31.12.2018	2 066 192	1 183 294	12 173	294 204	3 555 864
Henrik Inadomi	01.01.2018 - 31.12.2018	2 116 735	1 412 811	11 973	111 621	3 653 141
		22 502 073	**13 179 736**	**762 324**	**1 721 568**	**38 165 701**

1 Base salary represents salary expensed while holding an executive position, and includes holiday pay.
2 Variable pay reported is based on expensed cost, while holding an executive position, rather than paid benefits, and includes holiday pay.
3 Other benefits include telephone, insurance agreements, housing allowance etc.
4 Pension benefits include the standard employee and management pension scheme and a disability pension scheme.
5 Acting President & CEO for the period 1 March 2018 until 6 May 2018.

Remuneration to the Board of Directors

2019

Amounts in NOK	Board fees[1]	Audit Committee fees[1]	Remuneration Committee fees[1]
Leif-Arne Langøy	630 000	-	34 000
Kjell Inge Røkke[2]	345 000	-	34 000
Thorhild Widvey	345 000	90 000	34 000
Lone Fønss Schrøder	345 000	170 000	-
Jan Arve Haugan[3]	-	-	-
Rune Rafdal[4]	172 500	90 000	-
Ståle Knoff Johansen[4]	172 500	-	-
Line Småge Breidablikk[4, 5]	115 000		
Bernt Harald Kilnes[4, 5]	57 500	-	-

1 Fees listed in the table are earned remuneration for work performed in 2019 related to Board, Audit Committee and Remuneration Committee meetings based on fees approved by the Annual General Meeting March 2019.
2 Fees paid directly to company The Resource Group TRG AS.
3 As CEO within the Aker ASA group, no additional remuneration paid.
4 Directors appointed by and from employees. Board fees to employee elected Directors are reduced in accordance with agreement with employee representatives. Employee elected Directors have in addition received ordinary salaries from the companies in which they are employed.
5 The Director Bernt Harald Kilnes left the Board in April, the Director Line Småge Breidablikk appointed to the Board in April.

Remuneration to the Board of Directors

2018

Amounts in NOK	Board fees[1]	Audit Committee fees[1]	Remuneration Committee fees[1]
Leif-Arne Langøy	615 000	-	33 000
Tore Torvund[2, 4]	122 500	-	7 000
Kjell Inge Røkke[3]	335 000	-	26 000
Thorhild Widvey	335 000	87 500	33 000
Lone Fønss Schrøder	335 000	165 000	-
Jan Arve Haugan[5]	260 000	-	-
Rune Rafdal[6]	167 500	87 500	-
Ståle Knoff Johansen[6]	167 500	-	-
Bernt Harald Kilnes[6]	167 500	-	-

1 Fees listed in the table are earned remuneration for work performed in 2018 related to Board, Audit Committee and Remuneration Committee meetings based on fees approved by the Annual General Meeting March 2018.
2 Directors resident outside Scandinavia are granted additional compensation of NOK 13 000 per physical Board meeting.
3 Fees paid directly to company The Resource Group TRG AS.
4 The Director Tore Torvund left the Board at Annual General Meeting March 2018.
5 Director appointed at Annual General Meeting March 2018.
6 Directors appointed by and from employees. Board fees to employee elected Directors are reduced in accordance with agreement with employee representatives. Employee elected Directors have in addition received ordinary salaries from the companies in which they are employed.

Nomination Committee
The Articles of Association stipulate that the company shall have a Nomination Committee. The Nomination Committee shall have no less than three members, who shall normally serve for a term of two years.

The current members of the Nomination Committee are:
Arild S. Frick (Chair), Georg F. Rabl and Walter Qvam. Kvaerner's General Meeting has adopted guidelines governing the duties of the Nomination Committee.

Audit Committee
The current members of the Audit Committee are the following three Directors:
Lone Fønss Schrøder (Chair), Thorhild Widvey and Rune Rafdal.

Remuneration Committee
The current members of the Remuneration Committee are the following three Directors:
Leif-Arne Langøy (Chair), Kjell Inge Røkke and Thorhild Widvey.

Fees to members of the Audit and Remuneration committees are subject to approval by the Annual General Meeting 24 March 2020.

		Direct shareholding[1]	Shares entitlement as part of 2018 variable pay programme[2]	Shares entitlement as part of 2017 variable pay programme[2]
Karl-Petter Løken	President & CEO	50 386	-	-
Steinar Røgenes	EVP EPCI	209 622	35 590	30 646
Sturla Magnus	EVP Process & Structures	36 989	35 500	25 885
Guro Høyaas Løken	EVP FPSOs	8 715	-	-
Kenneth Simonsen	EVP Renewables	77 589	-	-
Idar Eikrem	EVP & CFO	66 329	29 734	34 041
Arnt Knudsen	SVP Business Development	151 092	34 690	28 840
Henrik Inadomi	SVP Corporate Support & General counsel	248 642	34 541	32 013
Jan Arve Haugan[3]	Director	194 843	-	-
Ståle Knoff Johansen	Director	12 872	-	-
Rune Rafdal	Director	8 737	-	-
Line Småge Breidablikk	Director	1 634	-	-

1 The overview includes only direct ownership of Kvaerner shares and does not include:
Chairman Leif-Arne Langøy holdings of 194 827 shares through a privately owned company.
Director Kjell Inge Røkke's indirect ownership in Aker ASA through The Resource Group TRG AS and subsidiaries.
EVP & CFO Idar Eikrem holdings of 115 000 shares through a privately owned company.
2 Allocated shares related to 2017 variable pay programme will be transferred in 2020, and allocated shares related to 2018 variable pay programme will be transferred in 2021, if still employed at applicable future dates.
3 Jan Arve Haugan and related parties.

Note 6 Other operating expenses

Financial reporting principles
Materials, goods and services costs reflect costs that relate directly to the specific contracts and costs that are attributable to contract activity. Costs that cannot be allocated to contract activity are classified as other operating expenses.

Amounts in NOK million	2019	2018
Rental cost for buildings and other office and premises cost[1]	18	22
Other operating expenses related to office and equipment	23	8
Hired services and external consultants including audit fees	80	86
Travel expenses	18	18
Insurance, guarantee and other service cost[2]	(46)	3
Maintenance buildings and equipment	13	4
Other[3]	41	10
Total	**147**	151

1 Rental cost for buildings and other office and premises cost include release of Onerous lease provision from 2017 of NOK 53 million with NOK 34 million in 2019 and NOK 12 million in 2018.
2 Reduced guarantee cost in 2019 due to net project warranty releases of NOK 63 million. See Note 18 Provisions and contingent liabilities.
3 Other expenses mainly include electricity, gas, tools and miscellaneous maintenance and personnel costs.

Fees to auditor
KPMG is group auditor. The table below presents fee expense in the year.

Amounts in NOK million	2019	2018
Audit	3	3
Other assurance services	0	0
Other services[1]	1	1
Total fees to KPMG	**4**	4
Total audit fees - other auditor	0	0
Total continuing operations	**4**	4
Total discontinued operations	0	0
Total	**4**	4

1 Other services include NOK 0.7 million for 2019 and NOK 0.6 million in assistance on tax advisory services and compliance related matters for 2018.

Note 7 Finance income and expenses

Financial reporting principles
Finance income and expenses comprise interest receivable on funds invested, dividend income, foreign exchange gains and losses, interest payable on borrowings calculated using the effective interest rate method, fair value gains or losses on financial assets at fair value through profit or loss, gains or losses on hedging instruments that are recognised in profit or loss and reclassification of amounts previously recognised in other comprehensive income.

Foreign exchange translation differences are recognised in profit or loss, except for differences arising from translation of qualifying cash flow hedges (to the extent that the hedge is effective), which are recognised in other comprehensive income. Translation impacts of monetary assets and liabilities related to operating activities are recognised within operating results. Embedded derivatives will under certain circumstances be separated and recognised at fair value in the balance sheet and the changes recognised in the income statement.

Finance income and expenses

Amounts in NOK million	2019	2018
Interest income on bank deposits	41	27
Net foreign exchange gain	2	2
Other finance income	6	3
Foreign exchange movement embedded derivatives	-	7
Finance income	**49**	38
Interest expense on financial liabilities/facilities measured at amortised cost	(22)	(20)
Net finance cost pension	(6)	(5)
Other finance cost	(1)	(3)
Interest expense on lease liabilities	(12)	-
Foreign exchange movement embedded derivatives	(6)	-
Finance expenses	**(47)**	(27)
Net finance expenses recognised in profit and loss	**2**	11

See Note 21 Derivative financial instruments and Note 22 Financial instruments for information of the finance income and expense generating items.

Note 8 Income taxes

Financial reporting principles
Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date. Current tax also includes any adjustment to tax payable in respect of previous years and any tax liability arising from the declaration of dividends.

Deferred tax
Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against amounts that can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Accounting estimates and judgements
Kvaerner is subject to income taxes in several jurisdictions and judgement is required to determine the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Provisions are based on estimates of eventual additional taxes. Income tax expense is calculated based on reported income in the different legal entities. Deferred income tax expense is calculated based on the differences between the assets' carrying value for financial reporting purposes and their respective tax basis that are considered temporary in nature.

The total amount of income tax expense and allocation between current and deferred income tax requires management's interpretation of complex tax laws and regulations in tax jurisdictions where Kvaerner operates. Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the near future, planned transactions or planned tax optimising measures. Economic conditions may change and lead to a different conclusion regarding recoverability, and such change may affect the results for each reporting period.

Income tax expense

Amounts in NOK million	2019	2018
Current tax expense	**(11)**	(16)
Prior year adjustment	**-**	0
Total current tax expense	**(11)**	(16)
Current year's deferred tax expense	**(45)**	(45)
Prior year deferred tax adjustment	**(7)**	1
Total deferred tax expense	**(52)**	(44)
Total tax expense	**(64)**	(60)

Effective tax rate reconciliation

Amounts in NOK million	2019	2018
Profit before tax	**307**	338
Expected income taxes (2019: 22 percent, 2018: 23 percent) of profit before tax	**(68)**	(78)
Tax effects of:		
Prior year adjustments (current and deferred tax)	**(7)**	1
Permanent differences[1]	**12**	6
Effect of unrecognised timing differences and tax losses[2]	**(4)**	1
Change in tax rates[3]	**-**	12
Differences in tax rates from 22 percent (2018: 23 percent)[4]	**3**	(3)
Other	**(1)**	(0)
Total tax expense	**(64)**	(60)
Effective tax rate	**21%**	18%
Tax effect of differences	**(4)**	(18)

1 Permanent differences include impact of pension provision movements recognised in other comprehensive income.
2 Effect of non-recognised timing differences and tax losses is related to tax losses in international operations.
3 Impact of change in Norwegian Corporate tax rate from 23 to 22 percent as from 2019.
4 Effect of different tax rates in other jurisdictions.

Recognised deferred tax assets and liabilities

Amounts in NOK million	2019	2018
Property, plant and equipment	**11**	20
Pensions	**52**	48
Construction contracts in progress	**(974)**	(694)
Tax loss carry-forwards	**608**	315
Provisions	**12**	36
Financial instruments	**3**	(11)
Other	**(25)**	20
Total deferred tax asset/(liability)	**(313)**	(265)

Change in net recognised deferred tax assets and liabilities

2019

Amounts in NOK million	Balance as of 1 January	Recognised in profit and loss	Other adjust-ments	Balance as of 31 December
Property, plant and equipment	20	1	(10)	**11**
Net pensions	48	4	-	**52**
Projects under construction	(694)	(280)	-	**(974)**
Tax loss carry-forwards	316	292	1	**608**
Provisions	36	(25)	-	**12**
Financial instruments	(11)	2	13	**3**
Other	20	(45)	-	**(25)**
Total	(265)	(52)	4	**(313)**

2018

Amounts in NOK million	Balance as of 1 January	Recognised in profit and loss	Other adjust-ments	Balance as of 31 December
Property, plant and equipment	19	1	-	**20**
Net pensions	45	3	-	**48**
Projects under construction	(425)	(269)	-	**(694)**
Tax loss carry-forwards	103	212	-	**316**
Provisions	21	15	-	**36**
Financial instruments	(10)	(2)	-	**(11)**
Other	20	(4)	4	**20**
Total	(225)	(44)	4	**(265)**

Tax loss carry-forwards

Amounts in NOK million	2019	2018
Recognised tax losses carried forward	**2 669**	1 344
Recognised denied interest carried forward	**84**	90
Unrecognised tax losses carried forward	**87**	86
Total tax losses carried forward - continuing operations	**2 840**	1 519

Recognised tax losses and denied interest carried forward are related to the Norwegian operations. Denied interest carried forward expires after five to ten years. Remaining recognised tax losses have indefinite expiry dates. Unrecognised tax losses are related to international offices of which NOK 7 million expire within five years, NOK 4 million expire after five years and the remaining have indefinite expiry dates.

In addition to the tax losses above for continuing operations, unrecognised tax losses in the group's discontinued operations in North America amounted to NOK 640 million at year-end 2019 (2018: NOK 633 million).

The group has NOK 1 million in current tax liabilities at year-end 2019 (2018: NOK nil).

Note 9 Earnings per share

Financial reporting principles
The basic and diluted earnings per share are calculated as the ratio of the profit for the year that is due to the shareholders divided by the weighted average number of ordinary shares outstanding. Treasury shares are not included in the weighted average number of ordinary shares. Kvaerner currently has no share-based compensation that results in a dilutive effect on earnings per share.

Earnings per share

	2019	2018
Profit/(loss) attributable to ordinary shares (NOK million):		
Net profit/(loss) - continuing operations	**244**	278
Net profit/(loss) - discontinued operations	**(10)**	0
Net profit/(loss) - total operations	**233**	278
Weighted average number of shares outstanding	**267 825 787**	267 429 795
Earnings per share (NOK):		
Basic and diluted EPS - continuing operations	**0.91**	1.04
Basic and diluted EPS - discontinued operations	**(0.04)**	0.00
Basic and diluted EPS - total operations	**0.87**	1.04

Note 10 Property, plant and equipment

Financial reporting principles
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, interest cost on qualifying assets, an appropriate proportion of production overheads, and, where relevant, the estimated costs of dismantling and removing the items and restoring the site on which they are located. Where components of property, plant and equipment have different useful lives, they are accounted for as separate components.

Assets are mainly depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

- Machinery, equipment and software: 3-15 years
- Buildings and yard improvements: 8-30 years
- Sites: No depreciation

Estimates for residual values are reviewed annually.

Amounts in NOK million	Buildings and sites	Machinery, equipment and software	Under construction	Total
Historical cost as of 1 January 2019	866	1 140	198	**2 203**
Additions[1]	83	27	192	**302**
Disposals	-	(7)	-	**(7)**
Scrapping	(7)	(7)	-	**(15)**
Transfers	1	61	(61)	**1**
Currency translation differences	0	0	(0)	**1**
Historical cost as of 31 December 2019	943	1 213	329	2 485
Accumulated depreciation as of 1 January 2019	(418)	(818)	-	**(1 236)**
Depreciation for the year	(39)	(66)	-	**(105)**
Impairment	(0)	(0)	-	**(0)**
Disposals	-	6	-	**6**
Scrapping	7	7	-	**15**
Currency translation differences	(0)	(0)	-	**(0)**
Accumulated depreciation as of 31 December 2019	(449)	(871)	-	**(1 321)**
Book value as of 31 December 2019	493	342	329	**1 164**

1 Additions, buildings and sites include NOK 48 million related to acquisition of Stord Industribygg Holding AS. Kvaerner has purchased buildings and land at Stord which are used in Kvaerner's production at the Stord yard.

Amounts in NOK million	Buildings and sites	Machinery, equipment and software	Under construction	Total
Historical cost as of 1 January 2018	916	1 118	30	**2 063**
Additions	13	53	194	**260**
Disposals	-	(1)	-	**(1)**
Scrapping	(77)	(47)	-	**(123)**
Transfers	13	17	(27)	**4**
Currency translation differences	0	(0)	(0)	**0**
Historical cost as of 31 December 2018	866	1 140	198	**2 203**
Accumulated depreciation as of 1 January 2018	(457)	(806)	-	**(1 263)**
Depreciation for the year	(37)	(59)	-	**(97)**
Disposals	-	1	-	**1**
Scrapping	77	47	-	**123**
Currency translation differences	(0)	0	-	**(0)**
Accumulated depreciation as of 31 December 2018	(418)	(818)	-	**(1 236)**
Book value as of 31 December 2018	448	322	198	**967**

At year-end 2019, Kvaerner has contractual commitments for acquisition of property, plant and equipment amounting to NOK 65 million, mainly relating to development of the Stord yard.

Note 11 Intangible assets

Financial reporting principles

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets. Where fair value of net assets acquired exceeds consideration paid, the resulting gain arising on an acquisition is recognised directly in the income statement. Goodwill recognised on acquisitions of subsidiaries is presented within intangible assets. Acquisitions of equity accounted investees do not result in goodwill as the full cost of acquisition is included in the carrying value of the investment. Goodwill is carried at cost less accumulated impairment losses.

Government grants

Government grants are recognised when it is reasonably certain that the company will meet the conditions stipulated for the grants and that the grants will be received. Operating grants are recognised systematically during the grant period. Grants are deducted from the cost which the grant is meant to cover. Investment grants are recognised as a deduction of the asset's carrying amount.

Research and development

Expenditures on research activities undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred. Expenditures on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible as well as being a separable asset. Capitalised costs include the cost of materials, external contractors, direct labour and capitalised interest on qualifying assets arising. Other development expenditures are recognised in profit or loss as incurred.

Amortisation

Except for goodwill, intangible assets, all of which have finite useful lives, are amortised on a straight-line basis over their estimated useful lives, ranging from five to ten years, from the date they are available for use.

Impairment

Goodwill is tested for impairment annually or more frequently if impairment indicators are identified. Other tangible and intangible assets are assessed for impairment if there is any indication of impairment. An impairment loss is recognised if the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount.

Recoverable amount

The recoverable amount of an asset or a CGU is the greater of their net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows independently of other assets or CGUs.

Impairment loss recognition

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amount of the other non-financial assets in the CGU on a pro rata basis. An impairment loss on goodwill is not reversed.

Accounting estimates and judgements

Goodwill

Management's determination of the recoverable amounts of the cash generating units includes assumptions regarding future project wins, their profitability and terminal values. The recoverable amounts of CGUs have been determined based on value-in-use calculations, which require the use of estimates and judgements. As most of the larger new contracts are expected to be awarded in 2020 and 2021, combined with a slow market for contract awards in 2018 and 2019, the 2020 annual revenues are expected to decline to a level around NOK 6 billion for the Field Development segment. The EBITDA margin for the year 2020 is estimated to approximately three percent, reflecting temporarily declining revenues and that fixed costs are kept stable to position for upturn from 2021.

Further, Kvaerner estimates that a new normalised level for net working capital (NCOA) will be in a band between NOK nil to negative NOK 1 billion from 2020 and onwards. Kvaerner also expects a lower investment level (capex) in 2020 and forward compared to the relatively high investment levels seen in 2018 and 2019.

Intangible assets

Amounts in NOK million	Intangible assets excl. goodwill	Goodwill	**Total**
Balance as of 1 January 2018	42	607	**649**
Amortisation	(13)	-	**(13)**
Additions	74	-	**74**
Balance as of 31 December 2018	102	607	**710**
Amortisation	(19)	-	**(19)**
Impairment	(23)	-	**(23)**
Additions	73	-	**73**
Transfers	(1)	-	**(1)**
Balance as of 31 December 2019	132	607	**740**

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Research and development costs
For the year ended 31 December 2019, the group capitalised development costs of NOK 73 million (2018: NOK 74 million) and recognised an impairment loss of NOK 23 million related to the group's strategic digitalisation project and IT systems as the criteria for capitalisation were not met. In 2019 NOK 37 million (2018: NOK 21 million) has been expensed for research and development as the criteria for capitalisation were not met. Research and development costs paid by customers amounted to less than NOK 1 million in 2019 (2018: NOK 1 million).

At year-end 2019, Kvaerner has contractual commitments for acquisition of services and systems amounting to NOK 11 million, mainly relating to Kvaerner's digitalisation project.

Goodwill- allocation by operating segment

Amounts in NOK million	**2019**	2018
Stord yard	**421**	421
Verdal yard	**186**	186
Total Field Development	**607**	607

Impairment testing of goodwill
Goodwill originates from the demerger from Aker Solutions in 2011 and was allocated to the operational areas at that time, based on their estimated relative fair values. Following changes in the composition of the cash generating units in 2016, goodwill was then reallocated to the new operational areas, and as a result of these changes and historical impairments of goodwill, the balance of NOK 607 million as at 31 December 2018 was allocated to the Process Solutions operating segment (Stord yard CGU) and Structural Solutions operating segment (Verdal yard CGU).

Following the 1 October 2019 reorganisation and establishment of the operational areas Process & Structures, FPSOs and Renewables, the goodwill balances have remained allocated to the yard CGUs and the recoverable amount of the CGUs is assessed based on the forecast cash flows to be contributed by the Stord and Verdal yard CGUs to projects across the operational areas.

An alternative treatment would have been to re-allocate the goodwill to the new operating segments based on their relative values as at the date of the reorganisation. However, such a treatment would not reflect the economic substance of Kvaerner's operations, as it could result in a future impairment of goodwill (depending on the relative performance of the operating segments), even if there was profitable utilisation of the Stord and Verdal yards, the workforce and the underlying technical and operational systems and processes which the goodwill balances represent.

2019 Impairment test
Key assumptions
Cash flows from projects, including assumed project awards, are allocated to Stord yard CGUs and Verdal yard based on which resources are used or normally would be used for project execution. Management's approach to determine the values that are assigned to each key assumption reflect past experience and are as follows:

- Assumed project awards is an essential element in the impairment testing. The group's business development organisation reviews and considers market prospects and selects target projects
- Target projects are included based on a probability weighting assessed by business development, i.e. probability that projects will go ahead and probability that Kvaerner will be selected as supplier and estimated revenues and margins based on the scope of work and Kvaerner's experience and judgement from other projects
- Cash flow projections for on-going projects are based on budget and forecast
- Explicit period for estimated cash flows are fourth quarter 2019-2023
- Terminal values reflecting long term, steady state revenue and margin levels are estimated based on a combination of historic levels and judgement
- An annual growth rate of one percent is used in calculating the terminal value
- The pre-tax discount rate, based on a weighted average cost of capital assessment, used is calculated based on the post-tax rate using an iterative process that gives the same net present value of cash flows pre- and post-tax. The post-tax discount rate applied in the testing is 8.9 percent, and pre-tax discount rates are 11 percent for Stord yard and 10.3 percent for Verdal yard

For the yard Stord and Verdal CGUs recoverable amount for recognised goodwill exceeds the related carrying values, and consequently the analysis indicates that no impairment is required.

Sensitivities
The following adverse changes could occur simultaneously before any impairment is required in relation to the Stord yard CGU: revenue reduction of 30 percent, EBITDA margin reduction of 1.5 percentage points and increase in pre-tax discount rate of 2.4 percentage points.

The Verdal yard CGU is more sensitive to impairment: a simultaneous revenue reduction of three percent and increase in pre-tax discount rate of 1.4 percentage points would result in an impairment.

Note 12 Trade and other receivables

Financial reporting principles
Trade and other receivables are classified at amortised cost and recognised at the original invoiced amount less an allowance for doubtful receivables. Kvaerner applies a simplified approach to provide for lifetime Expected Credit Losses in accordance with IFRS 9. The invoiced amount is considered to be approximately equal to the value which would be derived under the amortised cost method.

Amounts in NOK million	Note	2019	2018
Trade receivables[1]		**286**	370
Provision for impairment of receivables		**(21)**	(21)
Trade receivables, net		**264**	349
Advances to suppliers		**56**	56
Other receivables		**639**	531
Derivative financial instruments	21	**16**	5
Total trade and other receivables		**975**	940
Other		**9**	7
Total trade and other current assets		**983**	947

1 Trade receivables are mainly related to contracts with customers.

Impairment losses in 2019 were NOK 1 million (2018: NOK 4 million).

Aging of trade receivables

Amounts in NOK million	2019	2018
Current	**225**	198
Past due 0 – 30 days	**28**	148
Past due 31 – 90 days	**11**	2
Past due 91 days or more	**22**	22
Total	**286**	370

Note 13 Cash and cash equivalents

Financial reporting principles
Cash and cash equivalents include cash on hand, demand deposits held with banks and other short-term highly liquid investments with original maturity of three months or less.

Amounts in NOK million	2019	2018
Restricted cash	**1**	1
Cash pool	**491**	793
Interest-bearing deposits	**1 689**	2 321
Non interest-bearing deposits	**143**	50
Total	**2 324**	3 165

Note 14 Equity

Share capital
Kværner ASA has one class of shares, ordinary shares, with equal rights for all shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at General Meetings.

Total outstanding shares are 269 000 000 at par value of NOK 0.34 per share. All issued shares are fully paid.

Dividend of NOK 1.00 per share was paid in April 2019.

Treasury shares
The group purchases its own shares to meet the obligations under the matching element of the variable pay programme. Purchase of own shares is recognised at cost as a reduction in equity and is classified as treasury shares. No gain or loss is recognised in the income statement when treasury shares are sold.

Amounts in NOK million	Number of shares	Consideration
Treasury shares as of 31 December 2018	1 113 079	12
Purchase	579 817	8
Sale	(599 119)	(7)
Treasury shares as of 31 December 2019	1 093 777	13

Hedging reserve
The hedging reserve relates to cash flow hedges of future revenues and expenses against exchange rate fluctuations. The income statement effects of such instruments are recognised in accordance with the progress of the underlying construction contract as part of revenues or expenses as appropriate. The hedging reserve represents the value of such hedging instruments that are not yet recognised in the income statement. The underlying nature of a hedge is that a positive value on a hedging instrument exists to cover a negative value on the hedged position, see Note 21 Derivative financial instruments.

Pension reserve
The defined benefit plan actuarial gains and losses reserve includes remeasurement of the net defined benefit liability, which comprise actuarial gains and losses on the return of plan assets (excluding interest).

Currency translation reserve
The currency translation reserve includes foreign currency exchange differences arising from the translation of the net investment in foreign operations.

Note 15 Pension obligations

Financial reporting principles
Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss as incurred.

Defined benefit plans
The group's net obligation for defined benefit pension plans is calculated as net present value of future benefits the employees have earned in the current and prior periods reduced with fair value of plan assets. The plans are calculated separately. When the actuarial calculation results in a benefit to the group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan. The discount rate is the yield at the balance sheet date on high-quality corporate bonds with maturities consistent with the terms of the obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The group determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period.

Remeasurements arising from defined benefit plans comprise of actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling. Remeasurements are recognised immediately in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the portion of the changed benefit related to past services from the employees and the gain or loss on the curtailment, is recognised immediately in profit or loss. The group recognises gains and losses on settlements of defined benefit plans when settlements occur.

Accounting estimates and judgements
The present value of pension obligations depends on a number of assumptions regarding financial factors such as discount rate, expected salary growth, return on assets and demographical factors such as mortality, employee turnover, disability and early retirement age. During the long period of the pension obligation there will be changes in these assumptions effecting the pension obligation.

Pension plans in Norway
The main pension arrangement in Norway is a general pension plan organised by the Norwegian state. This arrangement provides the main general pension entitlement of all Norwegians. All pension arrangements by employers consequently represent limited additional pension entitlements.

Norwegian employers are obliged to provide an employment pension plan, which can be organised as a defined benefit plan or a defined contribution plan.

Defined contribution plan
All employees are included in the defined contribution plan in Kvaerner. The annual contributions expensed for the defined contribution plan were NOK 99 million (2018: NOK 92 million). The estimated contributions expected to be paid in 2020 are NOK 100 million.

Defined benefit plan
The defined benefit plan is a funded plan and represents the funded pension liability reported. The plan is closed and members of the plan are retired. Kvaerner's contributions to this plan in 2019 were NOK 17 million (2018: NOK 19 million) and the expected contributions for 2020 are NOK 15 million.

The net pension obligation is sensitive to deviations in mortality for the members versus the mortality table used for calculating the obligation. As payments of the funds are relatively close in time, in a pension perspective, the net pension obligation is sensitive to reductions in the values of the investments.

Compensation plan
To ensure that the employees were treated fairly at the change from the defined benefit plan to the defined contribution plan, the company introduced a compensation plan. The employees' part of the plan are entitled to a compensation amount being the difference between calculated pension capital in the defined benefit plan and the value of the defined benefit plan at the age of 67 years. Until 2019 the compensation amount was adjusted annually in accordance with the adjustment of the employees' pensionable income and accrued interest according to market interest. From 2019 the calculation method for the compensation scheme has changed, meaning that the liability will be equal the actual accrued cash value.

AFP - early retirement arrangement
AFP is an early retirement arrangement organised by Norwegian employers, The Norwegian Confederation of Trade Unions (LO) and the Norwegian state. The AFP plan is providing additional lifelong pensions. The employees are given a choice of retirement age, with lower pension at earlier retirement.

During 2017 the Norwegian Accounting Standards Board issued a comment concluding that the AFP plan is a multi-employer defined benefit plan. The AFP plan exposes the participating entities to actuarial risk associated with employees of other entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating entities. Sufficient information is not available to use defined benefit accounting and the AFP plan is accounted for as a defined contribution plan.

The annual contribution expensed for the AFP plan was NOK 34 million (2018: NOK 33 million). The estimated contributions to be paid in 2020 are NOK 34 million.

Pension plans outside Norway
All pension plans in Kvaerner companies outside Norway are defined contribution plans. Contributions to these plans were NOK 0.6 million in 2019 (2018: NOK 1 million). Estimated contributions in 2020 are NOK 0.6 million.

Total pension cost including payroll tax

Amounts in NOK million	**2019**	2018
Service cost[1]	**16**	24
Administration cost	**1**	1
Settlements	**(3)**	-
Net periodic pension cost defined benefit plans	**14**	25
Pension cost defined contribution plans	**132**	127
Other pension cost	**-**	5
Net periodic pension cost	**146**	156
Net interest cost/(income)	**6**	5
Net periodic pension cost incl. net interest cost	**152**	160

1 In 2018, the service cost was increased by NOK 7 million following increased accruals for AFP liabilities.

Movement in pension obligation and plan asset

Amounts in NOK million	2019	2018
Projected benefit obligation as of 1 January	**468**	475
Service cost	**16**	24
Interest expense	**13**	11
Payroll tax of employer contribution assets	**(4)**	(3)
Benefits paid	**(39)**	(36)
Settlements	**(3)**	-
Remeasurements loss/(gain) to other comprehensive income (OCI)	**31**	(2)
Projected benefit obligation as of 31 December	**482**	468
Plan assets at fair value as of 1 January	**269**	287
Interest income	**7**	7
Contributions paid into the plan	**30**	28
Benefits paid	**(39)**	(36)
Payroll tax of employer contribution assets	**(4)**	(3)
Administrative expenses paid	**(1)**	(1)
Remeasurements loss/(gain) to other comprehensive income	**(8)**	(12)
Plan assets at fair value as of 31 December	**255**	269
Effect of asset ceiling[1]	**(8)**	(19)
Net benefit obligation as of 31 December	**235**	218
As presented in the balance sheet		
Employee benefit assets	**0**	0
Employee benefit obligations	**(235)**	(218)
Total	**(235)**	(218)

1 Asset ceiling is implemented to reduce net pension assets according to the IFRS definition of assets. The effect is recognised in other comprehensive income (OCI).

Defined benefit obligation specified by funded and unfunded pension plans

Amounts in NOK million	2019	2018
Funded	**247**	250
Unfunded	**235**	218
Net employee benefit assets/(employee benefit obligations)	**482**	468

Included in other comprehensive income (OCI)

Amounts in NOK million	2019	2018
Remeasurements loss/(gain) from changes in:		
Effect of changes in financial assumptions	**13**	(8)
Effect of experience adjustments	**17**	6
Return on plan assets (excluding interest income)	**8**	12
Changes in asset ceiling	**(11)**	10
OCI losses/(gains)	**27**	19

Analyses of assets in the defined benefit plan
Plan assets comprise:

Amounts in NOK million	2019	2018
Bonds		
- Government	**2**	2
- Finance	**22**	36
- Private and Government enterprise	**45**	56
- Municipalities	**79**	100
Fund/Private Equity	**106**	74
Plan assets	**255**	269

Investments in bonds are made in the Norwegian market and most of the bonds are not listed on any exchange. Market value at year-end is based on official prices provided by the Norwegian Securities Dealers Association. Bond investments have on average a high credit rating, and most of the investments are in Norwegian municipalities with a credit rating of AA.

Investments in funds/private equity are mainly funds that invest in listed securities and where fund value is based on quoted prices.

Actuarial assumptions
The following are the principal actuarial assumptions at the reporting date:

	2019	2018
Discount rate	**2.20%**	2.80%
Asset return	**2.20%**	2.80%
Salary progression	**2.25%**	2.75%
Pension indexation	**0 - 4.00%**	0 - 4.00%
G - multiplier	**2.00%**	2.50%
Mortality table	**K2013**	K2013

The discount rate is based on estimated Norwegian high quality corporate bond rate.

Assumptions regarding future mortality are based on the dynamic mortality table K2013. The dynamic model expects improvements in life expectancy over time, expected for Kvaerner employees as well. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	2019	2018
Assumed life expectancy retiring today (member age 65)		
Males	**22.3**	22.3
Females	**25.6**	25.6
Assumed life expectancy retiring in 25 years (member age 40 today)		
Males	**24.6**	24.6
Females	**28.1**	28.1

Sensitivity analysis
Calculation of the defined benefit obligation is sensitive to the actuarial assumptions set out above. A sensitivity analysis for each significant actuarial assumption is included below. Possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by amounts shown below:

	Defined benefit obligation	
Effects in NOK million	Increase	Decrease
Discount rate (1% movement)	(24)	30
Future salary growth (1% movement)	1	(1)
Future pension growth (1% movement)	27	(3)

Note 16 Leases

Financial reporting principles
Kvaerner has adopted IFRS 16 Leases as of 1 January 2019. The new standard significantly changes how the group accounts for its leased assets (principally offices and certain operational facilities), as IFRS 16 introduces a single on-balance sheet accounting model for lessees that has some similarities to the previous accounting for financial leases. Only leases for items of low value and short-term leases may be exempt from on-balance sheet recognition based on available practical expedients. Kvaerner has chosen to apply these practical expedients. There is no impact of IFRS 16 on loan covenants as these are based on financial figures excluding impacts from IFRS 16.

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. The group will measure right-of-use assets at an amount equal to the liability, adjusted for any prepaid or accrued lease payments and not choose the option to measure right-of-use assets retrospectively. There was no impact on equity as at 1 January 2019 as a result of implementing IFRS 16.

The following available practical expedients have been applied on transition to IFRS 16:

- Onerous lease assessment; rely on assessment of whether leases are onerous applying IAS 37 on 31 December 2018 as an alternative to performing an impairment review of right-of-use assets for all its leases on 1 January 2019. Kvaerner reduced the right-of-use assets at 1 January 2019 by the NOK 33 million of onerous lease provisions recognised in liabilities in the balance sheet at 31 December 2018
- Apply the short term lease practical expedient to leases ending within 2019
- Exclude initial direct costs from measurement of right-of-use assets at the date of initial application
- Use hindsight where permitted by IFRS 16, such as in determining lease term (use of option periods)

Impacts on transition to IFRS 16 Leases

Amounts in NOK million	
Operating lease commitment at 31 December 2018 as disclosed in the group's consolidated financial statements	**424**
Discounted using the incremental borrowing rate at 1 January 2019	372
Recognition exemptions for:	
Short term leases	(35)
Leases of low-value assets	(57)
Extension and termination options reasonably certain to be exercised	4
Price adjustments	1
New lease contracts	10
Lease liabilities recognised at 1 January 2019	**295**
Weighted average discount rate (incremental borrowing rate)	5%
Right-of-use assets equal to liability	295
Onerous lease provision	(33)
Provision for office upgrades	(2)
Right-of-use assets adjusted by amounts of provisions at 1 January 2019	**260**

Lease expenses and sub-lease income
Kvaerner has entered into various lease contracts, mainly related to rental of buildings, land and sites for transportation, storage and decommissioning. In addition, Kvaerner is renting cranes, cars, vessels, barges and various equipment and machinery related to operations at the Stord and Verdal yards. The lease terms vary from short term lease contracts to lease contracts with duration up to 10 years. Rent of machinery and equipment is project related and typically for a short time period to cover peaks or special lifting or other operations. None of the leases include significant contingent payments. The majority of the long-term lease contracts are renewable at the end of the lease period at market rates.

At the end of September 2019 Kvaerner moved its headquarters from Fornebuporten to Snarøyveien 20 at Fornebu and recognised a gain on termination of the Fornebuporten lease of NOK 34 million, presented within operational profit. The new offices are sub-leased from Aker Solutions, related party to Aker ASA and Kvaerner. Rent period is three years, to end of September 2022, with an option for an additional 18 months.

Kvaerner subleased separate floors of its previous offices at Fornebuporten to related parties. Sublease payments for 2019 and 2018 amounted to NOK 14 million.

Right-of-use assets and lease liabilities

Amounts in NOK million	Land and buildings	Machinery and vehicles	Total right-of-use assets	Lease liabilities
Balance at 1 January 2019	**248**	**12**	**260**	**295**
Depreciation expense	(43)	(2)	(45)	
Additions	57	2	59	59
Terminations	(153)	-	(153)	(191)
Installment lease payments				(40)
Balance at 31 December 2019	**109**	**11**	**121**	**123**

Lease liabilities, maturity analysis contractual undiscounted cash flows

Amounts in NOK million	**2019**
Amount due within one year	**41**
Amount due between one and five years	**92**
Amount due later than five years	**0**
Total undiscounted lease liabilities	**134**

Lease liabilities included in the balance sheet

Amounts in NOK million	**2019**
Non-current	**87**
Current	**36**
Total lease liabilities	**123**

Cash outflow for leases

Amounts in NOK million	**2019**
Interest portion on lease liabilities	(12)
Principle portion on lease liabilities	(40)
Expense relating to variable lease payments not included in lease liabilities	(3)
Expense relating to short-term leases	(197)
Expense relating to leases of low value assets	(18)
Total cash outflow for leases	**(270)**

Effects on income statement

Amounts in NOK million	2019
Depreciation of right-of-use assets	(45)
Interest expense on lease liabilities	(12)
Gain on termination of lease agreements	38
Expense relating to variable lease payments not included in lease liabilities	(3)
Expense relating to short-term leases	(197)
Expense relating to leases of low value assets	(18)
Effect on profit/(loss) before tax	**(237)**

Note 17 Interest-bearing liabilities

Financial reporting principles
Interest-bearing loans and borrowings are measured at amortised cost.

Bank debt
The revolving credit facility agreement of NOK 2 000 million established in July 2015, originally to mature in July 2020, was cancelled and refinanced per 19 September 2019. The new credit facility agreement, a revolving credit facility of NOK 2 000 million, matures in September 2024. The facility is provided by a syndicate of high quality international banks. The revolving credit facility was undrawn during 2019 and as per 31 December 2019. The terms and conditions include restrictions which are customary for these kind of facilities, including inter alia negative pledge provisions and restrictions related to acquisitions, disposals and mergers. There are also certain provisions of change of control included in the agreement. There are no restrictions for dividend payments. The facility is unsecured.

The financial covenants are based on three sets of key financial ratios; an equity ratio based on consolidated total borrowings/consolidated total equity, a cash covenant calculated by consolidated total borrowings less consolidated net current operating assets and consolidated cash and cash equivalent assets and an interest coverage ratio based on consolidated EBITDA/ consolidated finance costs. The financial covenants are tested on a quarterly basis. As of 31 December 2019 the company is in compliance with all covenants. The margin applicable to the facility is based on a margin grid determined by the gearing ratio.

2019

Amounts in million		Nominal currency value	Book value	Interest margin	Interest rate	Effective interest rate	Maturity date	Interest terms
Revolving credit facility	Multi currency	2 000	-	1.80%	-	-	19 September 2024	IBOR + Margin[1]
Total non-current borrowings			-					

1 The margin applicable to the facility is decided by a margin grid based on the gearing ratio. Commitment fee is 40 percent of the margin.

2018

Amounts in million		Nominal currency value	Book value	Interest margin	Interest rate	Effective interest rate	Maturity date	Interest terms
Revolving credit facility	Multi currency	2 000	-	2.00%	-	-	8 July 2020	IBOR + Margin[1]
Total non-current borrowings			-					

1 The margin applicable to the facility is decided by a margin grid based on the gearing ratio. Commitment fee is 40 percent of the margin.

Note 18 Provisions and contingent liabilities

Financial reporting principles
A provision is recognised in the balance sheet when the group has a present obligation as a result of a past event, it is probable that the group will be required to settle the obligation and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a market based pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the liability-specific risks. The unwinding of the discount is recognised as a finance cost. Onerous contracts are measured at the lower of the expected cost of terminating a contract and the expected net cost of continuing with the contract. All provisions are presented as current liabilities as they are part of the operating cycle.

Accounting estimates and judgements
The provisions are estimated based on assumptions and in nature highly judgemental. The various provisions and the related assumptions and uncertainties are discussed below.

Amounts in NOK million	Warranties	Onerous contracts	Other	**Total**
Balance as of 1 January 2018	78	53	18	**148**
Provisions made during the year	189	(0)	6	**195**
Provisions used during the year	(79)	(8)	(11)	**(98)**
Provisions reversed during the year	(0)	(12)	-	**(12)**
Currency translation differences	(0)	0	(0)	**(0)**
Balance as of 31 December 2018	187	33	13	**233**
Provisions made during the year	68	46	4	**118**
Provisions used during the year	(56)	-	(7)	**(64)**
Provisions reversed during the year	(84)	-	-	**(84)**
Provisions offset against right-of-use assets (IFRS 16)	-	(33)	-	**(33)**
Currency translation differences	1	-	(0)	**1**
Balance as of 31 December 2019	114	46	10	**170**
Expected timing of payment as of 31 December 2019				
Non-current	68	14	3	**85**
Current	47	32	7	**86**
Total	114	46	10	**170**

Warranties
Provisions for warranties relate to the possibility that Kvaerner, based on contractual agreements, needs to perform guarantee work related to products and services delivered to customers. Such warranties are deemed to be "assurance-type warranties" and are provided for in accordance with progress during the project in question. The warranty period is normally two years. Based on experience, the provision is often set at one percent of the contract value, but can also be a higher or lower amount following a specific evaluation of the actual circumstances for each contract and are based on experience from previous comparable projects. Factors that could affect the estimated warranty cost include the group's quality initiatives and project execution model.

At year-end 2018 and 2019, warranty provisions related to on-going projects amounted to NOK 30 million and NOK 68 million respectively.

Onerous contracts
The provision includes onerous lease contracts and onerous customer contracts. The onerous lease contract provision from 2018 related to separable parts of leased office building that had been vacated by Kvaerner. On transition to IFRS 16 Leases, 1 January 2019, right-of-use assets were adjusted by the amounts of onerous lease provisions and provisions for required office upgrades. The onerous customers contracts provision relates to total estimated losses on customer contracts upon completion.

Other
Other provisions mainly relate to severance pay to employees following capacity adjustments.

Contingent liabilities
Given the scope of Kvaerner's worldwide operations, group companies are inevitably involved in legal disputes in the course of their activities. Provisions have been recognised to cover expected outcome of any disputes and litigation proceedings in accordance with applicable accounting rules. Such provisions are based on management's best judgement and estimates of a likely outcome of the dispute and will be subject for review by in-house or external legal advisors. However, the final outcome of such disputes and litigation proceedings will always be subject to uncertainties, and resulting liabilities may exceed recorded provisions. The disputes and litigation proceedings are continuously monitored and reviewed, and recognised provisions are adjusted to reflect management's best estimates of most recent facts and circumstances. Litigation and arbitration costs are expensed as incurred.

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.

In the group's view, the legacy project related to Nordsee Ost is subject to significant estimation uncertainty and the outcome could have a material impact on the consolidated financial statements. Management's assessments of the likely outcome of these proceedings, which form the basis of the recoverable amounts recognised in the financial statements, are subject to a high degree of uncertainty as the proceedings have continued for many years, are subject to complex interpretations of contractual, engineering, design and project execution issues and there are a wide range of reasonably possible outcomes. 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 Kvaerner's position, no estimate of the expected final outcome is disclosed.

Note 19 Trade and other payables

Financial reporting principles
Trade and other payables are recognised at the original invoiced amount. The invoiced amount is considered to be approximately equal to the value which would be derived under the amortised cost method.

Amounts in NOK million	Note	2019	2018
Trade creditors		**508**	555
Accrued operating costs		**1 274**	956
Derivative financial instruments	21	**3**	18
Public duties and taxes		**162**	155
Other current liabilities		**66**	78
Total trade and other payables		**2 012**	1 761

Note 20 Financial risk management and exposures

Financial risk
The group is exposed to a variety of financial risks: currency, interest rate, price, credit, liquidity and capital risks. Market risk affects the value of financial instruments held. The objective of financial risk management is to manage and control financial risk exposure and thereby increase the predictability and minimise the potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposure and applies hedge accounting in order to reduce profit or loss volatility.

The group's approach to risk management includes identifying, evaluating and managing risk in all activities using a top-down approach with the purpose of avoiding sub-optimisation and utilising correlations observed from a group perspective.

Risk management is present in every project and it is the responsibility of the project managers in cooperation with Treasury to identify, evaluate and hedge financial risk under policies approved by the Board of Directors. The group has well-established principles for overall risk management, as well as policies for the use of derivatives and financial investments.

Currency risk
Kvaerner operates internationally and is exposed to currency risk on commercial transactions, recognised assets and liabilities. Commercial transactions and recognised assets and liabilities are subject to currency risk when payments are denominated in a currency other than the respective functional currency of the group company. The group's exposure to currency risk is primarily related to USD, EUR, GBP, CAD, PLN, and RUB.

Kvaerner's policy requires that entities hedge their entire contractually binding currency risk exposure in any project using forward currency contracts. The group has a number of contracts involving foreign currency exposures and Treasury manages internal exposures by entering into external forward currency contracts.

For segment reporting purposes, each legal entity designates all currency hedge contracts with Treasury as cash flow hedges. External foreign exchange contracts are designated at group level as hedges of currency risk on a gross basis. These hedges are done back-to-back. When hedges do not qualify for hedge accounting under IFRS, an adjustment is done at group level. See Note 21 Derivative financial instruments for information regarding the accounting treatment of hedging and embedded derivatives.

The group's exposure to its main foreign currencies

2019

Amounts in million (local currency)	RUB	PLN	SEK	CAD	GBP	USD	EUR
Cash	1 260	4	-	3	1	6	6
Balance sheet exposure	**1 260**	**4**	**-**	**3**	**1**	**6**	**6**
Estimated forecast receipts from customers	-	45	-	-	1	-	45
Estimated forecast payments to vendors	-	(58)	-	-	-	(1)	(4)
Cash flow exposure	**-**	**(13)**	**-**	**-**	**1**	**(1)**	**42**
Forward exchange contracts	**-**	**13**	**-**	**-**	**(1)**	**1**	**(42)**
Net exposure	**1 260**	**4**	**-**	**3**	**1**	**6**	**6**

2018

Amounts in million (local currency)	RUB	PLN	SEK	CAD	GBP	USD	EUR
Cash	703	1	(0)	3	1	7	3
Balance sheet exposure	**703**	**1**	**(0)**	**3**	**1**	**7**	**3**
Estimated forecast receipts from customers	4	-	-	-	-	-	45
Estimated forecast payments to vendors	(11)	(70)	-	-	-	(3)	(2)
Cash flow exposure	**(6)**	**(70)**	**-**	**-**	**-**	**(3)**	**43**
Forward exchange contracts	**6**	**70**	**-**	**-**	**-**	**3**	**(43)**
Net exposure	**703**	**1**	**(0)**	**3**	**1**	**7**	**3**

Estimated forecasted receipts and payments in the tables above are calculated based on the group's hedge transactions through Treasury. These are considered to be the best estimate of the currency exposure, given that all currency exposure is hedged in accordance with the group's policy. A foreign currency sensitivity analysis indicates that changes in the foreign currency rates would only have minor effects on equity and profit and loss. A ten percent weakening of the NOK against the currencies listed as of 31 December would have increased/(decreased) equity and profit and loss by the amounts shown in the table below. The selected rate of ten percent is seen as a reasonable possibility for NOK fluctuations within a normal year.

Changes in currency rates change the values of hedging derivatives, embedded derivatives, and cash balances. The table below illustrates the aggregated effects of derivatives and cash balances. Hedges that qualify for hedge accounting are reported in the profit and loss according to the progress of projects. Deferred value of cash flow hedges is reported as hedging reserve in equity. Any changes to currency rates will therefore affect equity.

Value of hedging instruments that do not qualify for hedge accounting cannot be deferred from profit and loss. Changes in profit and loss are based on changes in fair values of the hedges that do not qualify for hedge accounting and any ineffectiveness in hedges that are hedge accounted. The analysis includes only project-related items and assumes that all other variables, in particular interest rates, remain constant. Calculations are based on amounts and foreign currency exchange rates as of 31 December 2019. The analysis is performed on the same basis as it was for 2018. Changes in fair value to embedded derivatives will also have an effect directly to profit and loss.

Although not all foreign exchange contracts are part of hedge accounting relationships, they are used to economically hedge current risk. The effect on profit and loss under financial items in the table below will have an opposite effect on future operating income or expense as progress on projects increases. Equity in the table is the hedge reserve that follows from cash flow hedges.

	2019		**2018**	
Amounts in million (local currency)	Profit/(loss) before tax[2]	Equity[1]	Profit/(loss) before tax[2]	Equity[1]
USD - 10 percent weakening	**1**	**0**	1	0
EUR - 10 percent weakening	**4**	**(4)**	8	(4)
CAD - 10 percent weakening	**0**	**-**	0	-
GBP - 10 percent weakening	**0**	**(0)**	0	-
SEK - 10 percent weakening	**-**	**-**	(0)	-
PLN - 10 percent weakening	**1**	**1**	5	1
RUB - 10 percent weakening	**126**	**-**	70	(0)

1 The effects to equity that follow directly from the effects to profit and loss are not included.
2 The effect on profit/(loss) before tax is mainly related to embedded derivatives.

A ten percent strengthening of the NOK against the above currencies as of 31 December 2019 would have had the equal but opposite effect on the above amounts, on the basis that all other variables remain constant. The sensitivity analysis does not include effects on the consolidated result and equity from changed exchange rates used for consolidation of foreign subsidiaries.

Translation exposure
Translation exposure occurs when foreign operations are translated for consolidation in to the financial statement of the group.

Kvaerner has several investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

Significant exchange rates applied for group reporting and consolidation

	Average rate		Closing rate	
Currency	**2019**	2018	**2019**	2018
USD	**8.7879**	8.1554	**8.7667**	8.7041
CAD	**6.6190**	6.2857	**6.7454**	6.3800
EUR	**9.8410**	9.6214	**9.8444**	9.9676
GBP	**11.2171**	10.8725	**11.5944**	11.0378
SEK	**0.9318**	0.9404	**0.9409**	0.9713
PLN	**2.2878**	2.2619	**2.3143**	2.3157
RUB	**0.1357**	0.1308	**0.1412**	0.1251

The next table illustrates the group's exposure to translation risk. If the Norwegian currency depreciated by ten percent during 2019, the consolidated financial statements would have been affected by the changes in the table below. The sensitivity analysis is only a translation sensitivity and does not reflect changes in derivatives or other effects from currency fluctuations. Sensitivity analysis per currency has been made and the result is given in the presented table.

	Total			10% depreciation			Change		
Amounts in NOK million	Revenue	EBITDA	Equity	Revenue	EBITDA	Equity	Revenue	EBITDA	Equity
2019	**9 032**	**498**	**3 385**	**9 125**	**505**	**3 396**	**92**	**7**	**11**
2018	7 220	437	3 447	7 245	442	3 452	25	5	6

Interest rate risk
Kvaerner's interest rate risk arises from cash balances and external loans. Kvaerner does not have any external interest-bearing debt as of 31 December 2019.

An increase of 100 basis points in interest rates during 2019 would have increased equity and profit or loss by the amounts shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2018.

Amounts in NOK million	**2019**	2018
Cash and cash equivalents - 1 percent interest increase	**23**	32
Cash flow sensitivity (net)	**23**	32

Price risk
Kvaerner is exposed to fluctuations in market prices in the operational areas related to contracts, including changes in market price for raw materials, equipment and development in wages. These risks are managed in bid processes by locking in committed prices from vendors as a basis for offers to customers or through escalation clauses with customers.

Credit risk
Customer credit risk
Credit risk is the risk of financial loss to the group if customers or counterparties to financial investments/instruments fail to meet their contractual obligations and arises principally from external receivables. Assessment of credit risk related to customers and subcontractors is an important requirement in the bid phase and throughout the contract period. Such assessments are based on credit ratings, income statement and balance sheet reviews, and on using credit assessment tools available (e.g. Dun & Bradstreet/Orbis – Bureau van Dijk). Sales to customers are settled in cash.

For trade receivables, the group applies a simplified approach to provide for expected credit losses as prescribed by IFRS 9. Provisions for loss on receivables are low, and there are no historical losses of any significance.

Revenues are mainly related to large and long-term projects with payments up front and thereafter in accordance with progress and/or agreed milestones. Any lack of payment is normally due to disagreements related to project deliveries and is solved together with the customer or escalated for resolution through arbitration or other mechanisms as per individual contracts.

Customers are typically large and highly reputable oil companies with a low credit risk, which reduces the credit risk significantly. However, the contractual counterparty may be a special purpose asset owning vehicle or similar entity of the customer. In these cases an evaluation of credit risk takes into account the facts and circumstances of such arrangements, and credit risk is mitigated where possible by requiring parent company guarantees, customer pre-payments, obtaining contractor liens and other such actions. The risk of counterparties not meeting their contractual obligations will normally be related to legal disputes, see Note 18 Provisions and contingent liabilities.

The maximum exposure to credit risk as at the reporting date equals the book value of each category's financial assets. The group does not hold collateral as security.

Derivative credit risk
Derivatives are only traded against approved banks through Treasury. All approved banks are participants in the group's loan syndicate and have the highest ratings at Moody's and S&P. Credit risk related to derivatives is therefore considered to be insignificant.

Liquidity risk
Liquidity risk is the risk that the group may encounter under the obligations associated with its financial liabilities. The group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity reserves to meet its liabilities when due. The nature of the group's business dictates a close monitoring of liquidity. Payment from customers is often monthly cash-calls and involves large sums of cash.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

Management monitors rolling bi-weekly and monthly forecasts of the group's liquidity reserve on the basis of expected cash flows. For information regarding capital expenditures and net operating assets, see Note 4 Operating segments.

Financial liabilities and the period in which they mature

2019

Amounts in NOK million	Note	Book value	**Total undiscounted cash flow**[1]	6 mths and less
Trade and other payables	19	(2 012)	**(2 012)**	(2 012)
Total		(2 012)	**(2 012)**	(2 012)

2018

Amounts in NOK million	Note	Book value	**Total undiscounted cash flow**[1]	6 mths and less
Trade and other payables	19	(1 761)	**(1 761)**	(1 761)
Total		(1 761)	**(1 761)**	(1 761)

1 Nominal currency value including interests.

Group policy for the purpose of optimising availability and flexibility of cash within the group is to operate a centrally managed cash-pooling arrangement. Such arrangements are either organised with a bank as a service provider, or as a part of the operation of the group's treasury function. An important condition for the participants (legal entities) in such cash-pooling arrangements is that the group as an owner of such pools is financially viable and capable of servicing its obligations concerning repayment of any net deposits made by the entities.

Capital management
The group's objective for managing capital is to safeguard its ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

Guarantee obligations
The group has provided the following guarantees on behalf of wholly owned subsidiaries as of 31 December 2019 (all obligations are per date of issue):

Amounts in NOK million	2019	2018
Parent company guarantees to group companies	**40 198**	46 146
Counter guarantees for bank/surety bonds	**2 418**	2 231
Total	**42 615**	48 377

Note 21 Derivative financial instruments

Financial reporting principles
The group holds derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financial and investment activities.

All derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The gain or loss on re-measurement of the group's embedded derivatives and other derivatives that do not qualify for hedge accounting is recognised immediately in profit or loss.

Where derivatives qualify for hedge accounting, recognition of any gain or loss depends on the nature of the item being hedged.

Foreign currency as embedded derivatives
Embedded derivatives may exist in contracts with a currency different from the functional currency of the contracting partners. Embedded derivatives will under certain circumstances be separated and recognised at fair value in the balance sheet and the changes recognised in the income statements. These entries will result in a corresponding and opposite effect compared to the hedging instrument. Kvaerner applies the following separation criteria for embedded derivatives; the embedded derivative needs to be separated if the agreed payment is in a currency different from any other major contract parties' own functional currency, or that the contract currency is not considered to be commonly used for the relevant economic environment defined as the countries involved in the cross-border transaction.

Hedging activities
Kvaerner enters into derivative financial instruments to hedge foreign currency risks, designated as cash flow hedges.

On initial designation of the derivative as a hedging instrument, the group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The group makes an assessment at inception and on an on-going basis according to IFRS 9, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognised in other comprehensive income and presented as a hedge reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss within finance income and expenses. The amount accumulated in hedge reserves is reclassified as profit or loss in the periods when the hedged item affects profit or loss.

Hedge accounting is discontinued when the group revokes the hedging relationship, or when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in comprehensive income as a hedge reserve at that time, remains in the hedge reserve and is recognised in the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in the hedge reserve is recognised immediately in profit or loss.

Information regarding the group's risk management policies is available in Note 20 Financial risk management and exposures.

Forward foreign exchange contracts
The table below presents fair value of derivative financial instruments and a maturity analysis of the derivatives' undiscounted cash flows. The total notional amount of the instruments (excluding embedded derivatives) is NOK 753 million of which the major currency is EUR (NOK 501 million) (2018: NOK 656 million). The financial derivatives are related to cash flow hedges for project expenses and revenues. Given Kvaerner's hedging policy and the assumption that the projects are cash neutral, this table also indicates when the cash flows related to project expenses are

expected to impact profit and loss. Project revenues are recognised in accordance with IFRS 15 Revenue from contracts with customers, effective from 1 January 2018 and revenue is recognised over time using a cost progress method.

Fair value of foreign currency derivative financial instruments are calculated as the difference between contract forward rate and market forward rate, discounted with applicable interest rate.

2019

Amounts in NOK million	Assets at fair value	Liabilities at fair value	**Net fair value**	**Total undis-counted cash flow**[1]	6 mths or less	6-12 mths	1-2 years
Cash flow hedges	16	(3)	**13**	**13**	3	11	0
Embedded derivatives	8	(1)	**7**	**7**	3	2	2
Not hedge accounted	-	-	**-**	**-**	-	-	-
Total	24	(4)	**20**	**20**	6	13	2

2018

Amounts in NOK million	Assets at fair value	Liabilities at fair value	Net fair value	Total undis-counted cash flow[1]	6 mths or less	6-12 mths	1-2 years
Cash flow hedges	5	(18)	(13)	(13)	-	(13)	-
Embedded derivatives	28	(14)	14	14	2	5	7
Not hedge accounted	-	-	-	-	-	-	-
Total	32	(32)	0	0	2	(8)	7

1 Undiscounted cash flows are translated to NOK using the exchange rates as of the balance sheet date.

Fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity is more than 12 months and as a current asset or liability if the maturity is less than 12 months. If the hedged item is related to projects, such as work in progress or trade receivables, the hedging derivative is classified as a current asset or liability.

Foreign exchange derivatives
Kvaerner hedges the group's future transactions in foreign currencies against external banks, with currency exposure hedged back-to-back in order to meet the requirements for hedge accounting and to efficiently reduce currency risk. Treasury provides this service also to jointly controlled entities. Some hedges are not designated as hedges for accounting purposes and will have an effect on profit or loss. These are related to hedging of cash flows which are labelled embedded derivatives. All hedges qualifying for hedge accounting are cash flow hedges.

Hedged transactions in foreign currency that are subject to cash flow hedge accounting are highly probable future transactions expected to occur at various dates during the next one to two years, depending on progress in the projects. Gains and losses on forward foreign exchange contracts are recognised in comprehensive income and reported as hedging reserve in equity until they are recognised in the income statement in the period or periods during which the hedged transactions affect the income statement. This is generally within 12 months from the balance sheet date.

Foreign currency embedded derivatives
Embedded derivatives themselves are non-cash items, and their fair values will converge to zero as the underlying cash flows are realised.

Project revenues and costs are recognised in accordance with IFRS 15 Revenue from contracts with customers, effective from 1 January 2018 and revenue is recognised over time using a cost progress method. This may result in different timing of cash flows related to project revenues and costs, and embedded derivative effects. The total notional amount of the embedded instruments is NOK 337 million (2018: NOK 975 million).

Forward exchange contracts
The following table shows unsettled cash flow hedges' impact on profit or loss and equity (not adjusted for tax).

Amounts in NOK million	**2019**	2018
Fair value of all hedging instruments	**1**	(13)
Recognised in profit and loss	**0**	14
Deferred in equity (hedging reserve)	**1**	1

The purpose of the hedging instrument is to secure a situation where the hedged item and the hedging instrument together represent a predetermined value independent of fluctuations of exchange rates. Revenue and expense on the underlying construction contracts are recognised in the income statement in accordance with progress. The majority of the hedging reserve in equity will be reclassified to income statement within the next six months.

Note 22 Financial instruments

Financial instruments are classified into level 1, 2 and 3 in the measurement hierarchy based on how objective the measuring method is.

Level 1 indicates use of quoted prices in an active market for identical assets and liabilities. Kvaerner has limited financial instruments beyond cash and short-term receivables and payables. The fair value of cash, receivables and payables are approximates to their carrying values based on their short maturities.

Level 2 implies fair value measurements based on price inputs, other than quoted prices, which are derived from observable market transactions in an active market for identical assets or liabilities. Kvaerner's financial instruments within this category are related to derivative financial instruments, where fair value is determined based on forward prices on foreign currency exchange rates, see Note 21 Derivative financial instruments.

Level 3 measurements of fair value are based on unobservable inputs; fair value calculations on the basis of input and assumptions that are not from observable market transactions. Kvaerner has no such level 3 assets or liabilities.

Note 23 Group companies as of 31 December

Financial reporting principles
Subsidiaries are entities controlled by the group. Control exists when the group is exposed to or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Company name	City	Country of incorporation	Ownership (percent)[1]
Kværner ASA	Fornebu	Norway	
Kværner Holding AS	Fornebu	Norway	100
Kværner AS	Fornebu	Norway	100
Kværner Ghana AS	Lysaker	Norway	100
Norwegian Contractors AS	Lysaker	Norway	100
Aker Solutions Contracting AS	Lysaker	Norway	100
Kværner Resources AS	Fornebu	Norway	100
Kvaerner Finland Oy	Ulvila	Finland	100
Kvaerner Contracting Ltd	London	UK	100
Kvaerner Resources Ltd	London	UK	100
Kvaerner Americas Holdings Inc	Canonsburg	USA	100
Kvaerner North American Construction Inc	Canonsburg	USA	100
Kvaerner Renewables US LLC	Canonsburg	USA	100
Kvaerner Canada Ltd	St. John's	Canada	100
Kvaerner Engineering & Technology (Beijing) Co Ltd	Beijing	China	100
Kvaerner LLC	Moscow	Russia	100

1 Ownership equaling the percentage of voting shares.

Note 24 Equity-accounted investees

Financial reporting principles

Investments in associates

Associates are those entities in which the group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 percent of the voting power of another entity, but this is assessed on a case-by-case basis. Investments in associates are accounted for using the equity method and are recognised initially at cost.

The consolidated financial statements include the group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and further losses are not recognised except to the extent that the group has legal or constructive obligations or has made payments on behalf of the investee.

Joint arrangements

Joint arrangements exist when the group has joint control over such an arrangement, established by contractual agreement and requiring unanimous consent of the parties to the arrangement for strategic, financial and operating decisions. Joint arrangements may be either joint ventures or joint operations.

Joint ventures

A joint venture is a joint arrangement whereby the venturers have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method, with Kvaerner's share of net result after tax recognised in profit or loss. For joint ventures where tax is levied on the partners rather than the joint venture, Kvaerner's share of the tax will be included in the tax expense line in the group's consolidated income statement.

Joint operations

A joint operation is a joint arrangement whereby the parties have rights to the assets, liabilities and obligations relating to the arrangement. Joint operations are proportionately consolidated in the group financial statements.

Presentation of results

The purpose of the investment determines where its results are presented in profit or loss. When entities are formed to share risk in executing a project or are closely related to Kvaerner's operating activities, the share of the profit or loss is reported as part of revenue and other income in operating profit. Share of profit or loss from financial investments is reported as part of financial items.

Associated companies and joint ventures are defined as related parties to Kvaerner. See Note 25 Related parties, for overview of transactions and balances between Kvaerner and associated companies and joint ventures.

Joint Venture Agreement with Peter Kiewit Infrastructure Co

Kiewit-Kvaerner Contractors (KKC) is a partnership under Newfoundland and Labrador law, owned 50 percent by each of the partners Peter Kiewit Infrastructure Co and Kvaerner. KKC has been building the gravity base structure (GBS) for the Hebron oil platform for ExxonMobil Corporation. The work has been performed in Newfoundland and Labrador, Canada and was completed in third quarter 2017.

Joint Venture Agreement with Kellogg Brown & Root (Norway) AS

Kvaerner and Kellogg Brown & Root (Norway) AS (KBR) formed a joint venture in 2015, K2JV ANS, for project execution with an ownership of 51 percent to Kvaerner and 49 percent to KBR. A Norwegian ANS entity implies that both partners are jointly and several liable for the obligations of the partnership. The risk is limited on partner level as the partners are limited liabilities companies. Parent company guarantee is issued by parent company Kværner ASA for the contractual obligations, refer to Note 20 Financial risk management and exposures. Partnership property is held in the name of the partnership. Profit is shared 51:49 by the partners. K2JV has been executing the Johan Sverdrup utility and living quarter (ULQ) platform topside EPC project for Equinor and was completed in first quarter 2019.

Valhall Flank West

In April 2017 Kvaerner signed a frame agreement with Aker BP, and later an alliance agreement was signed for construction and hook-up of fixed offshore platforms, including topsides and steel jacket substructures. 18 December 2017, Aker BP has awarded Kvaerner a contract for delivery of the topside and steel jacket substructure for Valhall Flank West. This is the first project in the Wellhead Platform Alliance, which was established in the spring of 2017 between Aker BP, Kvaerner, ABB and Aker Solutions. Kvaerner accounts for its activities as a joint operation, and report its scope of work in the group accounts. The project was delivered in second quarter 2019.

Joint Venture Agreement with Aker Solutions AS

Kvaerner and Aker Solutions AS have formed a joint venture, ASK JV AS, for project execution with an ownership of 50 percent to each of the partners. A Norwegian AS entity is a limited liability company. Parent company guarantees are issued by the partners' ultimate parents for the contractual obligations, refer to Note 20 Financial risk management and exposures. Profit is shared 50:50 by the partners. ASK JV is executing modification work for the Johan Sverdrup process platform topside EPC project for Equinor. The project will be delivered in 2022.

Joint Venture Agreement with DOF Subsea AS

In 2019 Kvaerner and DOF Subsea AS formed a joint venture, KDS JV AS, for project execution with an ownership of 50 percent to each of the partners. A Norwegian AS entity is a limited liability company. Parent company guarantee is issued by Kvaerner for the contractual obligations, refer to Note 20 Financial risk management and exposures. Profit is shared 50:50 by the partners. KDS JV will execute marine operations for the Hywind Tampen offshore wind project for Equinor. Kvaerner has the contract with Equinor and the joint venture will be a sub-supplier to Kvaerner. The project will be delivered in 2022.

Investment in associated companies and joint arrangements

2019

Amounts in NOK million	Book value as of 1 January	Additions	Divi-dend	Profit/(loss)[1]	Other move-ments[2]	Currency translation differences	**Book value as of 31 December**
Kiewit-Kvaerner Contractors (KKC)	17	-	-	-	-	1	**18**
K2JV ANS[3]	24	-	(153)	130	-	-	**1**
ASK JV AS[3]	11	-	-	26	(1)	-	**36**
KDS JV AS	-	0	-	-	-	-	**0**
Other associated companies and jointly controlled entities	16	-	(1)	2	-	-	**17**
Total	69	0	(154)	158	(1)	1	**73**

2018

Amounts in NOK million	Book value as of 1 January	Additions	Divi-dend	Profit/(loss)[1]	Other move-ments[2]	Currency translation differences	**Book value as of 31 December**
Kiewit-Kvaerner Contractors (KKC)	-	-	(30)	47	-	0	**17**
K2JV ANS[3]	0	-	(107)	130	0	-	**24**
ASK JV AS[3]	-	0	-	10	1	-	**11**
Other associated companies and jointly controlled entities	17	-	(1)	4	(4)	0	**16**
Total	17	0	(138)	192	(3)	0	**69**

1 Purpose of investment decides presentation in the income statement. Results from associated companies and joint ventures are presented within operating revenue and other income in the income statement.
2 Other movements for K2JV and ASK JV relate to cash flow hedges qualifying for hedge accounting. For 2018, other movements for other associated companies and jointly controlled entities mainly relate to reversal of write down of receivables, recognised in profit/(loss) from equity accounted investees and against receivables in the balance sheet.
3 Profit from K2JV and ASK JV includes accounting effect of embedded derivatives.

Summary of financial information for significant equity accounted investees (100 percent basis of project reporting)

2019

Amounts in NOK million	Business office	Percent-age held[1]	Assets	Liabilities	Equity	Revenues	Net profit /(loss)
Kiewit-Kvaerner Contractors (KKC)[2]	New-foundland, Canada	50.0%	43	6	37	-	-
K2JV ANS[2]	Stord, Norway	51.0%	39	37	2	364	255
ASK JV AS[2]	Stavanger, Norway	50.0%	268	196	72	1 360	51
KDS JV AS[2]	Fornebu, Norway	50.0%	0	-	0	-	-

2018

Amounts in NOK million	Business office	Percent-age held[1]	Assets	Liabilities	Equity	Revenues	Net profit /(loss)
Kiewit-Kvaerner Contractors (KKC)[2]	New-foundland, Canada	50.0%	43	8	35	-	94
K2JV ANS[2]	Stord, Norway	51.0%	332	284	48	1 527	256
ASK JV AS[2]	Stavanger, Norway	50.0%	123	101	22	231	21

1 Percentage of voting rights equals percentage held.
2 Jointly controlled entity.

Note 25 Related parties

Financial reporting principles
Related parties are entities outside the Kvaerner group that are under control (directly or indirectly), joint control or significant influence by the owners of Kvaerner. All transactions with related parties have been carried out as part of ordinary operations based on arms-length terms.

Related parties of Kvaerner
The largest shareholder of Kværner ASA, Aker Kværner Holding AS is owned 70 percent by Aker ASA, which in turn is owned directly and indirectly 68.2 percent by The Resource Group TRG AS, a company owned by Kjell Inge Røkke. All entities owned or controlled by Aker ASA and The Resource Group TRG AS are considered related parties to Kvaerner. Non-controlling interests with significant influence are also considered as related parties. These entities, including Aker Solutions, Akastor and Aker BP are referred to as Aker entities in this note.

Kvaerner operates in an industry where it is common to establish associated companies and joint ventures to deliver large and complex projects to customers. In such arrangements two or more suppliers have responsibility for parts of a project. The group holds stakes in associated companies and joint ventures related to significant projects in the portfolio, and these meet the definition of a related party. See Note 24 Equity-accounted investees.

In accordance with International Accounting Standards 24 Related Party Disclosures, all entities owned or controlled by Aker ASA and The Resource Group TRG AS, associated companies and joint ventures of Kvaerner and certain other related parties are reported as related parties to Kvaerner.

Related party transactions with entities controlled by Aker Solutions and Akastor
Services acquired from Aker Solutions and Akastor include subcontracting, hire of personnel and shared services, transactions which are all part of Kvaerner's ordinary business operations. Revenue is mainly related to sale of man-hours. Pricing models vary between types of projects and services.

Related party transactions with associated companies and joint ventures
Operating revenue from joint ventures is mainly sale of man-hours to joint venture projects. Operating expenses from associated entities are mainly related to rent of buildings and purchase of man-hours. See further details in Note 24 Equity-accounted investees on joint venture.

Related party transactions with other related parties
Aker Pensjonskasse
Aker Pensjonskasse is a pension fund, which was established by Aker ASA to manage the retirement plan for employees and retirees in Kvaerner as well as other Aker companies. Kvaerner's premiums paid to Aker Pensjonskasse amount to NOK 15 million in 2019 (2018: NOK 17 million). Kvaerner has an interest-bearing receivable linked to loan granted to Aker Pensjonskasse in 2019, with an outstanding loan balance per end of year 2019 of NOK 20 million.

Other
Kvaerner ASA has entered into an agreement with employee representatives that regulates use of grants to employee unions for activities related to professional updating. The grant in 2019 was NOK 517 500 (2018: NOK 502 500).

Kvaerner has subleased separate floors of its offices at Fornebu to related parties. See Note 16 Leases.

Transactions and balances with related parties

2019

Amounts in NOK million	Aker entities	Joint ventures and Associates	**Total**
Income statement			
Operating revenues	524	367	**891**
Operating expenses	(791)	(105)	**(896)**
Balance sheet as of 31 December			
Trade and other receivables	44	56	**100**
Trade and other payables	(36)	(5)	**(42)**

2018

Amounts in NOK million	Aker entities	Joint ventures and Associates	**Total**
Income statement			
Operating revenues	679	654	**1 333**
Operating expenses	(650)	(105)	**(755)**
Balance sheet as of 31 December			
Trade and other receivables	142	47	**189**
Trade and other payables	(127)	(3)	**(131)**

Note 26 Discontinued operations

Financial reporting principles
Non-current assets (or disposal group) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use, are classified as held for sale.

Following the sale of Kvaerner's onshore construction business in North America in December 2013, Kvaerner does not have any remaining operations in the USA within the Downstream & Industrials segment, and remaining legacies within the segment have been presented as discontinued operations in the group's financial statements since the sale.

The results for the discontinued business are reported separately under the heading Profit/(loss) from discontinued operations in the group's income statement.

The operating result for 2018 reflected recognition of insurance recoveries of more than net USD 2 million related to the Longview Power project.

Summary of financial data for discontinued operations

Amounts in NOK million	2019	2018
Total revenue and other income	-	-
Administrative and legal expenses, net of insurance recoveries	(11)	(1)
EBIT	**(11)**	(1)
Net financial income/(expense)	0	2
Profit/(loss) before tax	**(10)**	1
Income tax expense	-	(1)
Net profit/(loss) discontinued operations	**(10)**	0
Basic and diluted earnings/(losses) per share (NOK)	(0.04)	0.00
Net assets	**(26)**	(34)

Cash flow from discontinued operations

Amounts in NOK million	2019	2018
Cash flow from operating activities	(18)	(6)
Cash transferred (to)/from parent	12	1
Translation adjustments	0	2
Net increase/(decrease) in cash and bank deposits	**(6)**	(3)
Cash and cash equivalents at the beginning of the period	28	31
Cash and cash equivalents at the end of the period	**22**	28

Note 27 Subsequent events

There have been no subsequent events since year-end at the date of signing these accounts.

Annual accounts Kværner ASA

Income statement 01.01 - 31.12

Amounts in NOK thousands	Note	2019	2018
Operating revenue	2	**28 491**	30 005
Operating expenses	2	**(34 715)**	(34 594)
Operating loss		**(6 224)**	(4 589)
Net financial items	3	**174**	(10 502)
Profit/(loss) before tax		**(6 050)**	(15 091)
Tax income/(expense)	4	**1 616**	625
Net profit/(loss)		**(4 434)**	(14 466)
Net profit/(loss) for the year are distributed as follows:			
Proposed dividend		**134 500**	269 000
Transferred from other equity		**(138 934)**	(283 466)
Net profit/(loss)		**(4 434)**	(14 466)

Balance sheet as of 31 December

Amounts in NOK thousands	Note	2019	2018
Assets			
Deferred tax asset	4	**60 593**	58 932
Investments in group companies	5	**4 918 771**	4 918 771
Non-current interest-bearing receivables from group companies		**1 055 528**	1 021 360
Total non-current assets		**6 034 892**	5 999 063
Non-interest bearing receivables from group companies	7	**-**	13 409
Other current receivables	9	**14 490**	5 561
Cash and cash equivalents	7	**7 005**	53 313
Total current assets		**21 495**	72 283
Total assets		**6 056 387**	6 071 346

Amounts in NOK thousands	Note	2019	2018
Liabilities and shareholders' equity			
Issued capital		**91 460**	91 460
Share premium reserve		**729 027**	729 027
Other equity		**3 104 691**	3 243 669
Total equity	6	**3 925 178**	4 064 156
Non-current liabilities	8	**7 767**	10 337
Total non-current liabilities		**7 767**	10 337
Interest-bearing current liabilities to group companies	7	**1 900 806**	1 586 447
Non-interest bearing current liabilities to group companies	7	**13 196**	-
Provision for dividend	6	**134 500**	269 000
Other current liabilities to related parties	7	**154**	1 603
Other current liabilities	9	**74 786**	139 803
Total current liabilities		**2 123 442**	1 996 853
Total liabilities and shareholders' equity		**6 056 387**	6 071 346

Fornebu, 11 February 2020
The Board of Directors and the President & CEO of Kværner ASA

Leif-Arne Langøy
Chairman

Lone Fønss Schrøder
Director

Thorhild Widvey
Director

Jan Arve Haugan
Director

Kjell Inge Røkke
Director

Rune Rafdal
Director

Ståle Knoff Johansen
Director

Line Småge Breidablikk
Director

Karl-Petter Løken
President & CEO

Cash flows 01.01–31.12

Amounts in NOK million	Note	2019	2018
Profit/(loss) before tax		**(6 050)**	(15 091)
Taxes paid		**(45)**	(227)
Changes in liabilities		**(38 914)**	7 369
Changes in other net operating assets		**(34 648)**	(1 054)
Non-cash effect on group hedging		**25 157**	(3 018)
Amortisation of loan costs		**(12 272)**	3 771
Net cash from operating activities		**(66 771)**	(8 250)
Increase/(decrease) in long term borrowings to group companies		**289 204**	10 520
Share purchase for the variable pay programme, net of refund from subsidiaries	6, 8	**(663)**	2 268
Dividends paid		**(268 077)**	-
Net cash from financing activities		**20 463**	12 788
Net increase (decrease) in cash and bank deposits		**(46 308)**	4 539
Cash and bank deposits at the beginning of the period		**53 313**	48 773
Cash and bank deposits at the end of the period		**7 005**	53 313

The notes on pages 63 to 67 are an integral part of these consolidated financial statements.

Notes to the financial statements

Note 1 Accounting principles

Kværner ASA was incorporated on 12 January 2011 and is domiciled in Norway. Kværner ASA's registered office address is Snarøyveien 20, 1360 Fornebu, Norway. Kværner ASA is listed on Oslo Stock Exchange.

The financial statements are prepared in accordance with Norwegian legislation and Norwegian generally accepted accounting principles. The functional and presentation currency is Norwegian kroner (NOK).

Foreign currency translation
Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Foreign currency exchange impacts are recognised in the income statement as they occur.

Revenue recognition
Operating revenue comprise parent company guarantees recharged entities within the group. The revenue is recognised over the guarantee period.

Tax
Tax income/(expense) in the income statement comprises current tax and change in deferred tax. Deferred tax is calculated at 22 percent of temporary differences between accounting and tax values as well as any tax losses carried forward. Deferred tax assets are only recognised to the extent it is probable it can be utilised against future taxable profits.

Classification and valuation of balance sheet items
Current assets and current liabilities include items due within one year or items that are part of the operating cycle. Other balance sheet items are classified as non-current assets/debt.

Current assets are valued at the lowest of cost and fair value. Current debt is valued at nominal value at time of recognition.

Non-current debt is initially valued at transaction value less attributable transaction costs. Subsequent to initial recognition, interest-bearing long-term debt is recognised at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

Accounts receivable and other current receivables are recognised in the balance sheet at nominal value less provisions for doubtful accounts.

Variable pay programme
Executives in the group receive remuneration in the form of a variable pay programme. One part of the programme is a short term employee benefit and is recognised at estimated value over the period the employee must work to receive the incentive.

In addition the employee is entitled to a matching element that is paid in the form of Kvaerner ASA shares. The monetary amount of the earned bonus is converted to a corresponding number of shares based on the market value of the shares 30 April in the year after the award is granted. The shares are delivered to the employee three years after the grant date based upon continued employment. Kvaerner ASA hold the shares presented as treasury shares until they are distributed to the eligible employees.

Investment in subsidiaries and associates
Subsidiaries and investments in associates are measured at cost in the company accounts, less any impairment losses. The investments are impaired to fair value if the impairment is not considered temporary. Impairment losses are reversed if the basis for the impairment loss is no longer present.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends or group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and is recognised as a reduction in carrying value of the investment.

Cash in cash pool system
Kværner ASA has a cash pool that includes parent company's cash as well as net deposits from subsidiaries in the group cash pooling system owned by parent company. Correspondingly, the parent company's current debt to group companies will include their net deposits in the group's cash pool system.

Share capital
Cost related to purchase and sale of treasury shares are accounted for directly against equity, including any transactions costs.

Cash flow
The cash flow is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments.

Note 2 Operating revenue and operating expenses

Operating revenue relates to parent company guarantees recharged entities within the Kvaerner group and related parties, as recognised over the guarantee period.

There are no employees in Kværner ASA and hence no salary or pension related costs, and no loans or guarantees related to the executive management team. Group management and staff are employed by other Kvaerner companies. Parent company costs are recharged to Kværner ASA.

Fees to KPMG for statutory audit of the parent company and consolidated accounts amounted to NOK 0.8 million (2018: NOK 0.8 million) which relates to ordinary audit fees excluding VAT.

NOK 3.0 million (2018: NOK 2.9 million) has been allocated to payable fees to the Board of Directors for 2019.

See Note 5 Employee benefit expenses in the group accounts for further details regarding remuneration of the Board of Directors and President & CEO.

Note 3 Net financial items

Amounts in NOK thousands	2019	2018
Interest income from group companies	**40 255**	19 721
Interest expense to group companies	**(49 082)**	(33 131)
Net interest group companies	**(8 827)**	(13 410)
External interest income	**29 208**	22 630
External interest expense[1]	**(21 863)**	(20 079)
Net interest external	**7 345**	2 551
Net other financial items	**1 656**	357
Net financial items	**174**	(10 502)

1 External interest expense reflects amortised prepaid fees and commitment fee related to the credit facility.

Note 4 Tax

Amounts in NOK thousands	2019	2018
Taxable income		
Profit/(loss) before tax	**(6 050)**	(15 091)
Interest deduction limit	**1 482**	10 860
Permanent differences[1]	**(1 504)**	(258)
Change temporarily differences	**(8 929)**	(5 561)
Taxable income/(loss)	**(15 000)**	(10 050)
Temporary differences and deferred tax		
Other (Prepaid fees)	**14 490**	5 561
Tax losses carried forward due to interest deduction limit	**(81 850)**	(80 368)
Tax losses carried forward	**(208 063)**	(193 063)
Total temporary differences	**(275 423)**	(267 870)
Deferred tax asset	**60 593**	58 931
Tax income		
Expected Income taxes	**1 331**	3 471
Tax effect permanent differences	**331**	59
Paid witholding tax	**(45)**	(227)
Effect of change in tax rate	**-**	(2 679)
Total tax income in income statement	**1 616**	625
Effective tax rate	**27%**	4%

1 Permanent differences in 2019 relate to payment on loan previously written down.

Deferred tax asset is recognised as it is considered probable that tax losses carried forward can be utilised within the Kvaerner group's Norwegian entities.

Note 5 Investments in group companies

Amounts in NOK thousands	Registered office	Share capital	Number of shares held	Book value	Percentage owner-/ voting share
Kværner Holding AS	Fornebu, Norway	1 010	10 000	4 918 771	100%

Kværner Holding AS results 2018

Amounts in NOK thousands	
Profit/(loss) for the period[1]	21 557
Equity as of 31 December 2019[1]	5 494 155

1 Based on preliminary reporting.

Impairment test
The impairment test is following a value in use methodology, and performed by comparing the carrying value of the investment with estimated value of equity for Kvaerner group excluding Kværner ASA based on value in use calculations. In these calculations, management has made assumptions regarding future performance of the subsidiaries, associates and other investments of the company, which in turn requires assumptions on current and future projects.

See Note 11 in the group accounts for further details on key assumptions used in the impairment test.

Calculated recoverable amount exceeds book value of the shares, hence no impairment is recorded as per year-end 2019.

The calculations are sensitive to key assumptions such as revenue and margin levels in the subsidiaries and other investments of Kværner Holding AS.
Compared to the assumptions used in the testing, a combination of 20 percent revenue reduction, 1.5 percentage points EBITDA margin reduction and 2.4 percentage points increase in post-tax discount rate could occur without need for impairment of the investment in Kværner Holding AS.

Note 6 Shareholders' equity

Amounts in NOK thousands	Share capital	Share premium	Other equity	**Total**
Equity as of 31 December 2017	91 460	729 027	3 524 053	**4 344 540**
Treasury shares - Variable pay programme	-	-	3 082	**3 082**
Profit/(loss) for the period	-	-	(14 466)	**(14 466)**
Proposed dividend	-	-	(269 000)	**(269 000)**
Equity as of 31 December 2018	91 460	729 027	3 243 669	**4 064 156**
Treasury shares - Variable pay programme	-	-	(968)	**(968)**
Profit/(loss) for the period	-	-	(4 433)	**(4 433)**
Proposed dividend	-	-	(134 500)	**(134 500)**
Undistributed and reversed dividend	-	-	923	**923**
Equity as of 31 December 2019	91 460	729 027	3 104 691	**3 925 178**

The share capital of Kværner ASA is divided into 269 000 000 shares with a par value of NOK 0.34.

Treasury shares held at year-end 2019 totalled 1 093 777 shares with a nominal value of NOK 0.34.

Note 7 Receivables and borrowings from group companies and related parties

Amounts in NOK thousands	**2019**	2018
Kværner ASA bank deposits	**5 895**	52 216
Restricted cash	**1 110**	1 097
Total cash in cash pool system	**7 005**	53 313
Interest-bearing current liabilities to group companies[1]	**(1 900 806)**	(1 586 447)

1 Interest-bearing current liabilities to group companies reflect subsidiaries' net deposits in the group's cashpool system.

Current receivables/liabilities to group companies and related parties is representing fair value of hedging instruments.

Note 8 Non-current liabilities

Amounts in NOK thousands	2019	2018
Debt to Kvaerner employees for matching shares[1]	**(7 767)**	(10 337)
Total non-current liabilities	**(7 767)**	(10 337)

1 Reference is made to Note 5 in the group accounts for further details related to the variable pay programme.

Note 9 Other current receivables and current liabilities

Amounts in NOK thousands	2019	2018
Other current receivables	**14 490**	5 561
Other current liabilities	**(74 785)**	(139 803)
Net other current receivables and liabilities	**(60 295)**	(134 242)

Net other current receivables and other current liabilities include unrealised forward exchange contracts with external counterparts, see also Note 12 Financial risk management and exposures. Other current liabilities includes debt to Kvaerner employees for matching shares related to incentive programme.

Note 10 Interest-bearing liabilities

This note provides information about the contractual terms of Kværner ASA's interest-bearing loans and borrowings which are measured at amortised cost. For more information about Kværner ASA's exposure to interest rates, foreign currency and liquidity risk, see Note 12 Financial risk management and exposures.

Bank debt
The revolving credit facility agreement of NOK 2 000 million established in July 2015, originally to mature in July 2020, was cancelled and refinanced per 19 September 2019. The new credit facility agreement, a revolving credit facility of NOK 2 000 million, matures in September 2024. The facility is provided by a syndicate of high quality international banks. The revolving credit facility was undrawn during 2019 and as per 31 December 2019. The terms and conditions include restrictions which are customary for these kind of facilities, including inter alia negative pledge provisions and restrictions related to acquisitions, disposals and mergers. There are also certain provisions of change of control included in the agreement. There are no restrictions for dividend payments. The facility is unsecured.

The financial covenants are based on three sets of key financial ratios; an equity ratio based on consolidated total borrowings/consolidated total equity, a cash covenant calculated by consolidated total borrowings less consolidated net current operating assets and consolidated cash and cash equivalent assets and an interest coverage ratio based on consolidated EBITDA/consolidated finance costs. The financial covenants are tested on a quarterly basis. As of 31 December 2019 the company is in compliance with all covenants. The margin applicable to the facility is based on a price grid determined by the gearing ratio.

See Note 17 and Note 20 in the group accounts for further details.

Note 11 Guarantees

Amounts in NOK million	2019	2018
Parent company guarantees to group companies	**38 098**	44 033
Counter guarantees for bank/surety bonds	**2 418**	2 231
Total	**40 516**	46 264

The guarantees/surety bonds are issued under contractual obligations with third parties, hence these are not included in Kværner ASA accounts as liabilities.

Note 12 Financial risk management and exposures

Foreign exchange
Kværner ASA's currency contracts with subsidiaries as of 31 December 2019 have a notional value of NOK 753 million. Hundred percent of contracts are hedged back-to-back with external banks.

Currency exposure from equity investments in foreign currencies is only hedged when specifically instructed by management.

Currency risk and balance sheet hedging

	2019		2018	
Amounts in NOK thousands	**Assets**	**Liabilities**	Assets	Liabilities
Fair value of forward exchange contracts with group companies	**1 791**	**(14 987)**	16 318	(2 908)
Fair value of forward exchange contracts with related parties	**198**	**(352)**	-	(1 603)
Fair value of forward exchange contracts with external counterparts	**15 339**	**(1 990)**	3 037	(14 843)
Total	**17 329**	**(17 329)**	19 355	(19 355)

Interest rate risk
The company is exposed to changes in interest rates because of floating interest rate on loan receivables and loan payables. The company does not hedge transactions exposure in financial markets, and does not have any fixed interest rate loan receivables nor loan payables. The company is therefore not exposed to fair value risk on its outstanding loan receivables or loan payables. Interest bearing loan receivables and loan payables expose the company to income statement and cash flow interest rate risk.

Credit risk
Credit risk relates to loans to subsidiaries and associated companies, hedging contracts, guarantees to subsidiaries and deposits with external banks and related parties. Loans to subsidiaries are assessed by the internal credit committee. Loss provisions are made in situations of negative equity and where the company is not expected to be able to fulfil its loan obligations from future earnings. External deposits and forward contracts are done according to a list of approved banks and primarily with banks where the company also have a borrowing relation.

Liquidity risk
Liquidity risk relates to the risk that the company will not be able to meet its debt and guarantee obligations and is managed through maintaining sufficient cash and available credit facilities. Development in the group's and thereby Kværner ASA's available liquidity, is continuously monitored through weekly and monthly cash forecasts, annual budgets and long-term planning.

Note 13 Shareholders

Shareholders with more than one percent shareholding as of 31 December

2019

Company	Nominee	Number of shares held	Ownership percent
AKER KVÆRNER HOLDING AS		110 333 615	41.02
NORTH SEA STRATEGIC INVESTMENTS AS		42 735 434	15.89
ARCTIC FUNDS PLC		5 210 845	1.94
RAIFFEISEN BANK INTERNATIONAL AG	X	4 921 770	1.83
STATE STREET BANK AND TRUST COMP	X	4 527 892	1.68
CITIBANK, N.A.	X	4 459 174	1.66
VERDIPAPIRFONDET HOLBERG NORGE		3 500 000	1.30
JPMORGAN CHASE BANK, N.A., LONDON	X	3 123 106	1.16
VERDIPAPIRFONDET FONDSFINANS NORGE		3 000 000	1.12
CLEARSTREAM BANKING S.A.	X	2 912 249	1.08

Declaration by the Board of Directors and President & CEO

The Board of Directors and the President & CEO of Kværner ASA have today considered and approved the annual report and financial statements for the 2019 calendar year ended on 31 December 2019 for the Kvaerner group and its parent company Kværner ASA.

The Board has based this declaration on reports and statements from the President & CEO of Kværner ASA, on the results of the group's activities, and on other information that is essential to assess the group's position.

We confirm to the best of our knowledge that

- The 2019 financial statements for the group and parent company have been prepared in accordance with all applicable accounting standards
- The information provided in the financial statements gives a true and fair view of the group's assets, liabilities, profit and overall financial position as of 31 December 2019
- The annual report provides a true and fair overview of:
  - the development, profit and financial position of the group and parent company
  - the most significant risks and uncertainties facing the group and the parent company

Fornebu, 11 February 2020
The Board of Directors and the President & CEO of Kværner ASA

Leif-Arne Langøy Chairman	Jan Arve Haugan Director	Thorhild Widvey Director	Kjell Inge Røkke Director	Lone Fønss Schrøder Director
Ståle Knoff Johansen Director	Line Småge Breidablikk Director	Rune Rafdal Director	Karl-Petter Løken President & CEO	

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To the General Meeting of Kværner ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kværner ASA. The financial statements comprise:

- The financial statements of the parent company Kværner ASA (the Company), which comprise the balance sheet as at 31 December 2019, and income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Kværner ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, and income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Contract accounting estimates

Refer to the Board of Directors' report and group financial statements Note 3 *Revenue and contract balances.*

The key audit matter	*How the matter was addressed in our audit*
The majority of the Group's revenues and profits are derived from long-term construction contracts. Accounting for such contracts involves management estimates and judgments which are often complex and involve assumptions regarding future events for which there may be little or no external corroborative evidence available. As such, these contract accounting estimates also require significant attention during the audit and are subject to a high degree of auditor judgment.	For financially significant contracts subject to significant estimation uncertainty and / or with a reasonable possibility of being in a significant loss-making position, we applied professional skepticism and critically assessed the accounting estimates and judgments against the requirements of IFRS 15. Our audit procedures included: • updated our understanding of project performance, changes compared to previous forecasts, sensitivities and risks by reading contracts, management's project assessments and reporting and discussing these with relevant management; • corroborating contractually based revenue and cost amounts included in project forecasts with reference to signed contracts and external confirmations; • agreeing the contractual basis of variable revenues included in project forecasts and assessing the likelihood of these being realised with reference to past and forecast performance, relevant KPIs and customer correspondence and the requirements of IFRS 15; • assessing the reasonableness of variable costs to complete with reference to contract terms, actual and forecast cost and schedule performance and external correspondence; • considering the overall consistency of information presented in the project forecasts, including the interrelationships between schedule, cost, revenues, incentives and penalty forecasts and incorporating any relevant events or information received after the reporting date; • applying our cumulative knowledge of project issues, estimates and judgments to challenge the appropriateness of the contract positions reflected in the financial statements at the reporting date; • evaluating the consistent application of the Group's accounting policies across projects and the factors which resulted in significant changes in estimated contract revenues and costs during the year to consider whether they represented indications of management bias requiring further audit consideration; and • evaluating the Group's disclosures against the relevant requirements of IFRS 15.

Goodwill impairment

Refer to the Board of Directors' report and group financial statements Note 11 *Intangible assets.*

The key audit matter	*How the matter was addressed in our audit*
Management's determination of the recoverable amounts of the cash generating units to which goodwill is allocated includes assumptions regarding future project wins, profitability and terminal values. The potential reallocation of goodwill following the Group's reorganisation during 2019 – as described in Note 11 *Intangible assets* – requires a complex accounting evaluation and a high degree of judgment. As such, significant auditor judgment is required when evaluating the allocation of goodwill and whether the project assumptions underlying recoverable values are reasonable and supportable, and whether the terminal value projections can be considered reliable.	We involved KPMG technical accounting specialists in the assessment of goodwill allocation and considered the merits of alternative outcomes. When assessing the recoverable values of cash generating units, we applied professional skepticism and critically assessed the cash flow forecasts, including: • forecast results from contracted work within the existing backlog with reference to our audit work on contract accounting estimates (refer *Contract accounting estimates* Key Audit Matter); • future contract win assumptions with reference to likely investment decisions by the Group's customers, the Group's historical success rates in tenders, and ongoing tendering activities by the Group; • future contract margins with reference to historical actuals for similar projects, recent project profitability and Board approved budgets where relevant; • terminal values with reference to the historical results of the Group and future forecasts; and • the allocation of the cost of supporting functions to operational area results. We also verified the mathematical and methodological integrity of management's impairment models, assessed the reasonableness of the discount rate applied and considered whether the disclosures regarding key assumptions and sensitivities adequately reflected the underlying goodwill impairment assessments.

Receivable balances subject to arbitration or legal proceedings

Refer to the Board of Directors' report and group financial statements Note 18 *Provisions and contingent liabilities.*

The key audit matter	*How the matter was addressed in our audit*
The Group has outstanding claims for amounts due from certain customers which are the subject of arbitration or legal proceedings and which may also incorporate counterclaims by the customer. Management's assessments of the likely outcome of these proceedings, which form the basis of the recoverable amounts recognised in the financial statements, are subject to a high degree of uncertainty. Significant auditor judgment is also required when assessing whether there is sufficient evidence available to support the recoverability of these receivable balances.	For significant receivable balances recognised which are subject to arbitration or legal proceedings, our audit procedures included the review and discussion with management of their assessment of the proceedings, and where available: • assessing reports prepared by external experts against the Group's gross claims; • assessing interim rulings or other relevant pronouncements made by the arbitration panel / court; • consideration of historical outcomes of previous arbitration and legal proceedings; and • external legal opinions on the strength of the Group's claims, counterclaims made by customers, and the likely outcome of the proceedings.

Other information

Management is responsible for the other information. The other information comprises the information in the Annual report, but does not include the financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer (management) are responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 11 February 2020
KPMG AS

Arve Gevoll
State Authorised Public Accountant

Board of Directors

Leif-Arne Langøy

Chairman

Leif-Arne Langøy (born 1956) is chairman of the board for DNV GL Group AS and Sparebanken Møre. Mr Langøy has gained senior executive experience from several companies, including as President & CEO of Aker Yards and Aker ASA. Mr Langøy has extensive experience as the chairman of non-executive boards from a number of different industrial companies. Mr Langøy holds M.Sc. in economics from the Norwegian School of Economics in Bergen, Norway. He holds 194 827 shares in Kværner ASA through a privately owned company, and has no stock options. Mr Langøy is a Norwegian citizen. He has been elected for the period 2019-2021.

Kjell Inge Røkke

Director

Kjell Inge Røkke (born 1958) is an entrepreneur and industrialist, and has been a driving force in the development of Aker since the 1990's. Through his company The Resource Group TRG AS, Mr Røkke owns 68.18 percent of Aker ASA which owns 70 percent of Aker Kværner Holding AS, which again owns 41.02 percent of Kværner ASA. He is chairman of Aker ASA and is board member of Aker BP ASA, Ocean Yield ASA and several privately held companies. He holds no shares in Kværner ASA, and has no stock options. Mr Røkke is a Norwegian citizen. He has been elected for the period 2019-2021.

Jan Arve Haugan

Director

Jan Arve Haugan (born 1957) started his professional career in the civil construction industry. He worked as project consultant until he joined the industrial conglomerate Norsk Hydro as chief engineer in 1991. He served in several leading positions in Hydro's oil and gas projects and operations as well as in Hydro's aluminium business. From 2009 to 2011 he was CEO of Qatalum in Qatar. Mr Haugan was President & CEO of Kvaerner ASA from 2011 to 2018. He was CEO of Aker Energy AS until the end of 2019. Mr Haugan holds a M.Sc. in construction management from University of Colorado at Boulder, USA. Mr Haugan and related parties hold 194 843 shares in Kværner ASA.
Mr. Haugan is a Norwegian citizen. He has been elected for the period 2019-2020.

Thorhild Widvey

Director

Thorhild Widvey (born 1956) was Minister of culture from 2013 to 2015 and Minster of Petroleum and Energy from 2004 to 2005. Ms Widvey was state secretary in the Norwegian Ministry of Foreign Affairs from 2003 to 2004 and in the Norwegian Ministry of Fisheries from 2002 to 2003. Prior to this she was a Member of Parliament (Stortinget) from 1989 to 1997, representing Høyre (the Conservative Party of Norway). Ms Widvey is chair of the Board in Statkraft AS; and has previous held a number of board positions both in privately and stock listed companies, including e.g. Hitec Vision AS (2006 to 2015); ENI Norway AS (2007 to 2015), Aker Drilling ASA (2005 to 2006), Oslo Havn KF (2012 to 2015) and Aker Philadelphia Shipyard AS (2011 to 2015) and Sjømannskirken (Norwegian Church Abroad) (2006 to 2015).
Ms Widvey holds no shares in Kværner ASA, and has no stock options. Ms Widvey is a Norwegain citizen. She has been elected for the period 2018-2020.

Lone Fønss Schrøder

Director

Ms Fønss Schrøder previously served as Director on the Board of Kværner ASA from 2011–2013. She has held several senior management positions in A.P. Møller-Maersk A/S, was CEO and president of Wallenius Lines AB, and has board global cross industrial experience from e.g. Aker Solutions ASA, Akastor ASA, Volvo AB, Vattenfall AB, and Ikea group. She is CEO of Concordium, a pubic blockchain, vice-chair of Volvo Cars, developer and co-owner of Cashworks FinTech. She is chair of the audit committee in Akastor ASA, Volvo AB and on the AC of Ikea. Ms Fønss Schrøder is Master in laws, LL.M. from the University of Copenhagen, and is economist from Copenhagen Business School. She holds no shares in Kværner ASA, and has no stock options. Ms Fønss Schrøder is a Danish citizen. She has been elected for the period 2018-2020.

Rune Rafdal

Director

Rune Rafdal (born 1963) was elected by the employees of Kvaerner to the Board of Directors in June 2011. Mr Rafdal has been employed by Kvaerner since 1980 and has been a local union representative for Aker Stord AS and Kværner Stord AS on a full-time basis since 1996, a group union leader since 2005 and served several periods on the boards of Aker Stord AS and Aker Kværner Stord AS during the period between 2000 and 2011. Mr Rafdal is a sheet metal worker and holds a certificate of apprenticeship in the sheet metal discipline. He holds 8 737 shares in Kværner ASA, and has no stock options. Mr Rafdal is a Norwegian citizen. He has been elected for the period 2019-2021.

Ståle K. Johansen

Director

Ståle K. Johansen (born 1968) was elected by the employees of Kvaerner to the Board of Directors in June 2011. Mr Johansen has been employed by Kvaerner since 1986 and has been a local union representative for Aker Verdal AS and Kværner Verdal AS on a full-time basis since 2010 and served on the boards of Aker Verdal AS and Kvaerner Verdal AS. Mr Johansen is a welder and sheet metal worker and holds a certificate of apprenticeship in the welding discipline. He holds 12 872 shares in Kværner ASA, and has no stock options. Mr Johansen is a Norwegian citizen. He has been elected for the period 2019-2021.

Line Småge Breidablikk

Director

Line Småge Breidablikk (born 1985) was elected by the employees of Kvaerner to the Board of Directors in May 2019. Ms Breidablikk has been employed by Kvaerner since 2012, served as local union representative at Kværner at Stord from 2013 and as local union chair since 2016. She is a group union representative for white-collar employees on a half-time basis. Ms Breidablikk holds a M.Sc. within Marine Technology from the Department of Marine Technology, Norwegian University of Science and Technology (NTNU). She holds 1 634 shares in Kværner ASA, and has no stock options. Ms Breidablikk is a Norwegian citizen. She has been elected for the period 2019-2021.

Company information

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