

Investor presentation

4th Quarter/ Preliminary Annual Accounts 2014 | 6 February 2015



KONGSBERG

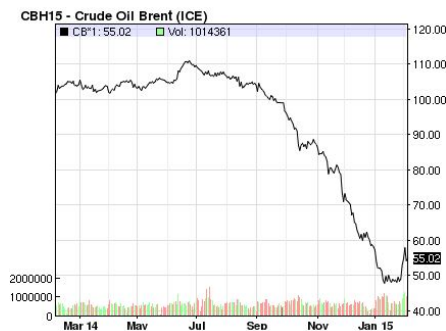
2014 – Celebrations, challenges and opportunities



The first year of our next 200

- Celebrations, challenges and opportunities
- Major contracts
- Improved positions
- Innovative thinking

The next 20 will determine the next 200



Oil & Gas demand & supply changes

Oil companies take actions:

- Phase #1: Protect cash – cut cost
- Phase #2: Oil price shock – stop fields

Oil Services move into shakeout

- M&A opportunities

Climate change issues climbing on agenda



A changing geopolitical climate

- Russia take over Crimea, UN, US, EU reacts
- Middle East
ISIL advance and terrify

Defence politics and security again a priority

An eventful year



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KONGSBERG GRUPPEN 3. KVARTAL. KJERNEVIRKSOMHETENE LEVERER

Ruster opp på Kongsberg

INDUSTRI Konsernsjef Walter Qvam Kongsberg Gruppen mener 2014 er investeringsbunnen i forsvarsindustrien.

Kongsberg Gruppen

06

NRK NYHETER SPORT TV RADIO DISTRIKT

Buskerud

Erna Solberg med NHO-direktor Kristin Bløgen Lund og konsernsjef Walter Qvam i Kongsberg Gruppen.

Erna til Kongsberg for å lære

- Det statlige eierskapet i Norge er oppsiktsvekkende vellykket

Nærings- og handelsminister Monica Mæland (H) lot seg imponere av Kongsberg Gruppen under et besøk denne uken. Her styrer hun skip i en simulator. I Regjeringen styrer hun Kongsberg Gruppen med rekordlykkelig resultat.

Finans Resultater

Bestillingene renner inn for Kongsberg

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Lisensproduksjon

Leder for Kongsberg Gruppen Walter Qvam. Foto: Erik Heland Uke

IMPONERT: Til venstre: Geir Håøy, administrerende direktør i Kongsberg Maritime, statsråd Tord Lien og statssekretær Tore Fostervold. Bildet er tatt i sentret for simulatorer på Carpus. (FOTO: STÅLE WESETH)

Kjøp bilde

KONGSBERG GRUPPEN

Kongsberg Gruppen er viktig for Norge

Lykkes Kongsberg, lykkes Norge

e- og energiminister Tord Lien (Frp) hadde tatt med seg øvrig politisk og departementet til møtet på Carpus. Page 3

Highlights



- Another good year
 - Revenue growth, strong cash flow and record high order intake
- Significantly strengthened position within defence industry
- KM and KDS, representing more than 80 % of revenues, have strong performance
- A solid Q4, but a more mixed underlying picture
- Record high dividend proposal: NOK 9.25 / share



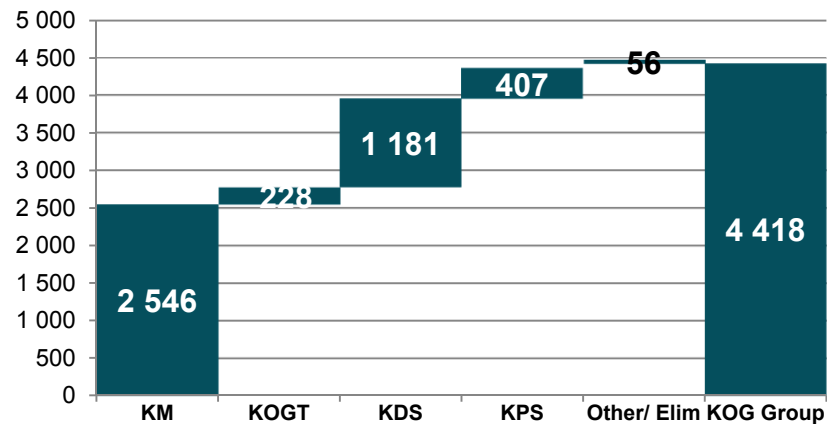
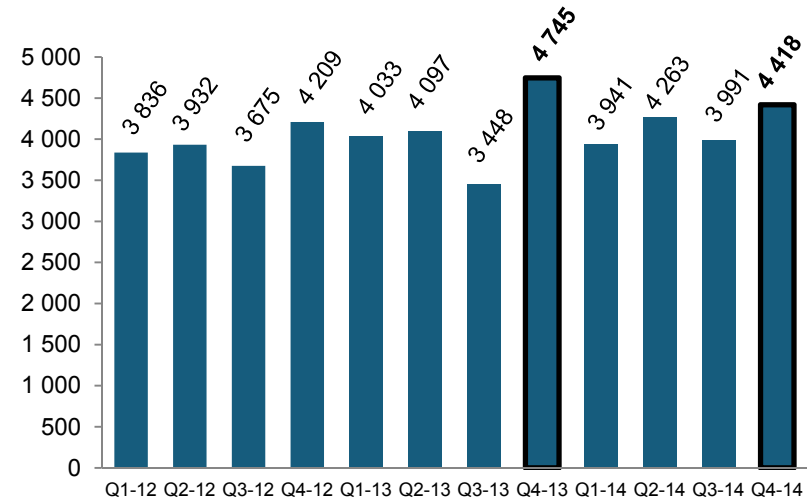


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Financial status Q4 - 2014

Operating revenues

- Solid Q4 revenues, on par with underlying Q4 2013
- KM with a strong 15.7 % revenue growth compared with Q4-13
- KDS on par with underlying Q4-13
- Revenues in KPS stabilizing
- KOGT impacted by challenging market

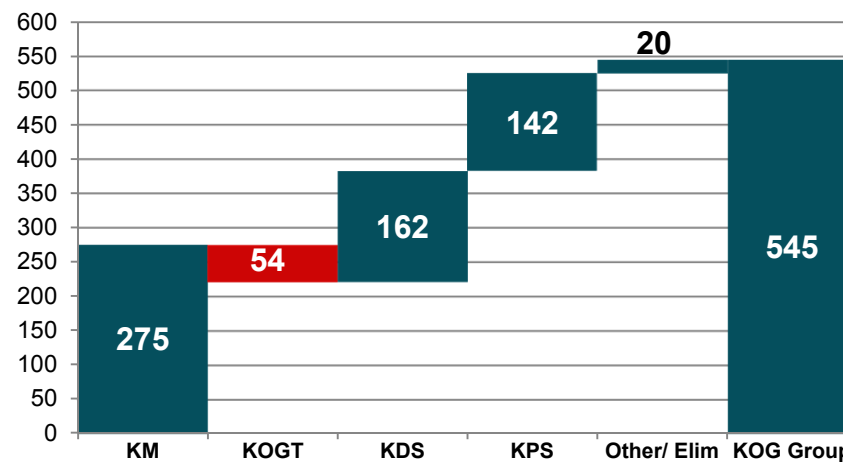
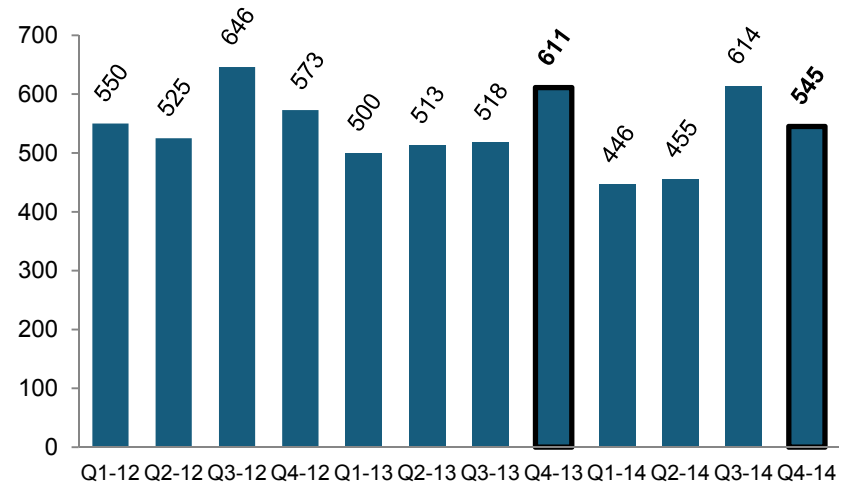




Financial status Q4 - 2014

EBITDA

- Good quarter in KM influenced by accruals and one-offs
- KDS continues to deliver strong EBITDA-margins
- KPS EBITDA positively influenced by reduced provisions, underlying break-even
- KOGT faced additional MNOK 25 costs related to restructuring
 - MNOK 300 impairment of goodwill
- Others impacted by MNOK 61 profits from property sales

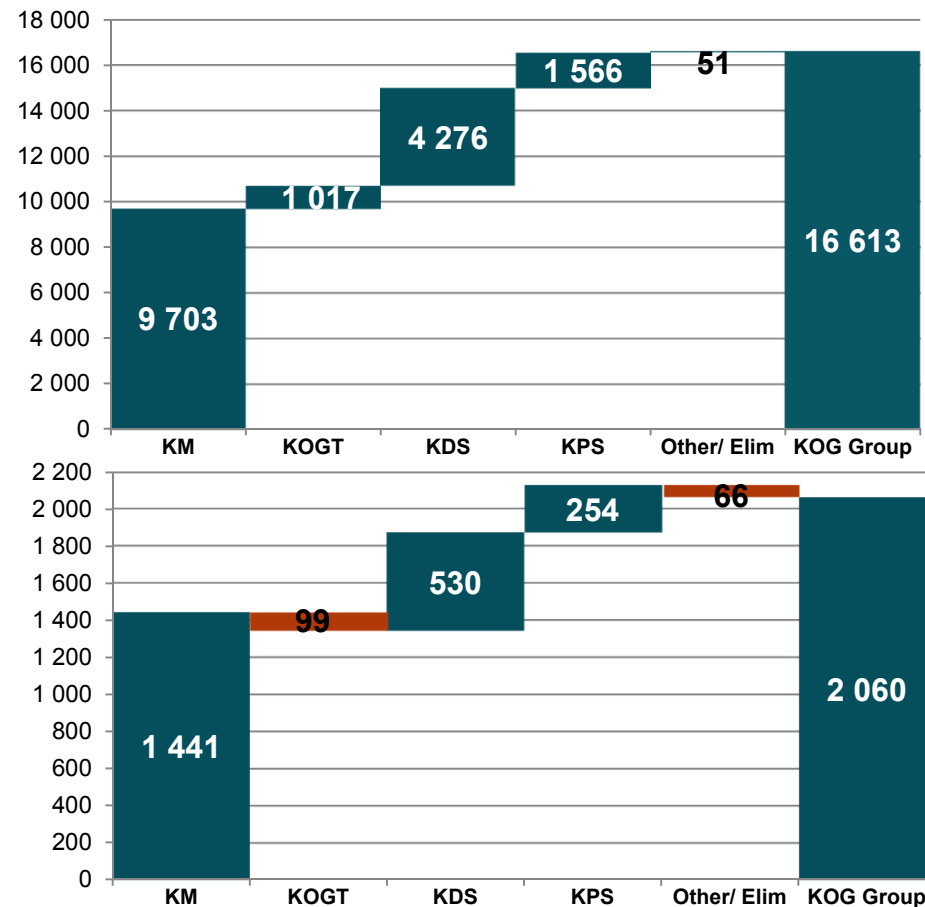




Financial status 2014

Operating revenues and EBITDA – per Segment

- 1.8 % growth in revenues
 - 3.4 % adjusted for KSAT
 - Solid 12.4 % EBITDA-margin
- KM grew 17.4% to record high BNOK 9.7 with strong 14.9 % EBITDA-margin
- KDS delivers a solid year with record high margins
- KPS revenue decline to MNOK 1,566, good margins due to reduced provisions
- KOGT had a disappointing year with negative results. Several actions implemented

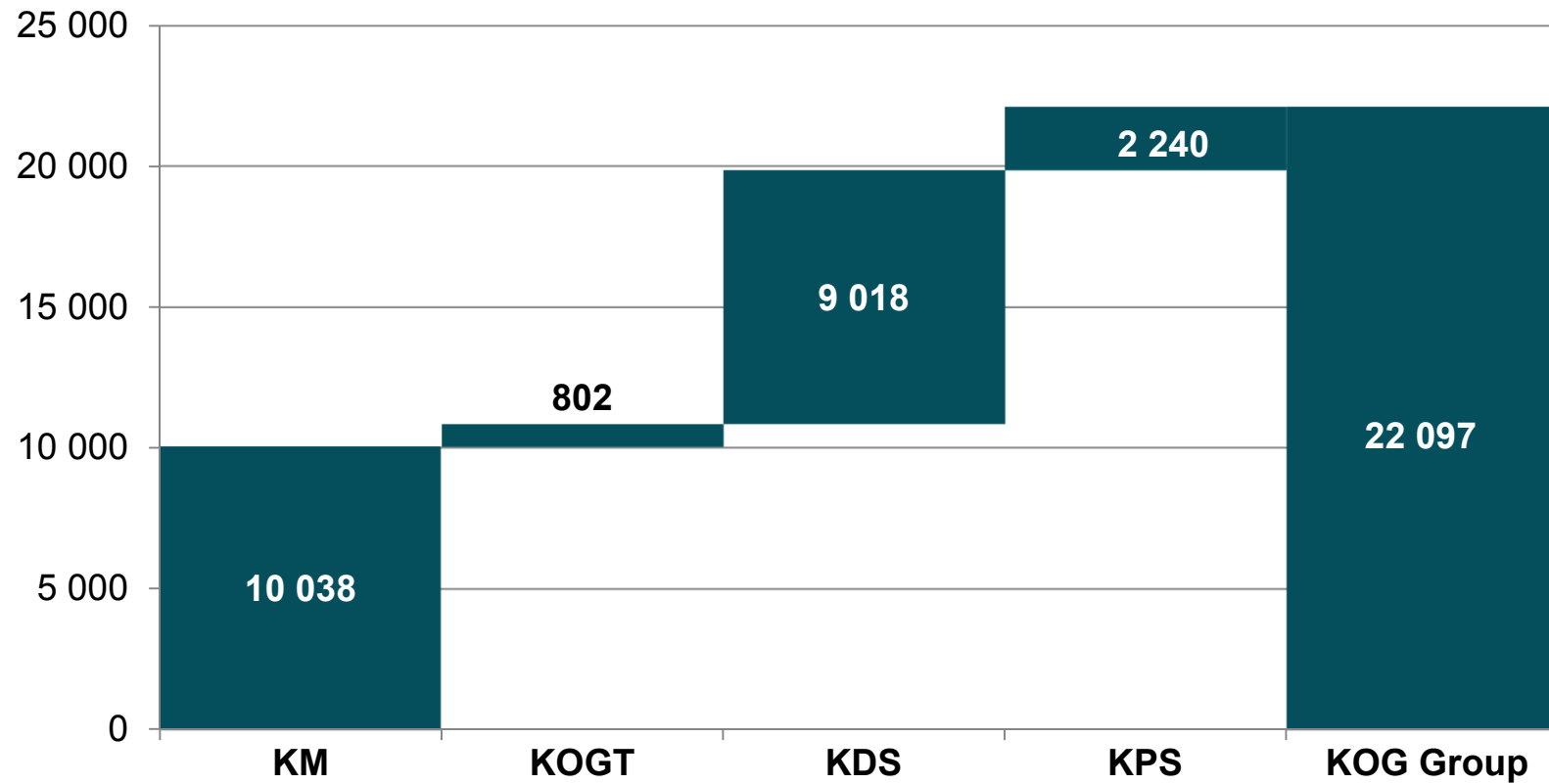




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Financial status 2014

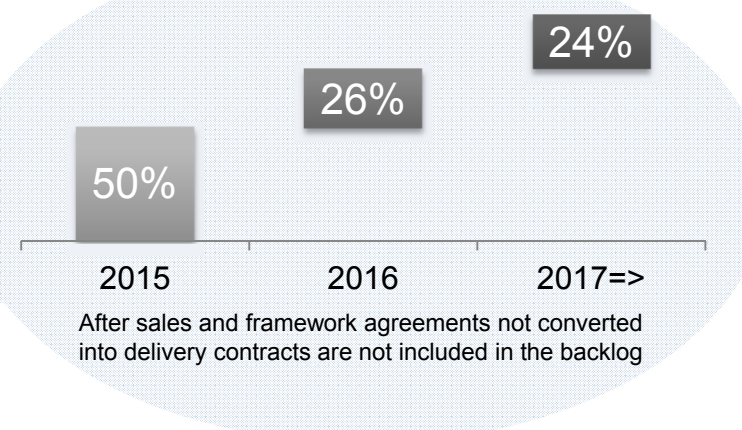
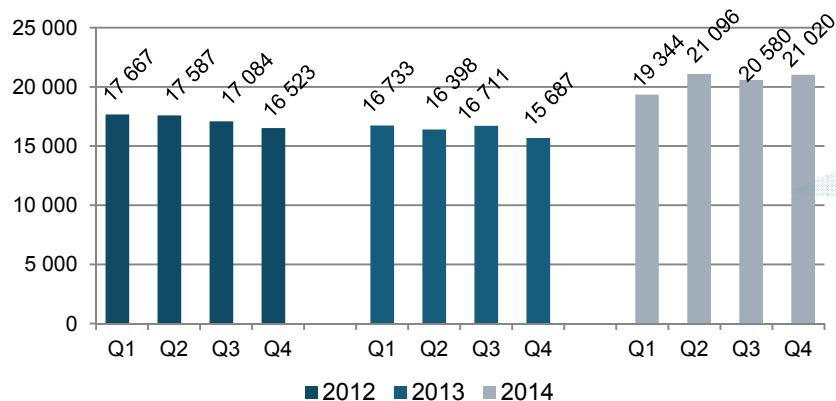
New orders – per business area 2014



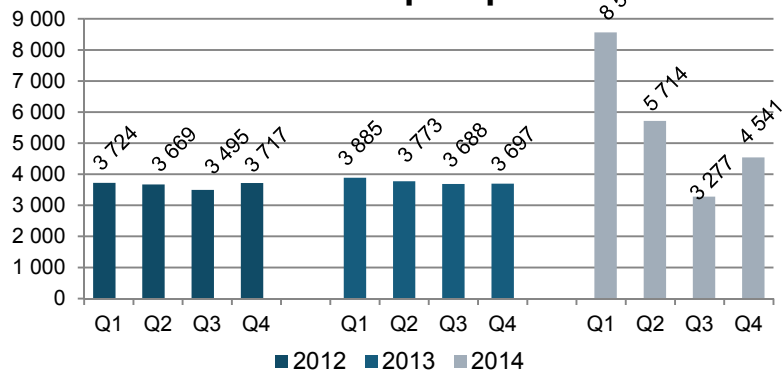
Financial status 2014

Order backlog

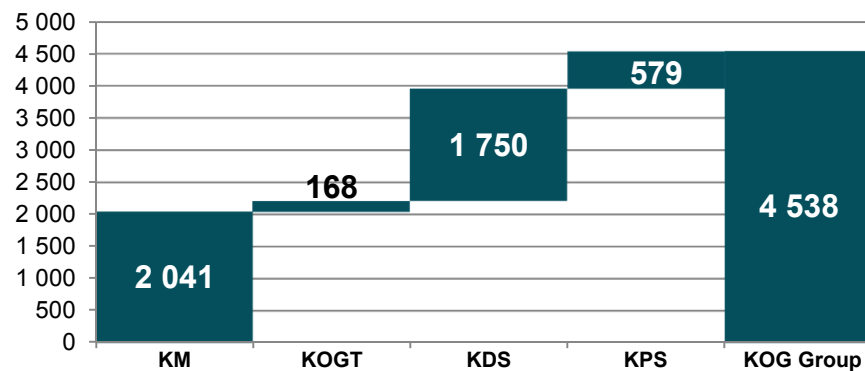
Backlog of orders



New orders per quarter



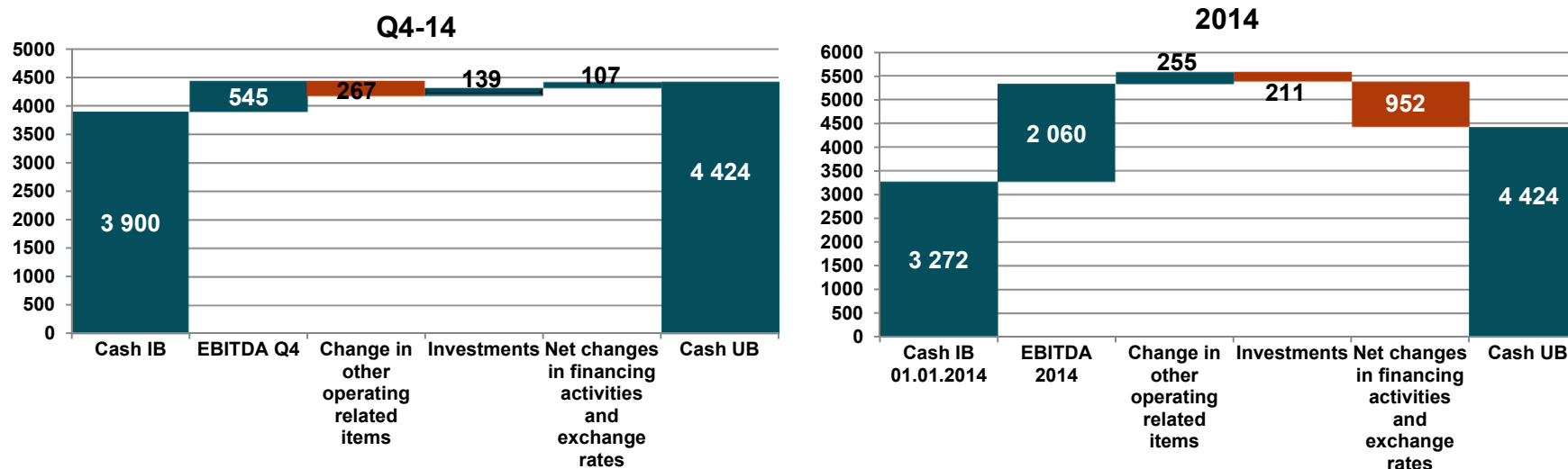
New orders Q4 2014





Financial status Q4 2014

Cash Flow



	Q4-14	Q3-14	Q2-14	Q4-13	2012
Cash and short-term deposits	4 424	3 900	3 775	3 272	2 509
Working capital	3 274	3 980	3 620	3 319	3 528
Net interest bearing debt	(3 551)	(3 045)	(2 934)	(1 935)	(1 198)
Equity ratio	31.0%	36.4%	35.8%	38.2%	38.6%
Return on Capital Employed (ROCE)*	16,4%	20,5%	19.5%	21.5 %	26.6 %

*Average capital employed, quarterly ROCE based on last twelve months

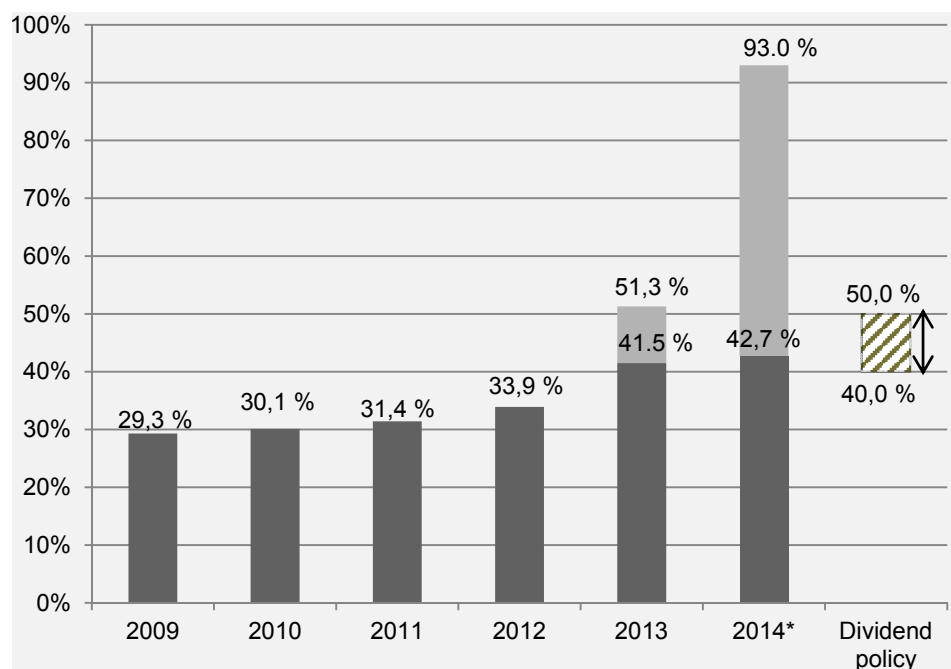
KONGSBERG has unused credit lines of NOK 1.5 billion

Financial status Q4 2014

Dividend



Historical pay-out ratio (dividend per share/ earnings per share)



* 2014 pay-out ratio excluding impairment of goodwill (proposal to AGM)

		Pay-out ratio excl. impairment	Pay-out ratio
Ordinary dividend	4.25	42.7 %	58.4 %
Extraordinary dividend	5.00	50.3 %	68.7 %
Total dividend	9.25	93.0 %	127.1 %

• Extraordinary dividend

- Strong balance sheet at year-end 2014
- Balance sheet to support growth strategy
- Total pay-out MNOK 1,110
 - MNOK 510 ordinary dividend
 - MNOK 600 extraordinary dividend

Business Area Status



Kongsberg Maritime



KM has a high level of activity, a strong order backlog, a true global organization and a bundled, modern and competitive product portfolio.

KM has very strong market positions in the global shipping and offshore markets.

(MNOK)	Q4-14
Operating revenues	2 546
EBITDA	275
Order intake	2 041
Order Backlog	7 480

2014 – Record high activity level, EBITDA and order intake

- 17.4 % revenue growth, all divisions well above last year on revenues
- MNOK 1,441 EBITDA, 14.9 % EBITDA-margin
- Strong order intake in a competitive market, confirmation of market leading positions

Strong backlog of orders gives visibility in a more uncertain market

- Order backlog increased with 14.5% in 2014
- All divisions Increased order intake compared to 2013
 - Good visibility for high activity in 2015 within offshore, fewer orders expected
 - Solid outlook, especially for gas tankers and other advanced merchant marine vessels
 - KM's subsea market looks strong especially within underwater mapping and AUV

Diversified exposure and a further developed and proven business model

Diversified product portfolio with strong and maintained market shares

Strong and long relationships with clients and partners

- Investing in technology development
- Focus on life cycle business



Kongsberg Defence Systems



KDS has a strong backlog of orders. In 2014 a new major NASAMS contract was signed and JSM phase III secured.

KDS has a modern defence portfolio and is well positioned to meet the evolving international security challenges.

(MNOK)	Q4-14
Operating revenues	1 181
EBITDA	162
Order intake	1 750
Order Backlog	9 471

2014 – Solid revenues, record high EBITDA-margin and several large contract wins

Strong execution of delivery program

- Record high EBITDA-margin
- BNOK 9.0 order intake including the largest so far, a BNOK 3.7 NASAMS-contract
- JSM Phase III secured
- Coastal Artillery phase II to Poland

Strong position within selected niches in a changing defence market

Market leading positions within missiles, air defence, defence communications and naval command & control

Defence market drop bottoming out

- Spending increases in many western nations

Excellent test results and new partnership improves prospects

NSM successfully demonstrated at RIMPAC and test fired from Littoral Combat Ship

Teaming agreement for on JSM signed with Raytheon

- Improves position and increases likelihood of missile success in the USA

Significant prospects for sale of NASAMS and missiles to both new and existing clients



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Kongsberg Protech Systems



The leading global market position and an increasingly broader product portfolio puts KONGSBERG in good position to meet the future requirements

(MNOK)	Q4-14
Operating revenues	407
EBITDA	142
Order intake	579
Order Backlog	3 523

2014 – Lower revenues and declined EBITDA, but growing order backlog

Continued strong book/bill in Q4, 1.42
 Book/bill of 1.43 in 2014 added up to a MNOK 3,523 backlog of orders at year-end.

- Deliveries of new systems declining but life cycle business is growing
- 2014 deliveries dominated by CROWS III and Nordic

Preparing for the next growth cycle – High marketing activity and strong R&D efforts

Several ongoing market campaigns, both for traditional RWS and the new MCRWS

- Bid for major MCRWS-program delivered in H2 2014
- Investing in market introduction

Strong R&D efforts both on further development of the existing portfolio and on new products

- Higher than expected R&D costs in two projects impacts margins in 2014

World leading position and strong potential in a geographically changing market

KPS is the world #1 supplier of remote weapon stations

The market outside the USA is growing



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Kongsberg Oil & Gas Technologies



KOGT is a business area under development and with unique technology solutions.

The business area is currently facing some challenges - several actions implemented

(MNOK)	Q4-14
Operating revenues	228
EBITDA	(54)
Order intake	168
Order backlog	396

2014 – A challenging year

Revenues declined both in Q4 and in 2014 in total

- MNOK 99 negative EBITDA impacted by MNOK 45 in restructuring cost
- MNOK 300 goodwill impairment

KOGT enters 2015 with a cost base more adapted to the current market situation

Challenging market conditions, lower demand

General reduction in oil companies' exploration and development activity

- Several new projects postponed or put on hold

Major drop in oil-price during H2 2014 further increased the challenging market situation

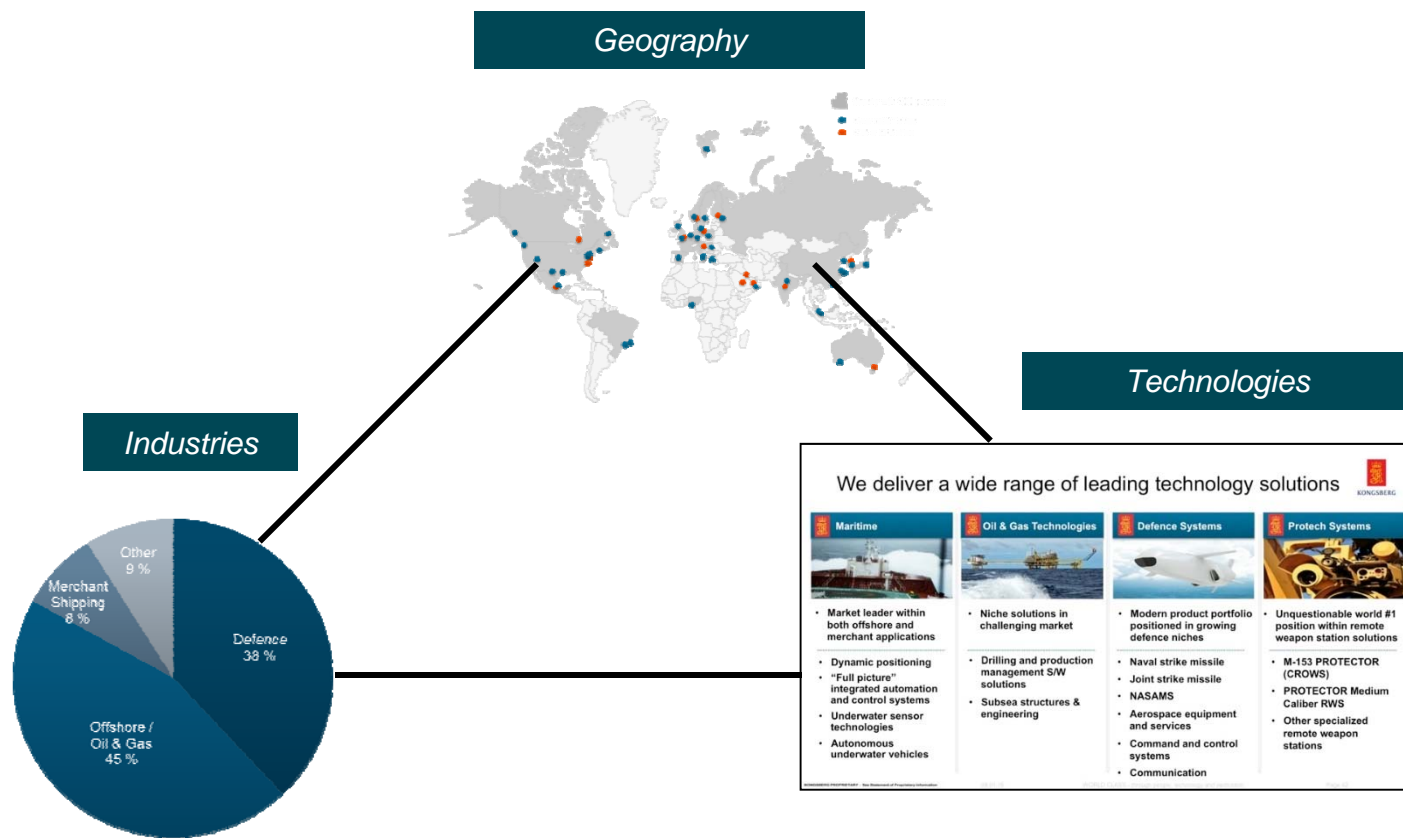
Attractive technology positioning

KONGSBERG's solutions meet cost reduction requirements in the industry

- Significant technology development programs
- Commercial success on several core software solutions

“Diversity Delivers”

- a core element in our strategic thinking



Guy Kawasaki.....

JUMP

TO THE NEXT

CURVE



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2015 Outlook

- **Kongsberg Maritime**
 - Continued high level of activity
 - Slower contracting of new vessels in the offshore market, good outlook for advanced merchant and subsea
- **Kongsberg Defence Systems**
 - Strengthened position and several important long-term opportunities
 - Strong backlog provides a robust business platform
- **Kongsberg Protech Systems**
 - Well positioned to meet anticipated future demand
 - Activity expected to increase in 2015
- **Kongsberg Oil & Gas Technologies**
 - Challenging market conditions in the oil & gas market
 - A modern product portfolio is expected to provide long term opportunities, but revenues are expected to decline in 2015

See quarterly report for full text

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