Preliminary translation
Final version will appear in Kværner ASA's official 2002 Annual Report

Kværner ASA
Board of Directors' report for 2002

Despite difficult markets Aker Kvaerner delivered its best result for five years in 2002. The normalised operating profit before amortisation was NOK 1 015 million. The annual accounts included a series of positive and negative non-recurring items. These balanced each other out and the profit before tax amounted to NOK 1 067 million. The profit after tax was equivalent to NOK 1.09 per share.

In the course of 2002 Aker Kvaerner strengthened its position significantly in many areas. The Group's equity capital was increased through issues and the combination with Aker Maritime companies. In parallel the loan agreements were renegotiated. At the end of 2002 the sum of cash reserves and short-term interest bearing receivables had risen to NOK 4 924 million. The Group's debt situation had been transformed into a net interest-bearing receivable of NOK 613 million. The equity ratio was 27.6 per cent.

From an industrial perspective the merger with the Aker Maritime companies represented the most significant event. In its wake Aker Kvaerner has a more complete offering for its customers in the oil and gas sector, and a presence in the world's most important offshore areas. In shipbuilding Aker Kvaerner and Aker Yards initiated a wide-ranging operational co-operation which has given good results in the form of both savings and new contracts.

Group's financial highlights

(All figures in NOK million except where stated)	Quarter					Year	
	4Q01	1Q02	2Q02	3Q02	4Q02	2001	2002
Operating revenues	11 970	10 236	11 818	10 118	11 471	45 011	43 643
Operating costs	-12 315	-10 076	-11 718	-9 949	-11 473	-45 766	-43 216
Ordinary EBITA[1]	**-301**	**233**	**261**	**254**	**267**	**-2 668**	**1 015**
EBIT	**-345**	**160**	**100**	**169**	**122**	**-2 837**	**551**
Net financial items	-535	-62	318	26	234	-2 124	516
Profit/loss before tax	-880	98	418	195	356	-4 961	1 067
Tax	0	-27	-59	-40	-64	0	-190
Ordinary net profit/loss	-880	71	359	155	292	-4 961	877
Profit/loss per share (NOK)[2]	**-8.24**	**0.12**	**0.40**	**0.17**	**0.33**	**-46.43**	**1.09**
Fixed assets[3]	10 782	14 470	13 519	13 322	13 156		
Current assets[3]	17 790	21 004	20 222	20 201	17 527		
Total assets[3]	28 572	35 474	33 741	33 523	30 683		
Equity[3]	2 001	8 141	8 299	8 434	8 472		
Equity ratio (%)[3]	**7.0%**	**22.9%**	**24.6%**	**25.2%**	**27.6%**		
Long-term liabilities[3]	11 095	11 308	10 299	10 121	9 708		
Current liabilities[3]	15 476	16 025	15 143	14 968	12 503		
Net int-bearing liab (-)/receivables (+)[3]	-6 307	-940	-570	-166	613		
Order intake	7 647	16 335	10 204	4 472	11 096		
Order reserve[3]	**36 584**	**47 495**	**43 268**	**37 983**	**34 580**		
Number of employees	33 739	41 733	42 763	40 846	37 171		

[1] Adjusted for special items [2] Profit/loss per share and diluted profil/loss per share are the same
[3] At end of period

Throughout the Group measures to achieve increased efficiency and reduced costs have been given high priority. This makes it possible for the Group to adjust rapidly, when market conditions change. During 2002 the number of employees in the Group was reduced by about 2 700 to 32 863. This was due partly to improved efficiency and partly to lower activity levels.

Although some business units have slim order books, the order situation for the Group as a whole is satisfactory in the light of the uncertainty, which has affected Aker Kvaerner's markets. During 2002 the order intake was NOK 42.1 billion and the order reserve at the end of the year was NOK 34.6 billion, compared with NOK 36.6 billion a year earlier.

Aker Kvaerner does not expect any further significant deterioration of its main markets. The Group is financially and structurally well prepared for continued uncertainty, and will be well positioned when the market rebounds.

Description of operations

Aker Kvaerner is a leading global provider of services related to design, construction, maintenance, modification and operation of both large and small industrial facilities. In addition the Group provides advanced technology products, either on their own or as part of integrated solutions. The business spans a number of industries, including Oil and Gas upstream and downstream, Process, Pharmaceuticals, Metals, Power, Chemical, Pulping, Environmental technologies, and Shipbuilding.

The Group's core operations are marketed under the common Aker Kvaerner brand. The Group's parent company is Kværner ASA. The board will propose to the Annual General Meeting in May 2003 that the name of the parent company be changed to Aker Kværner ASA.

The Group's activities in 2002 were divided into four business areas: Oil & Gas, Engineering & Construction, Pulp & Paper and Shipbuilding. Each of the four business areas operated nearly as independent groups. The parent company acted as an industrial holding company.

Oil & Gas

In the oil and gas sector Aker Kvaerner is a leading contractor in a number of areas. Floating production facilities, process facilities, drilling packages, subsea systems, mooring systems and advanced marine operations are some examples. In addition the Group has extensive activities in the operation, maintenance and modification of existing production facilities.

Few other contractors can point to a reference list as complete as Aker Kvaerner can. The Group has built up a project execution model with a high degree of reliability and quality. This represents expertise, which makes the Group attractive for projects both large and small around the world.

Aker Kvaerner's oil and gas activities have a strong presence in most places in the world where offshore oil and gas exploration and production take place. The Gulf of Mexico and the North Sea are key centres for the Group. Brazil, the Caspian Sea, West Africa, South-East Asia and Canada are important growth areas.

The various oil and gas activities complement each other well. This provides opportunities for enhanced efficiency through co-operation in both cost reduction and market measures, and means that the Group as a whole has a more complete offering for its customers than most of its competitors.

In 2002 the oil and gas sector represented 46 per cent of the Group's revenues, and was made up of six divisions: Field Development North Sea, Field Development International, MMO Norway, MMO UK and International, Products and Technology, and Asia Pacific.

Engineering & Construction

Aker Kvaerner is one of the world's leading providers of design, engineering, project management, procurement and construction services to a number of industrial sectors on a world-wide basis. In addition to oil and gas, these sectors include chemicals and polymers, pharmaceuticals, power, water, metals, minerals and mining, and environmental industry.

The Engineering & Construction business area operates internationally and its principal offices are located in the US, the UK, the Netherlands, Asia and Australia. The Group offers a complete range of services that are necessary to realise global projects from conception to start-up.

These services include engineering studies, including bankable feasibility and environmental studies, total project management, engineering and design, procurement, construction and maintenance services.

In 2002 Engineering & Construction was made up of four main divisions: Metals, Process, Union Construction and Non-Union Construction. The business area represented 24 per cent of the Group's revenues.

Pulp & Paper

Aker Kvaerner is a global leader in the supply of technology, equipment and systems to the chemical pulp industry, providing design, engineering, manufacturing and project management services for fiberlines, recovery boilers, power boilers, evaporators, chemical preparation and gas treatment systems.

The principal production activities of the Pulp & Paper business are located in Finland, Sweden and Brazil. In addition, the area has a substantial presence, executing projects in Canada, Japan, China and the USA.

In 2002 the business area was divided into divisions for Fiberline, Power and Chemetics and was responsible for eight per cent of the Group's revenues.

Shipbuilding

Aker Kvaerner's shipbuilding activities comprise three shipbuilding entities. The largest, Kvaerner Masa-Yards has one yard in Helsinki and one in Turku in Finland. Kvaerner Masa-Yards is one of the world's leading builders of cruise ships and specialised vessels. Kvaerner Warnow Werft in Rostock, Germany and Kvaerner Philadelphia Shipyard primarily build containerships.

Early in February 2002, an agreement was entered into with Aker Yards to establish a jointly owned shipyard management company, Aker Kvaerner Yards. Altogether Aker Kvaerner and Aker Yards own 12 yards in Europe, one in the USA and one in Brazil. Together they represent the world's fourth largest yard group.

With accounting effect from 1 December 2002 Aker Kvaerner and Aker Yards established a joint ownership structure for the German shipyards Kvaerner Warnow Werft and Aker MTW. Aker Kvaerner now owns 40 per cent of the two yards, and Aker Kvaerner reports its share under financial items in the profit and loss account.

Aker Kvaerner's shipyards represented 22 per cent of the Group's revenues in 2002.

Other activities

Aker Kvaerner's other activities in 2002 included manufacturing in Sheffield, UK and the Fecne and IMGB enterprises in Romania, Kvaerner Hangfa which is involved in substantial hydropower operations in China, ownership shares in the Sea Launch space rocket company and a series of lesser involvements. Kvaerner Hangfa and Fecne were sold off in early 2003.

Kvaerner IMGB in Romania is an integrated smelter, casting and machining facility for steel. It produces large components for use in the power industry, shipbuilding and steel and cement production. IMGB's activities have been considerably improved in recent years. In early 2003 the company entered into an agreement to place a substantial part of its capacity at the disposal of General Electrics.

Sea Launch was established as a consortium in 1995, with Aker Kvaerner owning 20 per cent. The company is the only one in the world, which launches commercial satellites into space from a floating platform. In this way maximum use can be made of the earth's rotation to give the rockets extra lift. Sea Launch has been a success technically, but the market is difficult. In 2002 one satellite was launched. The order reserve consists of 10 confirmed launches and seven options. Aker Kvaerner is no longer operationally involved in Sea Launch.

Adjusted Group structure 2003

In November 2002 it was decided to change the Group structure. Under the new and streamlined structure, which came into effect at the beginning of 2003, there are fewer management layers and leaner staff. Follow-up of projects, customer relations and business areas is more direct and efficient, and the Group is more flexible and better adjusted to the current market situation. The Group's head office is in Oslo, Norway.

The new structure consists of six business areas, four of them in oil and gas and two in engineering and construction. These are Field Development Europe (FDE), Maintenance, Modifications & Operations Europe (MMOE), Oil, Gas & Process International (OG&PI) and Subsea & Oilfield Products (S&OP) in the oil and gas sector, and Engineering & Construction Americas (E&CA) and Engineering & Construction Europe (E&CE).

The Fiberline and Power divisions of the former Pulp & Paper were transferred to E&CE, while the Chemetics division and the Group's activities in Australia report to E&CA. Asia activities are included in OG&PI. The shipyards continue to be managed by the management company, Aker Kvaerner Yards.

Under the new Group model Houston, Texas has a substantially strengthened position. Three of the Group's six business areas are based there. The reason for this is that the Group wishes to bring the Group's management close to important customers and markets.

Year 2002

Strategic milestones

The year 2002 was an important turning point for Aker Kvaerner. This was the year when solutions were established for the financial and industrial problems which had affected the company since the mid 1990s, thus removing considerable elements of uncertainty.

By means of two share issues in January 2002 shareholders strengthened the Group's equity by raising NOK 3.3 billion. Ahead of this, and as part of the same solution, the Group's lenders had contributed a total of NOK 8.6 billion to refinancing the Group's debt. The last financial element was the inflow of NOK 2.8 billion in new equity capital through the merger with Aker Maritime.

In accordance with the agreement with the Group's lenders a detailed business plan was drawn up for the period 2002-2004. The plan was presented to the banks and approved in August 2002. The Group's development is in line with the business plan.

The incorporation of the Aker Maritime activities was the most significant industrial adjustment in the Group in 2002. Through the merger, which was legally implemented in March, Aker Kvaerner strengthened its position as a provider of technology products and projects to the oil industry around the world. The potential synergies, which were identified before the merger, have been confirmed.

In the course of the first half of 2002 the Group completed the transfer of its head office functions from London to Oslo. As a result of the move and later adjustment of the corporate structure, it is estimated that the costs of the new head office have been reduced by about NOK 100 million compared with the previous structure.

In May, Aker Kvaerner transferred the oil and gas related activities, which until then had been part of the Engineering & Construction business area, to the Oil & Gas business area, strengthening the presence of Oil & Gas in Houston and Asia.

In shipbuilding Aker Kvaerner strengthened the operational management of its yards with the establishment of Aker Kvaerner Yards. This management company also manages Aker Yards' shipyards. Cooperation through Aker Kvaerner Yards opens up opportunities for synergies between all the yards and a more flexible offering to the yards' customers.

On several occasions Aker Kvaerner and Aker RGI have stated that both parties wish to extend their cooperation in shipbuilding to include common ownership. This was evaluated in 2002, but beyond the combination of the German yards, the parties agreed to not pursue this further.

During 2002, the Group worked on a programme for releasing capital through property transactions and the sale of operations, which do not form part of the future core activity. The sale and lease-back of office premises and workshops in Aberdeen was completed at the beginning of 2003. An agreement for the sale of Kvaerner Rosenberg's facility in Stavanger and the lease-back of parts of it was entered into in 2003. This agreement will receive final confirmation in May 2003.

Kvaerner Fecne and Kvaerner Hangfa were sold in February 2003. In 2002 Engineering & Construction's activities in South Africa, Heurtey and a small part of the Group's activities in Australia were sold.

Uncertainty reduced

At the beginning of 2002 Aker Kvaerner's balance sheet and portfolio of projects contained a number of uncertain items. Through the year the Group worked systematically to finalise these matters and thereby reduce the uncertainties concerning future earnings.

The greatest project challenge was linked to the completion of a polypropylene plant in the USA. The project was behind schedule and the costs substantially higher than estimated. Aker Kvaerner strengthened the project management and injected further resources in spring 2002. The plant was completed in the autumn.

Following completion of the plant, negotiations have taken place with the client to reach commercial agreement on a final settlement.

In February 2002 an EU court found that Aker Kvaerner was not guilty of an alleged breach of capacity restrictions at the Kvaerner Warnow Werft shipyard. In April 2002 a NOK 495 million fine was returned to Aker Kvaerner. The EU Commission subsequently appealed over the judgement.

In May 2002 Aker Kvaerner and Yukos agreed a settlement following the sale of Kvaerner Process Technology and Kvaerner Hydrocarbons in November 2001. Agreement was also reached on a final settlement on a contract, which had been entered into in 1998 for construction of a zinc recovery plant, and on a settlement relating to the construction of an MTBE plant ordered in 1990. These and several other minor issues gave the Group a positive cash flow of NOK 200 million.

A number of historical matters remain unclarified. In addition to the EU appeal mentioned above, the EU Commission is investigating whether Aker Kvaerner was overpaid DEM 120 million in subsidies in connection with the privatisation of Kvaerner Warnow Werft in 1992. Nor has agreement been reached following the delivery of power boilers in 1996, or concerning two large metal projects. A more detailed description of these matters will be given in note 14 to the Group's consolidated financial statements for 2002.

Order situation

Although some business units have slim order books, the Group's order situation, as a whole is satisfactory, especially in the light of the uncertainty surrounding the global economy and Aker Kvaerner's most important markets in the course of 2002. During the year, the order intake was NOK 42.1 billion, including NOK 13.2 billion in order reserve in the Aker Maritime companies, which were included in the Group in March. The order intake in the previous year was NOK 34.9 billion.

The order reserve at the end of 2002 was NOK 34.6 billion, compared with NOK 36.6 billion a year earlier. The order reserve was equivalent to approximately 80 per cent of revenues in 2002.

The order situation in Oil & Gas as a whole is satisfactory following a substantial intake of orders particularly in the first half of 2002. The order reserve in this area is equivalent to its revenues in 2002. The order reserve in shipbuilding is equivalent to 80 per cent of last year's revenues. Both Pulp & Paper and Engineering & Construction are dependent on winning new orders fast. The order reserve at the beginning of the year was equivalent to 40 and 50 per cent respectively of the revenues of these areas.

Capacity adjustments were made continually through the year. For example, the number of employees in Engineering & Construction was reduced by about 1 600 persons in the course of the year. Further capacity adjustments are being prepared in most parts of the Group.

Outlook

Due to the general uncertainty in the world economy, the Group's customers seem to be reluctant to implement large, new investment projects. But at the same time the Group is experiencing good demand for its engineering services and assistance in planning new facilities and the maintenance and upgrading of existing facilities.

Aker Kvaerner is not expecting any significant further deterioration in its main markets. The Group is financially and structurally well prepared for continued uncertainty, and will be well positioned when the market rebounds.

On this basis, and with reference to the Group's economic and financial situation, Aker Kvaerner's accounts for 2002 have been prepared on the assumption of going concern.

Order intake by business area

The order intake in **Oil & Gas** in 2002 was NOK 25.3 billion and the order reserve at the end of the year NOK 19.6 billion. Among the largest orders were; topsides construction and assembly of the Kristin platform in the Norwegian sector, topsides construction and assembly of the White Rose production ship in Canada, delivery of subsea systems for the Kristin field and operations and maintenance services on oil and gas installations in the Tampen and Halten areas offshore Norway.

A series of contracts has also been entered into for the delivery of advanced technology products such as drilling equipment and complete drilling packages, process equipment and subsea systems, to customers in Brazil, Asia, the Gulf of Mexico, the Caspian Sea and the North Sea. The Group's specialised jacket facility in Norway received a contract for the construction of two jackets for the UK sector. In West Africa Aker Kvaerner secured a contract for the engineering of the subsea systems for the Dalia field.

The contract for the supply of equipment is planned to be awarded in the first part of 2003.

Engineering & Construction had an order intake in 2002 of NOK 7.7 billion. The order reserve at the end of the year was NOK 5.2 billion. Among the most important orders for the metals division was the expansion of the Quebrada Blanca mine in Chile, the expansion of a copper facility in Bagdad in the USA and the Hi-Smelt project for Rio Tinto in Australia. The commissioning of Thai Copper's copper facility in Thailand was confirmed in January 2003 and was not included in the order reserve at the end of 2002.

Aker Kvaerner's process and pharmaceutical business has undertaken a series of small and medium assignments for customers with which the Group has had a long and close relationship. An example of such relationship is the JBEK joint venture, a global alliance between Aker Kvaerner and DuPont.

In the USA the Group was awarded a contract for the preliminary design of a new biopharmaceutical facility for EMD, a subsidiary of Merck. The facility, which will consist of a laboratory, office and storage facilities and production lines, is plan to be complete by mid-2006. The customer's final decision to build the facility is expected during 2003.

In October 2002 Aker Kvaerner began work on preparing for the construction of the Magnolia gas-fired power station in California. The USD 112 million contract will not be included in the order reserve before final confirmation of the project.

Pulp & Paper had an order intake of NOK 3.1 billion in 2002 and an order reserve at the end of the year of NOK 1.4 billion. A number of contracts for the supply of chemical pulping equipment and power boilers were entered into in Sweden, Finland, Netherlands, Portugal, Italy, Canada, Brazil and Chile.

Aker Kvaerner's **Shipbuilding** business area had an order intake of NOK 5.7 billion in 2002. At the end of the year the order reserve was NOK 7.7 billion. The latter figure does not include the order reserve at Aker MTW/Kvaerner Warnow Werft, as these have been accounted for as an associated company since the beginning of December.

Color Line ordered a cruise ferry from Kvaerner Masa-Yards for delivery in 2004; Matson confirmed its order for two containerships from Kvaerner Philadelphia for delivery in 2003 and 2004, and a total of six containerships were ordered from Kvaerner Warnow Werft for final delivery in 2004.

Group results in 2002

Aker Kvaerner's operating revenues in 2002 were NOK 43 643 million and the ordinary operating profit after amortisation was NOK 551 million. The corresponding result a year earlier was a loss of NOK 2 837 million.

The year was affected by a number of events, such as the sale of activities, legal clarifications and settlements, costs for restructuring and the completion of historical problem projects. These form part of the operating result, but in relation to a normalised operating situation in the Group constitute special non-recurring items.

The operating profit before such special items and before amortisation (ordinary trading EBITA) in 2002 was NOK 1 015 million, divided approximately into a quarter of a billion NOK per quarter. The most important one-off effects are described below.

Gains from the sale of activities amounted to NOK 115 million, of which the final settlement following the sale of activities to Yukos in the second quarter, was the most important. After a further thorough evaluation of the reasons for the EU Court's decision in the case between the EU Commission and Aker Kvaerner, the Group decided to book NOK 495 million received from the EU Commission to income.

As a result of continued market weakness during 2002 and the need to establish a more flexible cost structure and make capacity adjustments, especially in the E&C Europe, Oil & Gas and Pulp & Paper business areas, Aker Kvaerner made a restructuring charge of NOK 486 million. Of this amount, NOK 288 million represents provisions in connection with onerous leases and other write-downs.

The non-recurring effect related to the completion of problem projects gave a total loss of NOK 292 million for the year. This includes the completion of the polypropylene project in the USA, and the zink recovery plant and MTBE projects mentioned above.

Net financial items for 2002 were positive to the value of NOK 516 million. Of this, net interest amounted to an expense of NOK 280 million, while currency effects had a positive accounting effect to the value of NOK 891 million.

Oil & Gas key figures

	Quarters					Year	
(alle beløp i mill. kroner)	4Q01	1Q02	2Q02	3Q02	4Q02	2001	2002
Operating revenues	3 752	3 842	5 400	5 059	5 803	13 521	20 104
EBITA[1]	**39**	**98**	**161**	**206**	**182**	**403**	**647**
EBIT before special items	33	76	110	154	126	379	466
Special items/gains	68	0	106	0	-80	68	26
EBIT	**101**	**76**	**216**	**154**	**46**	**447**	**492**
Order intake	2 674	12 074	7 173	2 022	4 057	13 721	25 326
Order reserve[2]	9 858	23 675	24 712	21 993	19 644	9 858	19 644
Number of employees[2]	9 438	16 163	17 129	16 701	16 755	9 438	16 755

EBITA[1] - Divisions	4Q01	1Q02	2Q02	3Q02	4Q02	2001	2002
Field development North Sea	-6	53	63	91	48	107	255
Field Development International	8	1	5	-30	-8	21	-32
MMO[3] Norway	-3	19	-2	18	25	-3	60
MMO[3] UK and International	4	3	13	12	28	4	56
Products and Technology	81	86	106	104	108	274	404
Asia Pacific	0	-3	-20	23	3	-3	3

[1] *Ordinary trading operating profit before interests, tax and amortisation.* [2] *At end of period*

[3] *MMO = Modification, Maintenance and Operation*

Profit before tax was NOK 1 067 million. Tax expenses amounted to NOK 190 million and the ordinary net profit was NOK 877 million. This is equivalent to a profit per share of NOK 1.09. The previous year the after-tax loss was NOK 4 961 million.

Parent company accounts and allocation of profits

The 2002 profit and loss account for the Kværner ASA parent company shows an after-tax profit of NOK 864 million. In accordance with its loan agreements, Kværner ASA cannot pay dividend. The Board proposes that the profit be transferred to other equity.

Ordinary trading EBITA by business area

In the Group's profit and loss account the special non-recurring items are included in the ordinary operating result (EBIT) for the various business areas. To facilitate assessment of the underlying operational development of the areas, the focus below is put on the operating result before special items and amortisation (ordinary trading EBITA).

Oil & Gas had a positive ordinary trading EBITA of NOK 647 million. The product and technology companies alone accounted for NOK 404 million of this profit. Good execution of the Grane project has yielded good margins for Aker Kvaerner, and the client has expressed that its overall budget for the project has been reduced by about NOK 1 billion.

The 2002 results for operations, maintenance and modifications were somewhat weaker than previously. Among other reasons this was due to lower margins on one project. The Group's international oil and gas operations were affected by low capacity utilisation and costs related to entering new markets. The Oil & Gas area's central costs amounted to NOK 98 million, of which about half were costs incurred in the first quarter in connection with the merger with Aker Maritime.

Engineering & Construction had a positive ordinary trading EBITA of NOK 25 million in 2002. The results vary in the different parts of the business area, but overall operations gradually improved through the year.

The Metals division moved into the black for the first time for years in the fourth quarter, but made a loss for the year of NOK 95 million. The Process division returned a small profit for the year, with low margins in the European part of the operation contributing to this result. Both Union and Non-Union Construction in the USA delivered strong profits with a combined total of NOK 106 million.

For **Pulp & Paper** ordinary trading EBITA amounted to a loss of NOK 97 million. Overall the losses were gradually reduced in the course of the year. In the fourth quarter the loss was NOK 7 million.

Engineering & Construction key figures

	Quarters					Year	
(All amounts in NOK million except where stated)	4Q01	1Q02	2Q02	3Q02	4Q02	2001	2002
Operating revenues	3 911	3 145	2 837	2 428	2 127	14 676	10 537
EBITA[1]	**-269**	**62**	**-59**	**9**	**13**	**-686**	**25**
Special operating items	0	-21	-187	0	-84	0	-292
EBIT before special items	-290	23	-264	-8	-87	-776	-336
Special items/gains	165	0	0	-5	-199	165	-204
EBIT	**-125**	**23**	**-264**	**-13**	**-286**	**-611**	**-540**
Order intake	3 097	2 367	1 849	2 139	1 306	14 870	7 661
Order reserve[2]	9 577	8 535	6 434	6 340	5 208	9 577	5 208
Number of employees[2]	6 875	6 611	6 724	6 539	6 014	6 875	6 014

EBITA[1] – Selected Divisions	4Q01	1Q02	2Q02	3Q02	4Q02	2001	2002
Metals	-182	-27	-72	-5	9	-434	-95
Process	-151	35	-20	-20	8	-323	3
Union Construction	45	30	22	13	12	109	77
Non Union Construction	3	1	-3	16	15	-59	29

[1] Ordinary trading profit/loss before interest, tax and amortisation [2] At end of period

The Fiberline division achieved profits throughout the year, delivering NOK 57 million for the period as a whole. Lower order intake and reduced activity were offset by good margins on projects and increased activity related to services on existing installations. The service segment accounted for 80 per cent of the division's profit in 2002.

The Power and Chemetics divisions ended with losses of NOK 105 million and NOK 43 million respectively. A low level of activity was not adequately offset by capacity adjustments and reduced costs. On some projects the margins were reduced as a result of weak project execution.

In **Shipbuilding** Aker Kvaerner's shipyards posted a positive ordinary EBITA of NOK 530 million in 2002, of which Kvaerner Masa-Yards alone was responsible for NOK 629 million. The loss at Kvaerner Philadelphia Shipyard was NOK 105 million, while Kvaerner Warnow Werft posted a profit of NOK 6 million.

Investments, financing and liquidity

Aker Kvaerner's cash reserves and short term interest bearing receivables amounted in total to NOK 4 924 million at the end of 2002. This represents an increase of NOK 1 735 million on the beginning of the

Pulp & Paper key figures

	Quarters					Year	
(All amounts in NOK million except where stated)	4Q01	1Q02	2Q02	3Q02	4Q02	2001	2002
Operating revenues	1 431	797	824	792	999	4 867	3 412
EBITA[1]	**-5**	**-44**	**-20**	**-26**	**-7**	**-48**	**-97**
EBIT before special items	-20	-55	-31	-36	-18	-100	-140
Special items/gains	12	0	0	0	-48	-88	-48
EBIT	**-8**	**-55**	**-31**	**-36**	**-66**	**-188**	**-188**
Order intake	705	1 537	856	350	391	3 416	3 134
Order reserve[2]	1 882	2 617	2 508	1 897	1 443	1 882	1 443
Number of employees[2]	2 210	2 184	2 168	2 122	2 173	2 210	2 173

EBITA[1] – Divisions	4Q01	1Q02	2Q02	3Q02	4Q02	2001	2002
Power	-2	-37	-29	-22	-17	5	-105
Fiberline	11	15	15	21	6	66	57
Chemetics	-19	-16	-6	-14	-7	-108	-43

[1] Ordinary trading profit/loss before interest, tax and amortisation [2] At end of period

Shipbuilding key figures

	Quarters					Year	
(All amounts in NOK million except where stated)	4Q01	1Q02	2Q02	3Q02	4Q02	2001	2002
Operating revenues	2 772	2 411	2 652	1 790	2 606	11 611	9 459
EBITA[1]	**-7**	**137**	**186**	**95**	**112**	**85**	**530**
EBIT before special items	-7	137	186	95	112	85	530
Special items/gains	0	0	0	0	495	0	495
EBIT	**-7**	**137**	**186**	**95**	**607**	**85**	**1 025**
Order intake	1 182	126	149	11	5 458	2 731	5 744
Order reserve[2]	14 792	11 924	8 913	7 101	7 749	14 792	7 749
Number of employees[2]	6 706	6 634	6 823	6 599	5 326	6 706	5 326

EBITA[1] - Divisions	4Q01	1Q02	2Q02	3Q02	4Q02	2001	2002
Kvaerner Masa-Yards	154	138	198	165	128	357	629
Kvaerner Warnow	-80	21	7	-15	-7	-47	6
Kvaerner Philadelphia	-82	-22	-19	-55	-6	-225	-105

[1] Ordinary trading profit/loss before interest, tax and amortisation [2] At end of period.

year.

During the same period the net current operating assets increased by more than one billion NOK to NOK 635 million, mainly due to reduced provisions. At both the end of 2001 and 2002, net working capital was unusually low as a result of the payments from customers received before the end of the year.

Net interest-bearing liabilities at the end of 2001 totalled NOK 6 307 million. A year later the debt situation had been reversed and the Group had net interest-bearing receivables of NOK 613 million. The equity ratio was 27.6 per cent, up from 7.0 per cent a year before.

The change is due mainly to the injection of new shareholders' equity through share issues and changes in the Group's loan structure which meant that the Group had NOK 3 901 million in subordinated, non interest-bearing loans at the end of 2002.

The cash flow from operations was NOK 18 million in 2002, compared with a negative cash flow of NOK 1 135 million in 2001. The improvement was mainly due to better operating results, financial income as a result of foreign exchange gains, and the repayment by the EU Commission.

The cash outflow before financing amounted to NOK 1 355 million. In addition to investments and other items, this included the repayment of loans to Aker Maritime companies, which were taken over in March 2002.

Aker Kvaerner's capital expenditure amounted to a total of NOK 601 million in 2002, of which NOK 326 million are attributed to oil and gas activities. The largest investments were, among others, a new umbilical production facility in Alabama, USA, and the upgrading of the Aker Stord, Aker Verdal and Kvaerner Rosenberg yards in Norway. The shipyards, mainly Kvaerner Masa-Yards and Kvaerner Philadelphia, invested a total of NOK 187 million.

No business of significant accounting effect was acquired in 2002.

Pensions

Aker Kvaerner's most significant exposure with respect to pensions is related to the Group's UK pension plan. During 2002 Aker Kvaerner substantially strengthened its follow-up of this scheme. A main part of the funds in the UK pension fund is invested in shares. As a result of the downturn in the share market during 2002, the pension fund suffered substantial losses. In addition, interest rates in the UK have been reduced, and the discount rate for the calculation of future commitments has been altered.

At the end of 2002 the funding deficit in Aker Kvaerner's UK pension scheme was NOK 2.4 billion. This has no accounting effect for 2002.

In accordance with good accounting practices Aker Kvaerner must expense a part of the book deficit in the pension plan. In 2003 this will represent a cost for the Group of around NOK 360 million. The Group's pension costs related to the UK pension scheme thereby amount to about NOK 550 million in 2003. This charge has no cash effect for the Group.

A lengthy shortfall in the pension fund could mean that the Group's subsidiaries would have to contribute to the scheme with effect from 2004. The size of these contributions will be decided in negotiations autumn 2003, based on updated actuarial assessments.

Trust

Political unrest affects the world's capital markets, and a lack of stability affects most sectors and companies, their employees, shareholders, creditors and other business associates. This also affects Aker Kvaerner, but the Group is financially and structurally well positioned.

The refinancing exercise at the beginning of 2002 gave the company a solid financial basis. Industrially the company has been strengthened by the merger with Aker Maritime and systematic work to establish a simpler operating model and more flexible cost base. In addition a series of legal issues has been solved and problem projects concluded.

Aker Kvaerner is determined to further strengthen its position by working systematically to build trust. This will be reflected in the Group's core values, norms and governing documents and will be reflected in the Group's relationships with its various stakeholders. Focus on Corporate Governance and social responsibility has a central place in Aker Kvaerner's daily operations.

All through 2002 the Group implemented internal processes for mapping and formulating its most basic values. These are summed up in the document *People*, which is available on the Group's website. The six core values are: HSE Mindset; Customer Drive; Openness and Honesty; Hands-on Execution; Commercial Edge; and Developing People.

Safety

A philosophy of zero tolerance has a central place in the Group's work on health, safety and the environment. Aker Kvaerner's starting-point is that all harm to people, property or the environment can and must be avoided.

The positive development in the number of lost time incidents (LTI), continued in 2002. The total number of such injuries was 473 in 2002 compared with 697 the previous year. The lost-time incident ratio (measured by the number of injuries causing time off work per million work-hours) was six in 2002, down from seven in 2001. The figures include sub-suppliers, which work for Aker Kvaerner.

There are large differences in the number of injuries between the different business areas, but all showed progress compared to the previous year. The LTI ratio for Engineering & Construction was one and for Oil & Gas three. Historically the safety of personnel has been a special challenge for the Group's shipyards. In 2002 a special effort was made to improve this situation and good results have been achieved. The lost-time injury ratio for the yards was reduced from 30 in 2001 to 20 in 2002. Pulp & Paper had a LTI ratio of 11, which was also a reduction on the previous year.

There were two fatalities in connection with Aker Kvaerner's activities in 2002. Both were employees of sub-suppliers of the Group, one in Oil & Gas and one in Engineering & Construction.

These tragic events and other serious accidents and potentially dangerous incidents and conditions were subjected to thorough analysis. In each case the sequence of events was documented and possible improvement measures were assessed and communicated to the Group's other operations. In addition to clear rules and work on changing attitudes, this exchange of experience has a central place in the Group's work to improve safety performance.

Ownership and corporate governance

Kværner ASA is a listed company; whose shares are traded on the Oslo Stock Exchange. The company has issued a total of 894 133 916 shares, which all carry the same rights.

At the end of 2002 the Group had 33 564 shareholders. The 20 leading shareholders owned a total of 73 per cent of the shares. Aker Maritime controlled altogether 49.9 per cent of the shares in Kværner ASA.

Good corporate governance is central to Aker Kvaerner's work on building trust among the players in the financial markets. Aker Kvaerner is dedicated to securing the necessary independence among the company's governing bodies, Board and Management.

At the same time Aker Kvaerner wishes to ensure that the active ownership of and co-operation with the Group's leading shareholder contributes to the

Group's capacity for value creation. Such value creation should be to the benefit of all shareholders on equal conditions.

In May 2002 the Annual General Meeting of Kværner ASA, the Group's parent company, named a new election committee. The Chairman of the election committee is Knut T Traaseth, managing director of the Norwegian Shareholders Association. Gerhard Heiberg is member of the committee, together with Kjell Inge Røkke, the Chairman of Kværner ASA. Mr Røkke is the owner of Aker RGI and Aker Maritime, Kværner ASA's main shareholder. Beyond these relationships, the members of the election committee have no common business, economic involvement or association with Kværner ASA or the company's main shareholder.

In addition to the Chairman Kjell Inge Røkke, the members of the Board elected by the shareholders are Deputy Chairman Reidar Lund, Bjørn Flatgård, the Chief Executive Officer of Elopak, Yngve Hågensen, former Head of, and now consultant to the Norwegian Federation of Trade Unions, and Anders Eckhoff, lawyer and partner in the law firm BA-HR. Tore Tønne was Deputy Chairman of the Board until 17 December 2002, when he decided to resign from his post. A list of the various Directors' shareholdings in Kværner ASA will be given under note 3 in the parent company's financial statements for 2002.

Aker Maritime, Kværner ASA's main shareholder, is represented on the Board by its owner, Kjell Inge Røkke. Bjørn Flatgård is deputy chairman of Aker RGI and Aker Maritime's boards. BA-HR, the law firm in which Anders Eckhoff is a partner, regularly carries out legal work for both Aker RGI and companies in the Aker Kvaerner Group. Beyond these relationships there are no other financial or business wise relations between current Board Directors, the leading shareholder and Aker Kvaerner.

Aker Kvaerner's employees have elected Bernt Kilnes from Aker Verdal, Eldar Myhre from Kvaerner Rosenberg and Atle Tranøy from Aker Stord as representatives of the Board.

The Board of Kværner ASA puts great emphasis on reaching competent decisions. When appropriate, the Board sought external legal advice concerning potential conflicts of interest. If Directors were considered to be subject to such conflicts, they withdrew from the discussions.

In connection with the merger of the Aker MTW and Kvaerner Warnow Werft shipyards, possible conflicts of interest were thoroughly evaluated. In addition Aker Kvaerner sought independent legal assistance and fairness opinions from two financial advisers independent of each other. Approval for the agreement was also sought from Aker Kvaerner's lenders, in accordance with the provisions of the loan agreement.

KPMG has been the company's auditor since the accounting year 2000. Auditing fees and other remuneration to the auditor will be stated in note 5 to the parent company's financial statements.

Kværner ASA's shareholders decided at an Extraordinary General Meeting in November 2001 to set up an independent committee of inquiry to investigate the Management of the company in the period 1998-2001.

Customer relations

Aker Kvaerner and the Group's various operations seek to develop and maintain a good and close relationship with their customers. In many cases the co-operation dates back for several decades. Some parts of the Group have a substantial part of their operations linked to service and expansion of previously installed plants and equipment.

In the course of 2002 the Group prioritised work on further strengthening relations with key customers. There has been systematic customer follow-up on many levels, and customer surveys have been carried out to map the Group's improvement areas. The Group decided in 2002 to implement a web based customer relations management system to further ensure that the Group understand the needs of different customers.

Good project execution and risk management are important tools for Aker Kvaerner, not only to improve its own profitability but also to ensure quality in its deliveries. To further improve quality, the Group is in the process of implementing a common execution model and a uniform system for identifying and managing risk elements in projects.

The Group's operations have registered a total of 3 500 patents. In a number of subsidiaries and in the projects, technology development is continually driven forward in co-operation with customers. During 2002 the Group established a network which will follow up and co-ordinate the development of new technology and new products in the Group. During the year Aker Kvaerner invested approximately NOK 140 million in such development projects.

Employee relations

Aker Kvaerner is a competence based company. Employees' individual knowledge and qualities, and the ability to bring together and direct this expertise in the course of operations constitutes the core of all the company's activities.

Diversity strengthens the Group's collective capacity. Aker Kvaerner is therefore committed to be seen as an attractive employer for all groups of employees, independently of nationality, gender, religion and age. The relatively small number of female employees poses a general challenge in those sectors in which the Group is involved. To some extent the causes are historical, but increased attention to the subject is giving results.

The availability of well-qualified women is gradually increasing. At the beginning of the year the Group had a total of 43 line managers at the three highest management levels. Of these three were women. At the same time last year they were all men.

At the end of 2002 Aker Kvaerner had a total of 32 863 employees. That was 4 809 more than the number a year before. The increase resulted from the merger with Aker Maritime in March 2002. In fact the companies which now make up Aker Kvaerner have about 2 700 employees less than at the end of 2001. The reduction is due to greater efficiency in operations combined with a somewhat lower activity level.

In addition to its own employees Aker Kvaerner had 4 308 agency personnel. Altogether 37 171 persons worked in the Group and it's associated operations. Of these, around 39 per cent were employed in EU countries, 31 per cent in Norway and 17 per cent in North America.

An overall assessment of sick leave in Aker Kvaerner is difficult to make due to rules, which vary from country to country. However the available statistics show a disturbing development, especially in some of the Group's Norwegian operations. The sick leave rate overall was 3.6 per cent in 2002. The corresponding figure for 2001 was 2.9 per cent.

In 2003 it is planned to conduct a comprehensive survey of employees in all parts of the Group. This survey is expected to provide valuable information, which will make it possible to strengthen and direct the work on reducing sick leave with better accuracy.

In 2002 Aker Kvaerner surveyed the competence profile among parts of the Group's employees. The survey took in some 24 000 employees, of which 13 000 white-collar and 11 000 blue-collar workers. Of the white-collar engineers, 33 per cent had a doctor or master's degree. Among blue-collars, 86 per cent was skilled professionals.

Leadership development and incentive schemes

The Group runs programmes for raising the competence of leaders and other employees. Leadership development takes place both in general management disciplines and through more special courses related to project management.

Leaders in Aker Kvaerner are assessed at regular intervals, on the basis of results achieved and with the aid of systematic feedback from superiors, peers and subordinates, so-called 360-degree feedback. Such assessments were made of a total of 230 managers in 2002. In addition in connection with the merger with Aker Maritime, a total of 202 leaders were assessed in this way.

Aker Kvaerner is in the process of implementing a new compensation system for senior executives based on the variable salary principle. These systems are performance based, which means that executives who reach targets agreed in advance will receive a competitive salary. The targets are partly linked to measures of economic and financial performance, and partly to other values which are company priorities. In addition to the base salary, executives only receive the same benefits as all other employees.

Executives may however, earn a variable pay element of about 30 per cent of base salary if the targets are achieved, and up to a maximum of 60 per cent of base salary if the targets are significantly exceeded. Half of the variable element is payable in the following year, while the other half will be paid two years later. After two years, the deferred amount will be doubled by the company, and the total will be multiplied with the per centage of the value of the Aker Kvaerner share that exceeds an agreed share price.

Society

Aker Kvaerner is a significant global player in some sectors. The Group also has an important social role in many local communities, especially in Norway.

Parts of Norwegian industry face fundamental competitive challenges due to the strong Norwegian currency and high interest and salary rates combined with gradually decreasing activity with respect to the development of new oil and gas fields on the Norwegian continental shelf. This has affected Aker

Kvaerner's Norwegian operations and will continue to do so in the future.

The Group's Norwegian yards have to a large degree countered their non-competitive parameters by means of specialisation, good quality, good results in health, safety and the environment, and improved efficiency. Experience shows that this results in good turnkey deliveries, especially on complex and demanding projects. In winter 2002/2003 Aker Kvaerner lost two assignments which would have had a significant effect on operations at the yards. In these cases the customer seems to have considered the assignments primarily as fabrication jobs.

In spring 2003 Aker Kvaerner will evaluate the demand for fabrication services in Norway in relation to the capacity in the sector. In this context the Group will give priority to measures capable of securing long-term increased profitability for the Group. Increased profitability is a prerequisite for the Group to be able to attend to its social responsibility in the long term. The work of assessing necessary action is taking place in close co-operation with employee representatives.

Aker Kvaerner's operations constitute a burden on the environment only to a limited degree. There were no reports of significant environmental spills in 2002.

The Group's energy consumption in 2002 was 399 000 megawatt-hours. Electric power accounted for 56 per cent of the overall consumption, gas for 28 per cent and oil for 16 per cent. Electric power and oil accounted for a proportionally smaller part of consumption in 2002 than in the previous year, while gas' share increased from 19 per cent in 2001.

Oslo, 28 February 2003
The Board of Directors