



KONGSBERG

2ND QUARTER 2016

INVESTOR PRESENTATION | 26 AUGUST 2016

Geir Håøy, President and CEO

Hans-Jørgen Wibstad, CFO

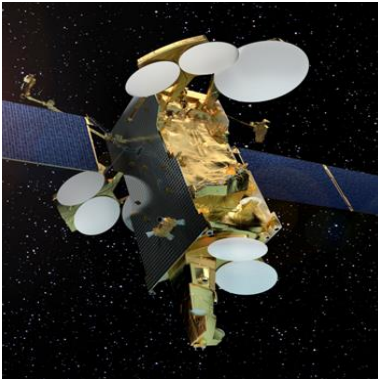
HIGHLIGHTS



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- Stable activity level and good profitability
- Closing the Patria transaction – consolidated from 24 May
- Financing package well received in the market
- Proactively adapting to changing markets
- Solid and diversified order intake



Revenues:
4 125

EBITDA:
515

New orders:
3 491

FINANCIAL STATUS



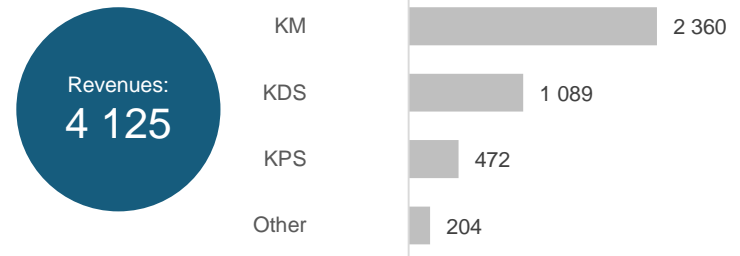
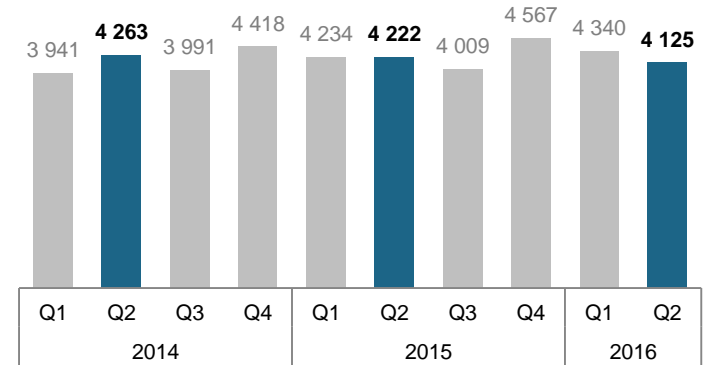
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REVENUES Q2

Q2 revenues in line with recent quarters

- KM with satisfactory activity level – down 5.9% compared to Q2 2015
 - Continuing to adapt to the weak offshore-market
 - Merchant and non-offshore related Subsea with good activity
- KDS revenues on a par with recent quarters
- KPS revenues up 13.5% from Q2 2015, somewhat lower than last two quarters



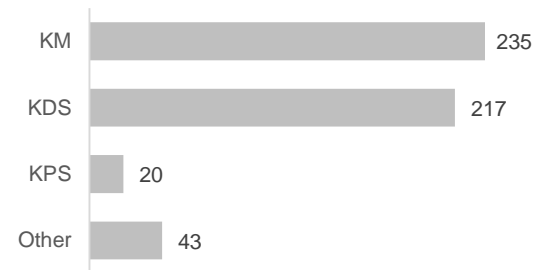
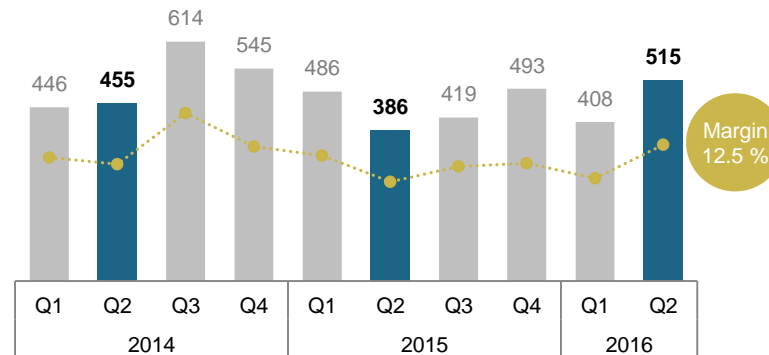
EBITDA Q2



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Solid Q2 EBITDA – strong performance in Patria

- EBITDA margin in KM at 10.0 %
 - Change in project mix and challenging oil and gas market conditions impact margins
- Good profitability in KDS, 19.9% EBITDA margin including profits from Patria (MNOK 60), 14.4% stand alone
- Low, but positive underlying EBITDA in KPS
 - Reflects growth strategy
- ‘Other’ with positive effect from share sale of MNOK 54



NON-RECURRING ITEMS Q2



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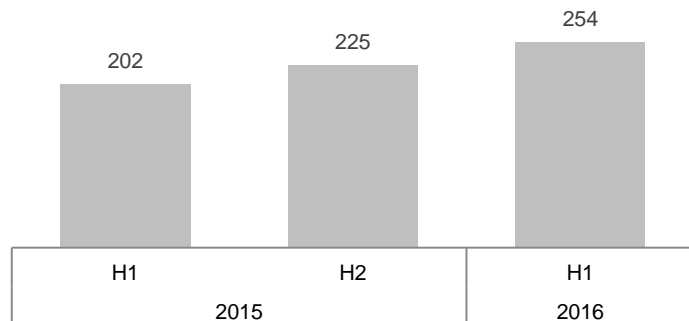
	KM	KDS	KPS	OTHER	GROUP
Restructuring costs	-5			-7	-12
Sale of shares in KBC				+54	+54
Total¹	-5	-	-	+47	+42

1) List is not exhaustive

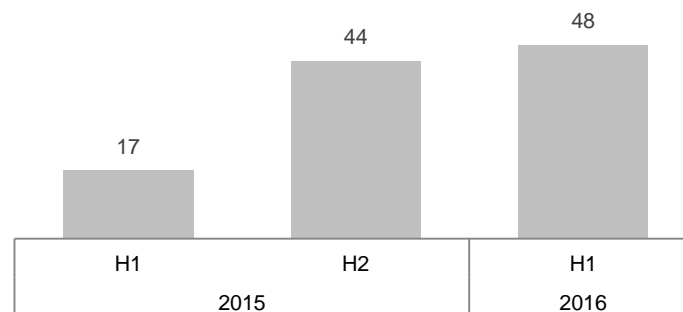


PATRIA (49.9%)

REVENUES (EUR)



EBITDA (EUR)



Bridge from EBITDA to KOG's share of Net profit	24.5. – 30.6.	
	EUR	NOK
EBITDA	18	
Financial items, taxes, depreciations and amortisation	-4	
Earnings after tax	14	
KONGSBERG's share (49.9%)		65
Amortisation of excess value after tax		-5
Share of net income recognised in KDS for the period		60

Visit
patria.fi for
full interim
report



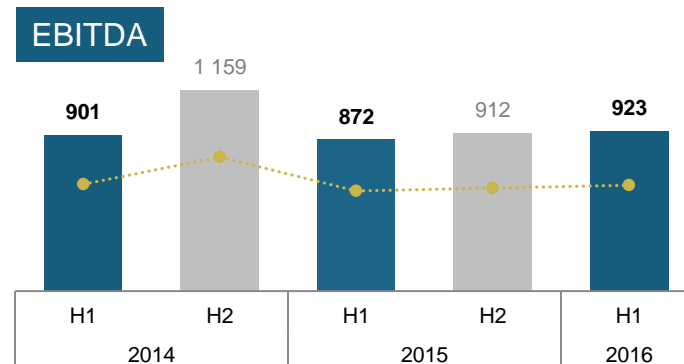
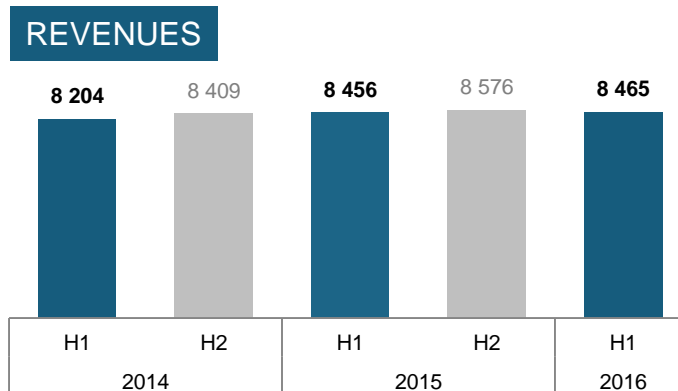
REVENUES AND EBITDA H1

H1 revenues on a par with H1 2015

- KM down 5.5%, influenced by the oil and gas downturn
- KDS revenues up 4.0%, overall solid development
- KPS revenues significantly increased from H1 2015

H1 EBITDA up 5.8% from 2015

- KM down 10.3% – lower activity level, margin pressure, changed project mix, restructuring costs
- KDS up 27.8% – caused by higher activity level, good project execution and Patria (MNOK 60). Stand alone EBITDA MNOK 299, up 6.4%.
- KPS underlying EBITDA up MNOK 17 from H1 2015
- ‘Other’ with positive effect from share sale of MNOK 54

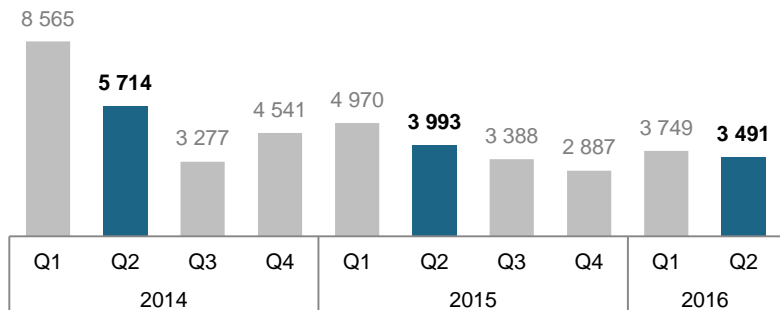


NON-RECURRING ITEMS H1

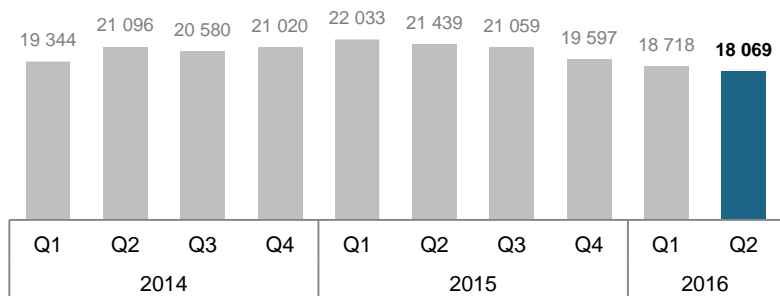
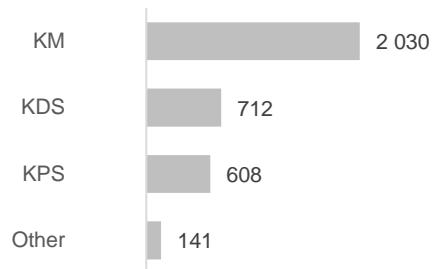
	KM	KDS	KPS	OTHER	GROUP
Customer clarifications			+38		+38
Restructuring costs	-30			-28	-58
Sale of shares in KBC				+54	+54
Total¹	-30	-	+38	+26	+34

1) List is not exhaustive

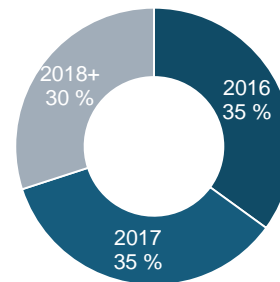
ORDERS Q2



New orders:
3 491



Backlog:
18 069



Life-cycle business and framework agreements not converted into delivery contracts are not included in the backlog.

CASH FLOW Q2 AND H1



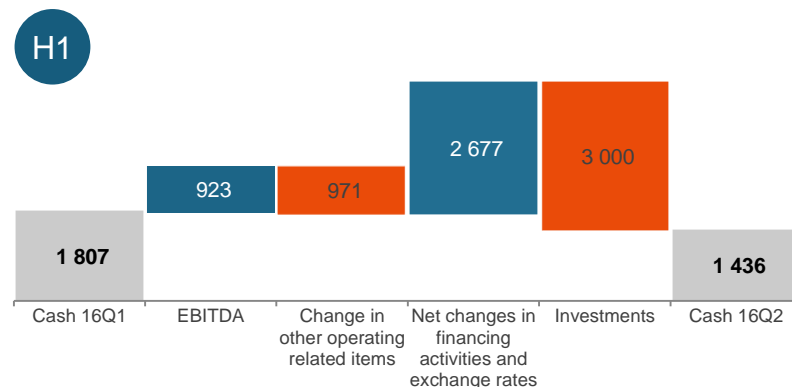
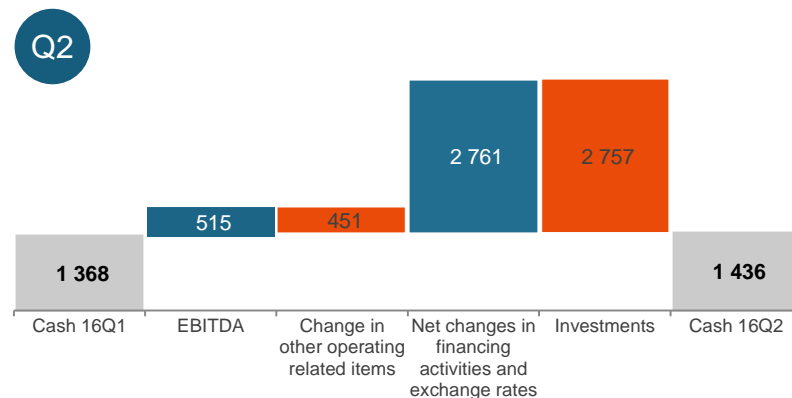
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Positive cash flow in Q2, MNOK 68

- Net increase long term debt MNOK 3,239
- Share purchase Patria MEUR 283.5
- Ordinary dividend payout MNOK 510
- Project execution in KDS draws on substantial prepayments received in 2014
- Other normal working capital fluctuations
- Negative working capital development expected also in H2

	Q2 2016	Q1 2016	Q4 2015
Cash and short-term deposits	1 436	1 368	1 807
Net interest bearing debt	2 667	-504	-941
NIBD/EBITDA ratio	1.45	n/a	n/a
Equity ratio	30.7%	35.7%	32.0%
ROACE*	12.3%	12.3%	13.5%

* 12 months rolling EBIT divided by 12 month average equity + interest bearing debt

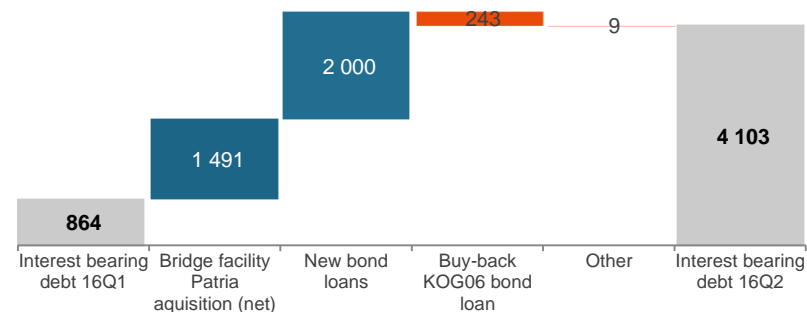


INTEREST BEARING DEBT Q2



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	EUR		NOK
Bridge facility Patria transaction	290		
Repayment on bridge facility	-130		
Balance, bridge facility, Q2	160	→	1 491
Launch of bond issue			2 000
Buy back KOG06			-243
Other			-9
Net borrowing in Q2			3 239



	Q2 2016	Q1 2016	Q4 2015
Interes bearing debt	4 103	864	866
Cash and short-term deposits	1 436	1 368	1 807
Net interest bearing debt	2 667	-504	-941

BUSINESS UPDATE



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BUSINESS AREAS



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KONGBERG MARITIME

- Resilient order intake, leveraging a diversified portfolio, book/bill H1 1.03
- High activity in Merchant Marine and non-offshore related parts of Subsea
- YTD cancellations MNOK 110 vs. MNOK 180 in H1 2015
- The challenging market puts pressure on offshore revenue and margin levels

	Q2	H1
Operating revenues	2 360	4 838
EBITDA	235	499
New orders	2 030	5 002
Order backlog		7 077



KONGBERG DEFENCE SYSTEMS

- Good project execution – large programs on schedule and costs
- KDS solutions well positioned in current defence markets
- Several significant opportunities being pursued
- Increasing activity within Space & Surveillance
- High activity on the F-35 program

	Q2	H1
Operating revenues	1 089	2 245
EBITDA	217	359
New orders	712	1 097
Order backlog		7 481



KONGBERG PROTECH SYSTEMS

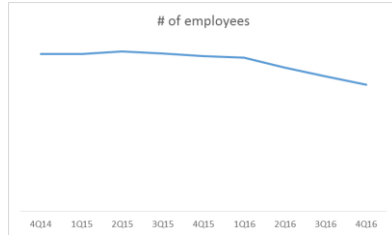
- US Army orders CROWS Low Profile for M1A2 Abrams Main Battle Tank
- Executing the first MCT-30 Stryker program as planned
- Further medium caliber opportunities being pursued

	Q2	H1
Operating revenues	472	1 031
EBITDA	20	79
New orders	608	831
Order backlog		3 124

Life-cycle business and framework agreements not converted into delivery contracts are not included in the backlog.

PROACTIVELY ADAPTING TO CHANGING MARKETS CEASING NEW OPPORTUNITIES

CAPACITY ADJUSTMENTS



World-wide capacity adjustments in KOGT and KM

Permanent staff

- ~400 last 1.5 years
- Further reductions announced

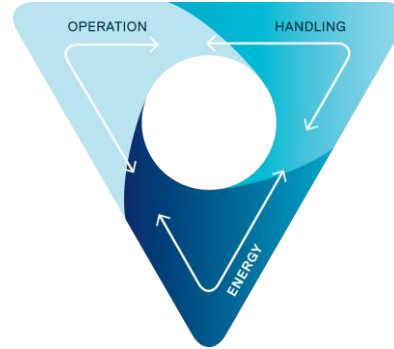
Consultants

- ~150 last 1.5 years
- Further reductions announced

Other adjustments

- Locations
- Other OpEx

EXPANDING SCOPE



- Introducing unique, integrated vessel concepts that deliver optimal operational benefits for our clients
- The concepts unite advanced operations, energy and handling solutions on a single platform

OTHER INITIATIVES



- Kongsberg Digital
- Patria

Improvement programs

- DeltaONE
- Working Capital



Good performance in H1 2016

- Higher activity and improved profitability compared to H1 2015
- Signed important contract with UAE for delivery of armoured vehicles
- Extraordinary strong June results, especially within armoured vehicles

Leading expertise in armoured wheeled vehicles

- Chosen by 7 countries, over 1.500 vehicles contracted providing superior mobility and excellent protection
- Designed for modularity, with easy integration and utilization of different vehicle roles and sub-systems

KONGSBERG DIGITAL

Fully operational from 1 July

- Executing the strategy of developing new solutions and establish positions in existing and new markets
- Delivering solutions to major international companies within the oil & gas and maritime industry
 - Increase in software & services and simulation opportunities and orders
- Kongsberg Renewables Technologies integrated into KDI
 - Integrating core KONGSBERG technology with digital solutions to the renewable energy and utilities market
 - Signed two strategically important contracts in Q2 for EmPower with Statoil and Statkraft



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OUTLOOK



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2016 OUTLOOK

KONGSBERG MARITIME

- Significant drop in contracting in the offshore vessel market, will impact revenues and margins
- Other segments stable or growing
- Non-recurring restructuring costs in 2016 currently estimated to MNOK 120-150, further cost level adjustments considered on an ongoing basis
- Installed base of more than 17,000 vessels
- Revenues and margin level in H2 expected to be lower than H2 2015 and H1 2016

KONGSBERG DEFENCE SYSTEMS

- Strong position in selected niches and several important opportunities in a generally strengthened defence market
- Revenues in H2 is expected to be higher than H2 2015 and on a par with H1 2016
- Revenues in Patria in H2 is expected to be higher than H2 2015

KONGSBERG PROTECH SYSTEMS

- Global leader in remote weapon systems with a well positioned product portfolio, including the medium caliber turret
- Revenues expected to increase somewhat in H2 compared to both H2 2015 and H1 2016

OTHER

- Kongsberg Digital (KDI) established on 1 July 2016 as part of the strategy for developing the next generation of digitalised products and services
- KDI have a significant portfolio and external revenues from advanced software and simulation products

See quarterly report for full text

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