January – June 2003

Weak profits, strong order intake, good cash position

As previously forecast profits remained relatively weak throughout the first half of 2003, due to weak markets and correspondingly low order intake in 2002. Meanwhile, the time has been well spent streamlining the organisation, and focused sales and marketing activity has resulted in a steady flow of new orders.

In the second quarter, the order reserve continued to grow from the record low at the end of 2002. Important orders have been booked in both Oil & Gas and Engineering & Construction. In Engineering & Construction the backlog has now recovered to the same levels as at the beginning of 2002. The total order intake in the second quarter was NOK 9.7 billion, in line with the strong first quarter.

The value of awards announced after the second quarter and letter of intents which have not yet been booked to the order reserve amounts to NOK 3.6 billion. This does not include up to two Ultra-Voyager cruise vessels at Kvaerner Masa-Yards for which a conditional agreement has been signed.

Operating profit before interest, tax, goodwill- and pension amortisation (EBITA) for the first six months was NOK 85 million. This includes a NOK 440 million charge in the second quarter, covering costs and provisions relating to Kvaerner Philadelphia, the shipyard in Pennsylvania, US.

EBITA in Oil & Gas improved in the second quarter compared with the first quarter, when considering that the first quarter included approximately NOK 60 million gain from sale of properties in Aberdeen. EBITA in Engineering & Construction remained marginally positive in the second quarter.

While the Group’s US shipbuilding activity had a significant negative impact on group results in the second quarter, the improvement programme at the Finnish yard Kvaerner Masa-Yards continued to produce good results. In the second quarter alone, EBITA was NOK 252 million, almost twice as strong as in the first quarter.

Consolidated key figures (in NOK million)	2Q02	3Q02	4Q02	1Q03	2Q03	YTD 2002	YTD 2003	FY 2002
Operating revenues	11 818	10 118	11 471	9 313	9 628	22 054	18 941	43 643
EBITA[1]	74	254	183	210	-125	286	85	723
Goodwill- and pension amortisation	-80	-80	-84	-166	-167	-132	-333	-296
EBIT before exceptional items	-6	174	99	44	-292	154	-248	427
Exceptional items	106	-5	23	0	-87	106	-87	124
EBIT	100	169	122	44	-379	260	-335	551
Profit/loss after financial items	418	195	356	-38	-429	516	-467	1 067
Net profit/loss	359	155	292	-31	-472	430	-503	877
Profit/Loss per share (NOK)[2]	7.99	3.49	6.64	-0.65	-10.62	11.86	-11.27	21.73
Total assets[3]	33 741	33 523	30 683	31 623	31 597	33 741	31 597	30 683
Equity[3]	8 299	8 434	8 472	8 695	8 477	8 299	8 477	8 472
Equity ratio (%)[3]	24.6 %	25.2 %	27.6 %	27.5 %	26.8 %	24.6 %	26.8 %	27.6 %
Net int-bearing liab (-)/receivables (+)[3]	-570	-166	613	-740	-143	-570	-143	613
Cash & short-term int-bearing recvbls[3]	4 035	4 578	4 924	3 738	4 621	4 035	4 621	4 924
Total net current operating assets[3]	1 657	1 417	635	2 343	1 526	1 657	1 526	635
Order intake	10 204	4 472	11 096	10 488	9 682	26 539	20 170	42 107
Order backlog[3]	43 268	37 983	34 580	36 474	37 330	43 268	37 330	34 580
Own employees[3]	35 641	34 584	32 863	30 070	29 132	35 641	29 132	32 863

[1] Earnings before interest, tax and amortisation. [2] Profit/loss per share and diluted profit/loss per share are the same.
[3] At end of period.

In the second quarter working capital was reduced in all business areas. At the end of June total net current operating assets was NOK 1.5 billion, down from NOK 2.3 billion three months earlier.

Correspondingly, cash and short-term interest-bearing receivables increased to NOK 4.6 billion at the end of June, and net interest-bearing debt was NOK 143 million. The equity ratio remained at the same level as previous quarters, 26.8 per cent.

For the second half of 2003, the EBITA is expected to gradually improve for both Oil & Gas and Engineering & Construction, as the new orders come into effect. The shipbuilding activity will return a marginal loss for the year, following the substantial charges made at Kvaerner Philadelphia in the second quarter.

Operations, strategy and resolving uncertainties

Operational improvements are being pursued throughout the group by focusing on a selected few global initiatives. Key objectives are development of a common project execution model and risk management systems, reduction of overhead and fixed costs and the nurturing of a business culture based on sound commercial and customer driven values.

Parallel to the operational focus, several initiatives have been initiated to improve the balance sheet of the group. A significant achievement in this respect was an agreement signed in May concerning the future financing of the Group’s Finnish shipbuilding activities.

Construction of cruise ships at Kvaerner Masa-Yards has historically required a substantial part of Aker Kvaerner’s financial capacity. The agreement with the Finnish financing company Finnvera, allows Kvaerner Masa-Yards to secure stand-alone financing for future ships. Consequently, Aker Kvaerner expects to be able to gradually reallocate in the range of EUR 250-300 million of its financial resources to other parts of the group.

Under a separate programme, Aker Kvaerner is freeing up capital through sale or sale/leaseback of properties. The programme was initiated in the autumn of 2002. So far nearly NOK 500 million worth of cash has been received from such transactions. The sale of property at the Rosenberg yard in Stavanger, Norway was completed in May.

The resolution of historic legal issues and other uncertainties is another key priority for the group. A number of such cases have been closed during the last 18 months, as many as 10 in past three months alone. The most substantial was the settlement agreed with Advance Agro, which in 1998 filed a counter-claim of USD 245 million against Kvaerner Pulping Oy.

Meanwhile in the lawsuit of Equatorial Tonopah, Inc. et al vs. Kvaerner U.S. Inc., the court has entered a jury verdict and awarded Equatorial USD 156.9, million including pre-judgement interest fees and parts of the litigation costs. The project is included in Aker Kvaerner’s insurance program.

Aker Kvaerner maintains that Kvaerner U.S. Inc acted in a professional manner in the performance of its work for Equatorial.

Kvaerner U.S. Inc. will now make appropriate post-trial motions to contest the jury verdict and the findings of the court. If these are unsuccessful, an appeal will be filed.

A further court hearing is scheduled in early September to decide on attorneys’ fees and other outstanding issues, before the Nevada state court formally concludes the first instance trial case. At present it is impossible to provide a reliable estimate of any future charges in this case. As a consequence, Aker Kvaerner has not made any charges relating to the verdict in its second quarter accounts.

Financial results

Revenues in the second quarter this year were in line with the previous quarter, but significantly down from last year. This reflects low activity levels in Aker Kvaerner’s key markets in 2002 and early 2003.

Earnings before interest, tax, and goodwill- and pension amortisation (EBITA) were negative NOK 125 million in the second quarter and positive NOK 85 million for the first six months. This includes corporate costs and EBITA in other activities, constituting negative NOK 84 million combined in the second quarter. This was largely in line with the previous quarter.

Amortisation, including that related to the UK pension plan, amounted to NOK 167 million in the second quarter. This is in line with the previous quarter, and is expected to remain at the same constant level throughout the year.

Net financial items were negative NOK 50 million in the second quarter, including a NOK 16 million profits from associates, primarily coming from Aker

Kvaerner's 40 per cent holding in Aker Ostsee, the two German shipyards.

For the first six months this year the net loss was NOK 503 million, compared with a NOK 430 million net profit in the same period last year. The most significant reasons for the shift were the NOK 440 million Kvaerner Philadelphia charge this year, and a NOK 407 million currency related gain last year.

In the second quarter, cash flow from operating activities was NOK 497 million positive, mainly due to advance payments on ongoing contracts and new awards.

Capital expenditure in the second quarter was NOK 150 million, slightly up from NOK 122 million in the previous quarter.

Oil & Gas

Overall the operating profits in Oil & Gas improved slightly in the second quarter 2003, compared with the previous quarter. EBITA was slightly down, but nearly half of the profits in the first quarter this year came from the sale of properties in Aberdeen.

Low capacity utilisation continued to affect Oil, Gas & Process International, Subsea & Oilfield Products and Field Development Europe. MMO Europe produced relatively strong results in the quarter.

Several significant contracts were acquired in the second quarter, but winning more work remains a key priority for several of the businesses.

The USD 300 million Dalia subsea contract represented an important breakthrough for Aker Kvaerner in West Africa. In Russia, a USD 150 million engineering contract was agreed in July for the Sakhalin II development on the Pacific Coast.

Oil, Gas & Process International in Houston has secured several small to medium size engineering assignments and the business unit now boasts a relatively strong order backlog for the rest of the year.

In Norway, Aker Kvaerner in July won a NOK 700 million contract for fabrication work at the Kårstø onshore plant, and entered into a long-term frame agreement for maintenance services for six new platforms in the North Sea.

The Grane platform was successfully installed in the North Sea in the late spring and commissioning is well underway. The Valhall water injection platform, which could not be installed last autumn, was successfully installed in August 2003

Oil & Gas						YTD		FY
(in NOK million)	**2Q02**	**3Q02**	**4Q02**	**1Q03**	**2Q03**	**2002**	**2003**	**2002**
Operating revenues	5 662	5 312	5 842	5 084	5 234	11 466	10 318	22 620
EBITDA	242	254	276	187	170	493	357	1 023
EBITA[1]	**176**	**183**	**200**	**137**	**111**	**349**	**248**	**732**
EBIT before exceptionals	124	130	142	84	58	255	142	527
Exceptionals	106	0	-23	0	0	106	0	83
EBIT	**230**	**130**	**119**	**84**	**58**	**361**	**142**	**610**
Profit after financial items	251	131	64	92	68	394	160	589
EBITA margin %	3.1 %	3.4 %	3.4 %	2.7 %	2.1 %	3.0 %	2.4 %	3.2 %
Order intake	7 743	2 103	3 899	6 432	5 175	20 093	11 607	26 095
Order reserve[2]	24 161	21 772	19 091	20 750	20 770	24 161	20 770	19 091
Own employees[2]	**16 788**	**16 452**	**15 747**	**15 275**	**14 888**	**16 788**	**14 888**	**15 747**
EBITA - divisions								
Field Development Europe	60	90	48	32	21	115	53	253
MMO Europe	9	23	45	67	66	33	133	101
Oil, Gas & Process Intl	-7	-32	9	-30	-38	-3	-68	-26
Subsea & Oilfield Products	114	102	98	68	62	204	130	404

[1] Earnings before tax, interest and amortisation. [2] At the end of period.

Engineering & Construction

Engineering & Construction (in NOK million)	2Q02	3Q02	4Q02	1Q03	2Q03	YTD 2002	YTD 2003	FY 2002
Operating revenues	3 632	3 340	3 310	2 624	2 803	7 469	5 427	14 119
EBITDA	-330	26	-99	56	59	-306	115	-379
EBITA[1]	**-356**	**1**	**-123**	**35**	**36**	**-362**	**71**	**-484**
EBIT before exceptionals	-382	-24	-147	12	12	-414	24	-585
Exceptionals	0	-5	-225	0	-87	0	-87	-230
EBIT	**-382**	**-29**	**-372**	**12**	**-75**	**-414**	**-63**	**-815**
Profit after financial items	-250	-131	-167	25	-76	-246	-51	-544
EBITA margin %	-9.8 %	0.1 %	-3.6 %	1.3 %	1.3 %	-4.8 %	1.3 %	-3.4 %
Order intake	2 653	2 689	2 087	4 206	4 782	6 313	8 988	11 089
Order reserve[2]	9 516	8 661	7 420	9 472	11 763	9 516	11 763	7 420
Own employees [2]	**9 205**	**8 868**	**8 490**	**8 020**	**7 552**	**9 205**	**7 552**	**8 490**
EBITA - divisions								
Union Construction	22	14	11	8	11	52	19	77
Non-Union Construction	-46	16	14	3	6	-45	9	-15
Metals	-165	-5	9	0	2	-192	2	-188
Process	-127	-28	-105	0	-10	-122	-10	-255
Engineering Services	-17	11	-73	2	6	-14	8	-76
Power	-27	-22	-20	8	-18	-43	-10	-85
Pulping	15	21	6	17	41	30	58	57
Other	-11	-6	35	-3	-2	-28	-5	1

[1] Earnings before tax, interest and amortisation. [2] At end of period.

The Engineering & Construction business is slowly recovering from difficult times. EBITA remained at the same marginal level as in the first quarter. The NOK 87 million exceptional charges include costs relating to several historic uncertainties, which were closed in the period.

The European parts of the business is in the process of refocusing its operations into very distinct business streams, gradually focusing more on technology, engineering, construction management and service contracts. Pulping has come a long way down this path already, and produced a record high EBITA in the second quarter.

With the exception of Pulping, the activity levels have remained relatively low throughout the first half of 2003 and both Process and Power posted losses in the second quarter. Meanwhile, the market has responded positively to the new business drive, and several substantial orders have been awarded so far this year (see below).

Similar trends are evident in the US based Engineering & Construction business, and all main US business streams posted profits in the second quarter. The market for the US based pharmaceutical business remains slow, and the signals in the power market are mixed. Construction contracts for new power plants were awarded in the second quarter. At the same time other customers in this segment are considering to reschedule projects.

New contracts awarded in the second quarter and so far in the third quarter include supply of power boilers to pulp mills in China and Brazil, fiberlines to pulp mills in China and South Africa and construction of power plants in Baytown, Texas and in Burbank, California. Contracts have also been secured for engineering and construction management of major chemical plants in the Netherlands, Saudi Arabia and China.

Shipbuilding

A thorough review carried out in connection with the commissioning of Kvaerner Philadelphia's first containership in the second quarter revealed higher costs and lower productivity than previously expected. Delivery of the ship was delayed from the original end of June plan and is now expected in early September.

Following the review, the yard increased its cost estimate for the three containerships under construction. To reflect this, Aker Kvaerner booked a NOK 440 million charge in the second quarter accounts.

Aker Kvaerner acknowledges that the substantial commitment made to turn Kvaerner Philadelphia into an efficient and commercial yard has not so far given the desired results. Revised plans are being drawn up, aiming to further strengthen the yard's capabilities within project management, procurement and construction management. Overhead costs are being reassessed again, and staff has been notified about future redundancies. At the same time, dialogue with potential customers about new orders continued.

At Kvaerner Masa-Yards in Finland, the improvement programmes are being executed with positive results, as evidenced in the second quarter accounts. EBITA so far this year was NOK 388 million.

Meanwhile, the order situation remains a key concern in Finland also. In June, Royal Caribbean Cruise Lines and Kvaerner Masa-Yards announced plans to build up to two new Ultra-Voyager cruise-ships.

Royal Caribbean may convert the agreement to firm contracts by the end of August or under certain terms by the end of December this year. But even if these orders are confirmed, Kvaerner Masa-Yards' activity levels and profits are expected to decline sharply towards the end of this year due to low activity.

Shipbuilding						**YTD**		**FY**
(in NOK million)	**2Q02**	**3Q02**	**4Q02**	**1Q03**	**2Q03**	**2002**	**2003**	**2002**
Operating revenues	2 652	1 790	2 606	1 826	1 827	5 063	3 653	9 459
EBITDA	230	141	153	138	-150	412	-12	706
EBITA[1]	**186**	**95**	**112**	**102**	**-188**	**323**	**-86**	**530**
EBIT before exceptionals	186	95	112	102	-188	323	-86	530
Exceptionals	0	0	495	0	0	0	0	495
EBIT	**186**	**95**	**607**	**102**	**-188**	**323**	**-86**	**1 025**
Profit after financial items	160	79	556	83	-211	273	-128	908
EBITA margin %	7.0 %	5.3 %	4.3 %	5.6 %	-10.3 %	6.4 %	-2.4 %	5.6 %
Order intake	149	11	5 458	70	28	275	98	5 744
Order reserve[2]	8 913	7 101	7 749	6 496	4 880	8 913	4 880	7 749
Own employees[2]	**6 823**	**6 599**	**5 326**	**5 207**	**5 149**	**6 823**	**5 149**	**5 326**
EBITA - divisions								
Kvaerner Philadelphia	-19	-55	-9	-34	-440	-41	-474	-105
Kvaerner Masa-Yards	198	165	128	136	252	336	388	629

[1] Earnings before tax, interest and amortisation. [2] At the end of period.

Oslo, 22 August 2003
The Board of Directors

AKER KVAERNER GROUP IN FIGURES

PROFIT AND LOSS ACCOUNT

Amounts in NOK millions	Q1 2003	Q2 2003	Q2 2002	1.1 - 30.6 2003	1.1 - 30.6 2002	1.1 - 31.12 2002
Operating revenues	9 313	9 628	11 818	18 941	22 054	43 643
Operating expenses	-9 075	-9 711	-11 597	-18 786	-21 481	-42 331
Depreciation and amortisation	- 194	- 209	- 227	- 403	- 419	- 885
Operating profit before exceptional items	44	- 292	- 6	- 248	154	427
Exceptional items	-	- 87	106	- 87	106	124
Operating profit	44	- 379	100	- 335	260	551
Financial items	- 82	- 50	318	- 132	256	516
Profit/loss before tax	- 38	- 429	418	- 467	516	1 067
Taxation	7	- 43	- 59	- 36	- 86	- 190
Net profit/loss	- 31	- 472	359	- 503	430	877
Minority interests	- 2	3	2	1	6	2
Majority share	- 29	- 475	357	- 504	424	875
Earnings per share (NOK) [1]	-0,65	-10,62	7,99	-11,27	11,86	21,73

[1] Profit/Loss per share and diluted profit/loss per share are the same.

BALANCE SHEET

Amounts in NOK millions	31.3 2003	30.6 2003	30.6 2002	31.12 2002
Intangible fixed assets	5 476	5 495	5 783	5 504
Tangible fixed assets	3 314	3 134	4 068	3 440
Long-term financial assets	4 036	4 262	3 390	3 954
Interest-bearing long-term receivables	416	324	278	258
Current operating assets	14 643	13 761	16 187	12 603
Interest-bearing receivables	305	303	257	307
Cash and bank deposits	3 433	4 318	3 778	4 617
Total assets	31 623	31 597	33 741	30 683
Equity	8 635	8 414	8 151	8 354
Minority interests	60	63	148	118
Deferred tax	916	916	1 110	932
Interest-free long-term debt	4 821	4 884	4 922	4 745
Interest-bearing long-term debt	4 198	4 183	4 267	4 031
Current operating liabilities	12 297	12 232	14 527	11 965
Interest-bearing current liabilities	696	905	616	538
Total liabilities and equity	31 623	31 597	33 741	30 683

CASHFLOW

Amounts in NOK millions	Q1 2003	Q2 2003	Q2 2002	1.1 - 30.6 2003	1.1 - 30.6 2002	31.12 2002
Net cashflow from operating activities	-1 376	497	- 85	- 879	-1 690	18
Net cashflow from investing activities	- 148	70	64	- 78	- 749	-1 373
Net cashflow from financing activities	218	192	175	410	3 340	3 367
Translation adjustments	122	126	- 20	248	- 5	- 277
Net decrease (-) / increase (+) in cash and bank deposits	-1 184	885	134	- 299	896	1 735
Cash and bank deposits as at 1 January	4 617	3 433	3 644	4 617	2 882	2 882
Cash and bank deposits as at end of period	3 433	4 318	3 778	4 318	3 778	4 617

EQUITY RECONCILIATION

Amounts in NOK millions	Q1 2003	Q2 2003	Q2 2002	1.1 - 30.6 2003	1.1 - 30.6 2002	31.12 2002
Equity at the beginning of the period	8 354	8 635	7 983	8 354	1 918	1 918
Net profit/loss	- 29	- 475	357	- 504	424	875
New share capital	-	-	-	-	6 100	6 100
Translation differences	310	254	- 189	564	- 291	- 539
Equity at the end of the period	8 635	8 414	8 151	8 414	8 151	8 354

The quarterly report is prepared in accordance with the same accounting principles as the annual accounts and is presented in conformity with the Norwegian Accounting Standard 11, Interim Financial Reporting