

Investor presentation

2nd Quarter 2014 | 14th August 2014



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Highlights

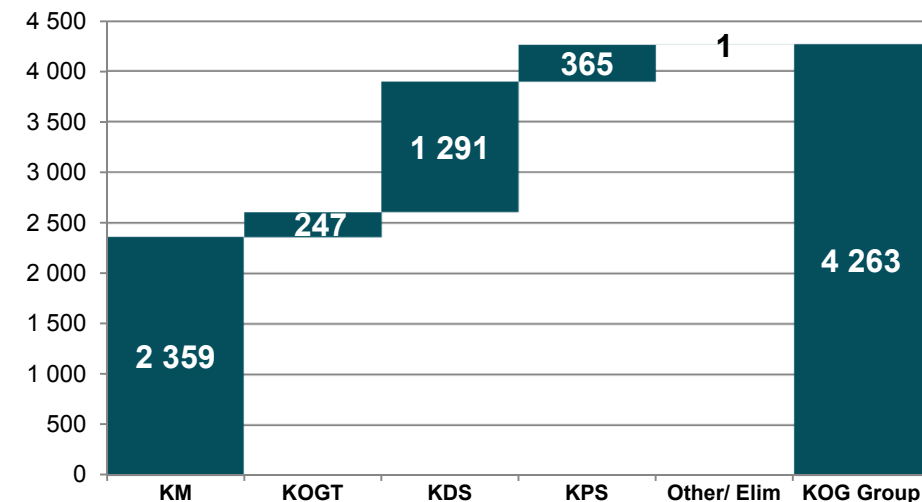
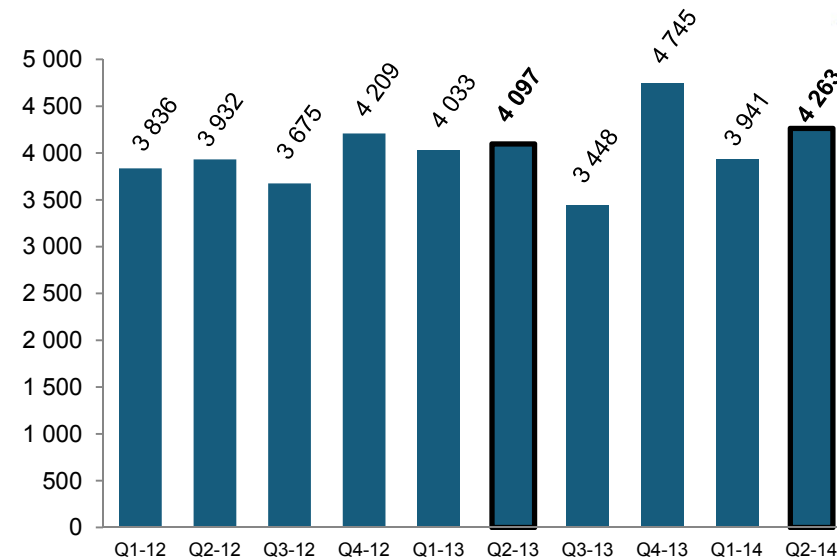
- Strong order intake – BNOK 5.7
 - Book/bill : 1.34
- Record high order backlog – BNOK 21.1
- KM continues with very strong performance
 - 12 % revenue growth vs Q2-13, strong margins and high order intake
- KDS has a strong quarter and important contract wins
- KPS has good order intake but lower revenues and margins
- KOGT has a weak H1 2014, comprehensive recovery plan implemented



Financial status Q2 - 2014

Operating revenues

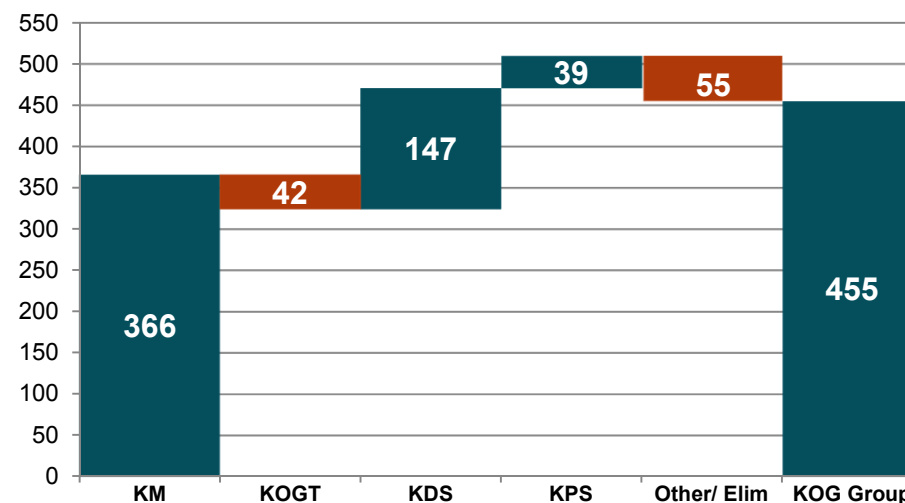
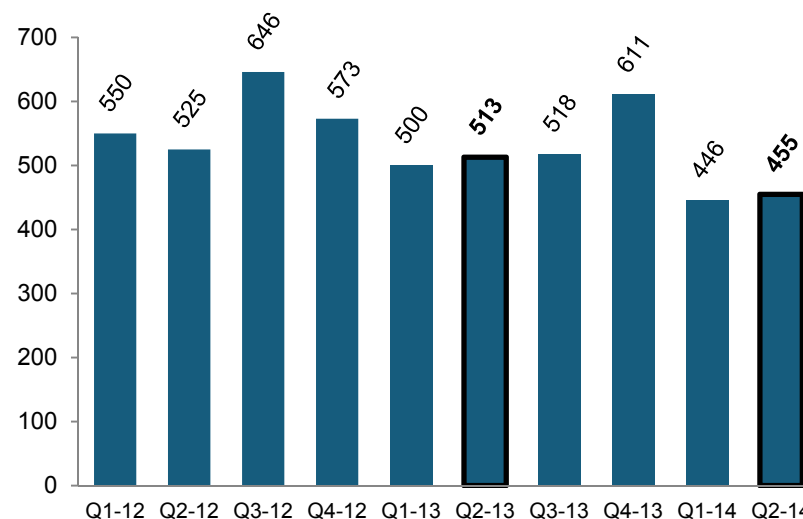
- Q2 revenues MNOK 4,263
 - 4 % growth from Q2 2013
- Strong 12 % revenue growth in KM vs Q2-13
- 14 % underlying revenue growth in KDS
 - Q2 positively influenced by JSM Phase III contract
- 45 % revenue reduction in KPS in the quarter
- Challenging situation for KOGT
 - 11 % revenue reduction



Financial status Q2 - 2014

EBITDA

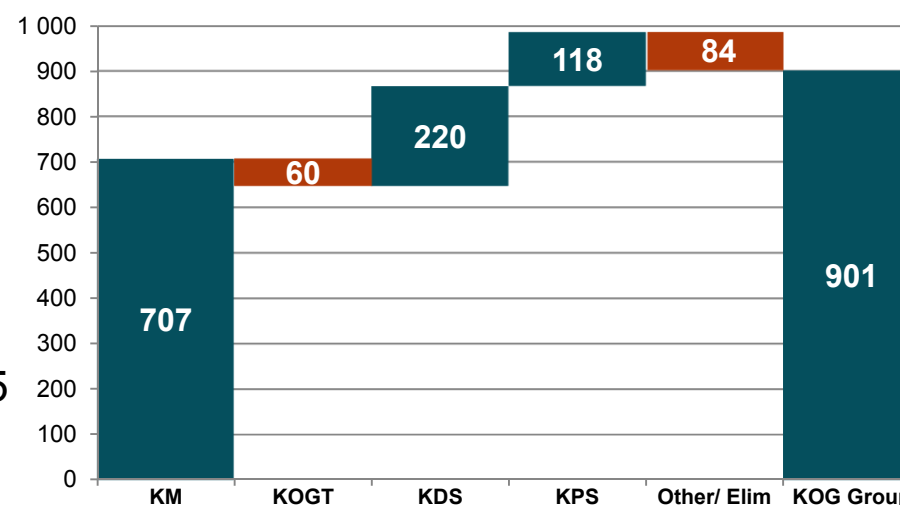
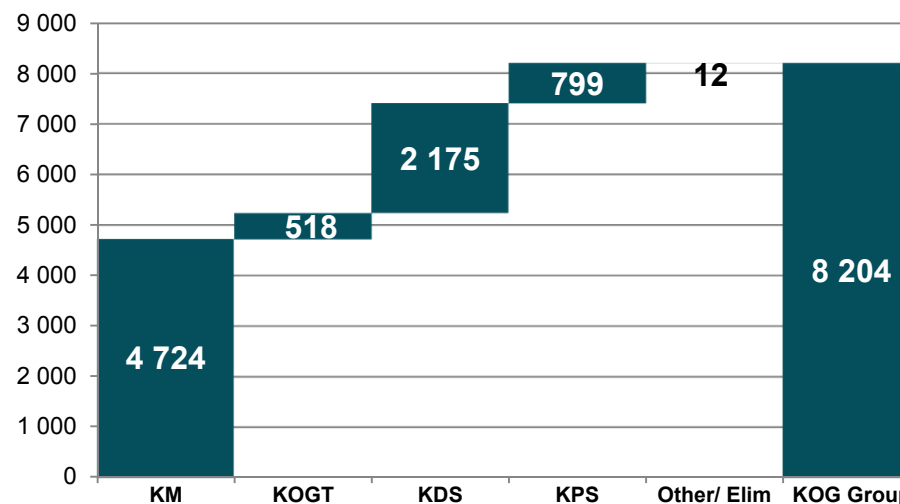
- Q2 strongly influenced by KM and KDS
- Improved margins in KM
- Improvement in KDS due to JSM and solid project execution
- Margins in KPS coming down
- Negative EBITDA in KOGT due to restructuring cost and overcapacity
 - MNOK 19 costs related to restructuring/one-offs
- “Other” influenced by approx. MNOK 30 costs related to “one-offs”



Financial status H1 - 2014

Operating revenues and EBITDA – per Segment

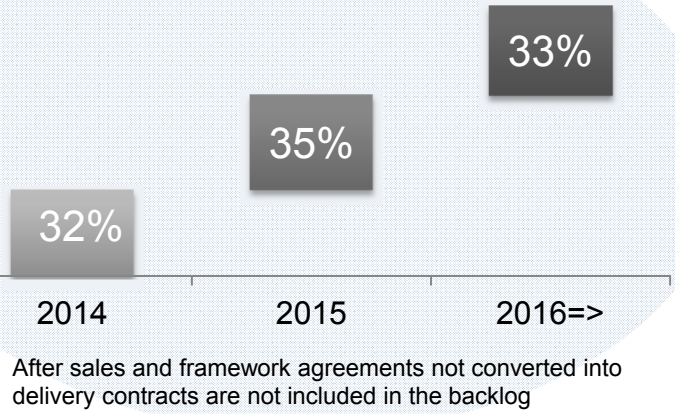
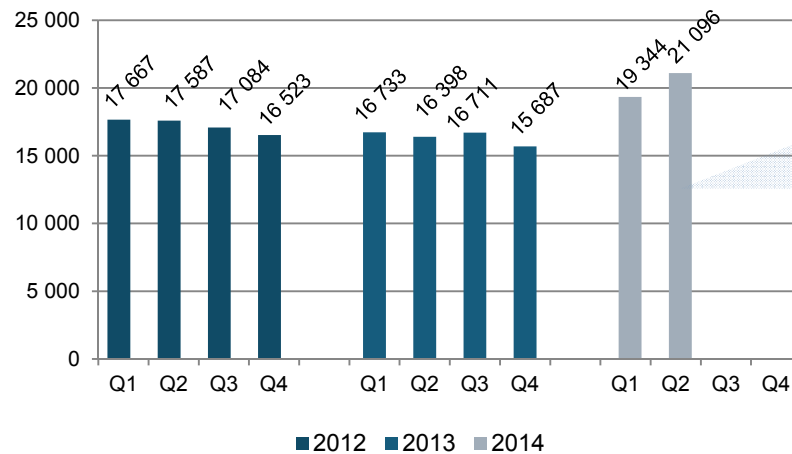
- H1 revenues MNOK 8,204
 - 0.9 % growth total growth
 - adjusted for K-SAT 2.4 %
 - 14.9 % growth in KM
 - 6.0 % growth in KDS
 - -44.8 % in KPS
 - 0.3 % in KOGT
- H1 EBITDA MNOK 901 (MNOK 1,013)
 - KM and KDS reports significantly improved EBITDA vs H1 2013
 - Margin reduction in KPS
 - Negative EBITDA in KOGT due to one-offs, project mix and cost issues – total one-offs approx. MNOK 19
 - “Other” influenced by approx. MNOK 45 “one-offs”



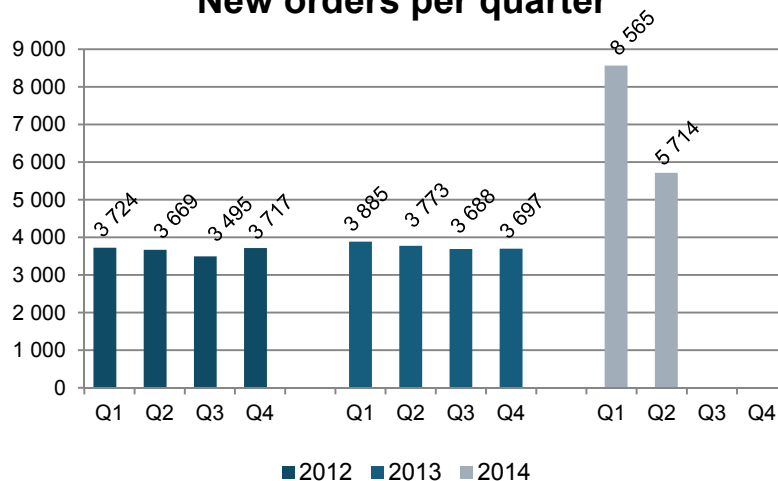
Financial status Q2 2014

Quarterly trends in orders

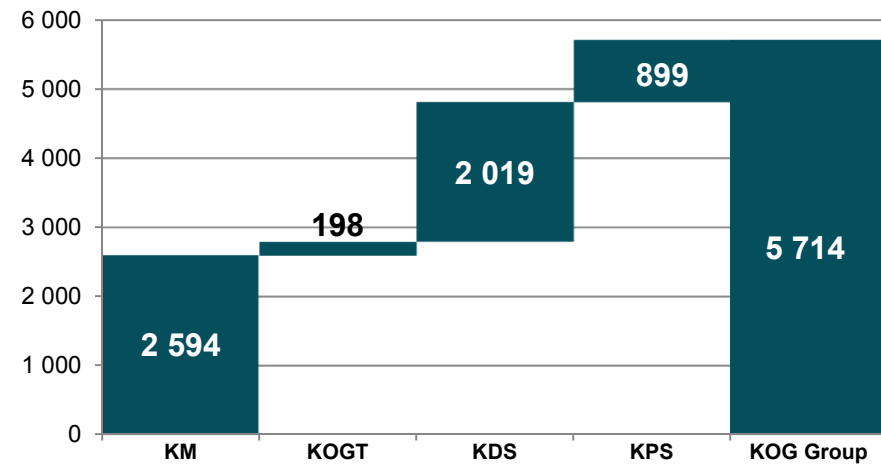
Backlog of orders



New orders per quarter

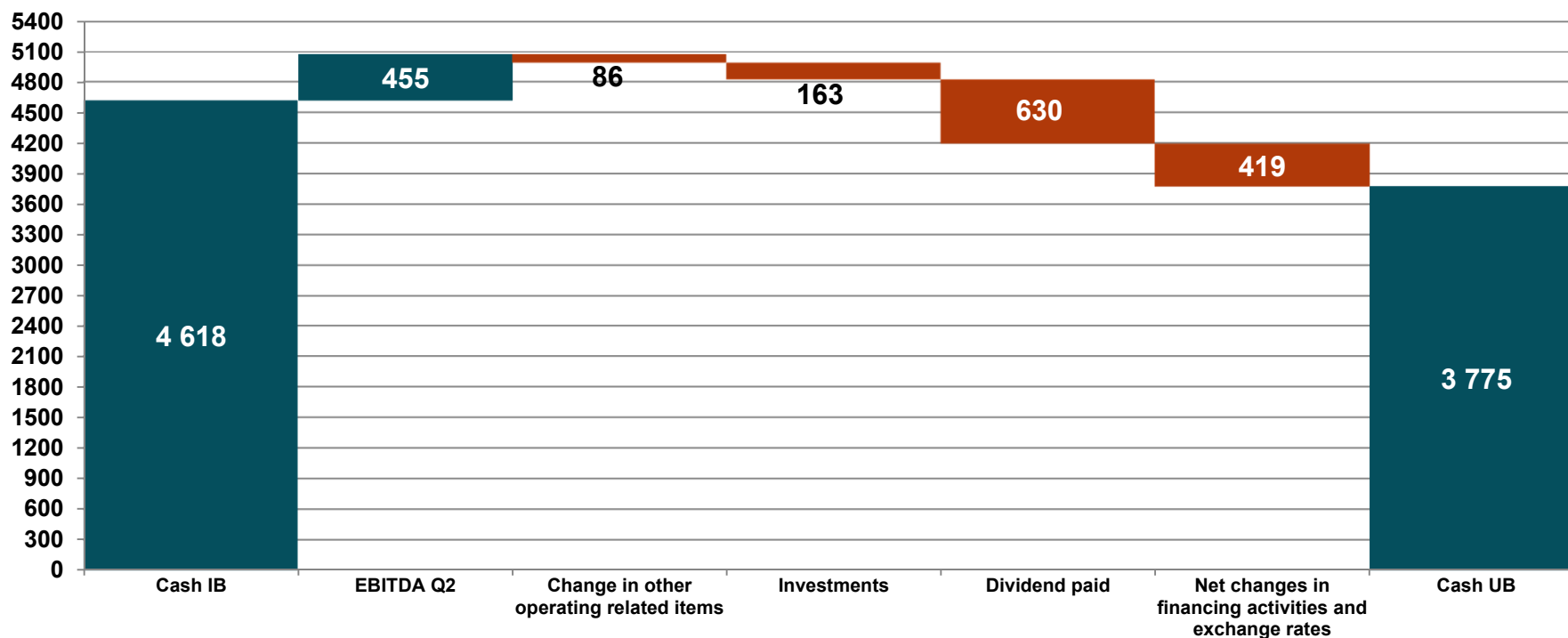


New orders Q2 2014



Financial status Q2 2014

Cash Flow



	Q2-14	Q4-13	Q2-13	2012
Cash and short-term deposits	3,775	3,272	2,630	2,509
Working capital	3,620	3,319	3,140	3,528
Net interest bearing debt	(2,934)	(1,935)	(1,319)	(1,198)
Equity ratio	35.8%	38.2%	36.4%	38.6%
Return on Capital Employed (ROCE)*	19.5%	21.5 %	23.2%	26.6 %

KONGSBERG has unused credit lines of NOK 1.5 billion

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

Business Area Status



Kongsberg Maritime



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

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

(MNOK)	Q2-14
Operating revenues	2,359
EBITDA	366
Order income	2,594
Order Backlog	8,121

Record high order backlog – strong order intake in all segments

- Above BNOK 3 offshore order intake in H1 2014
- Merchant marine YTD order intake up 90 % year-on-year
- Subsea YTD order intake up 45 % year-on-year

12 % revenue growth and solid operations

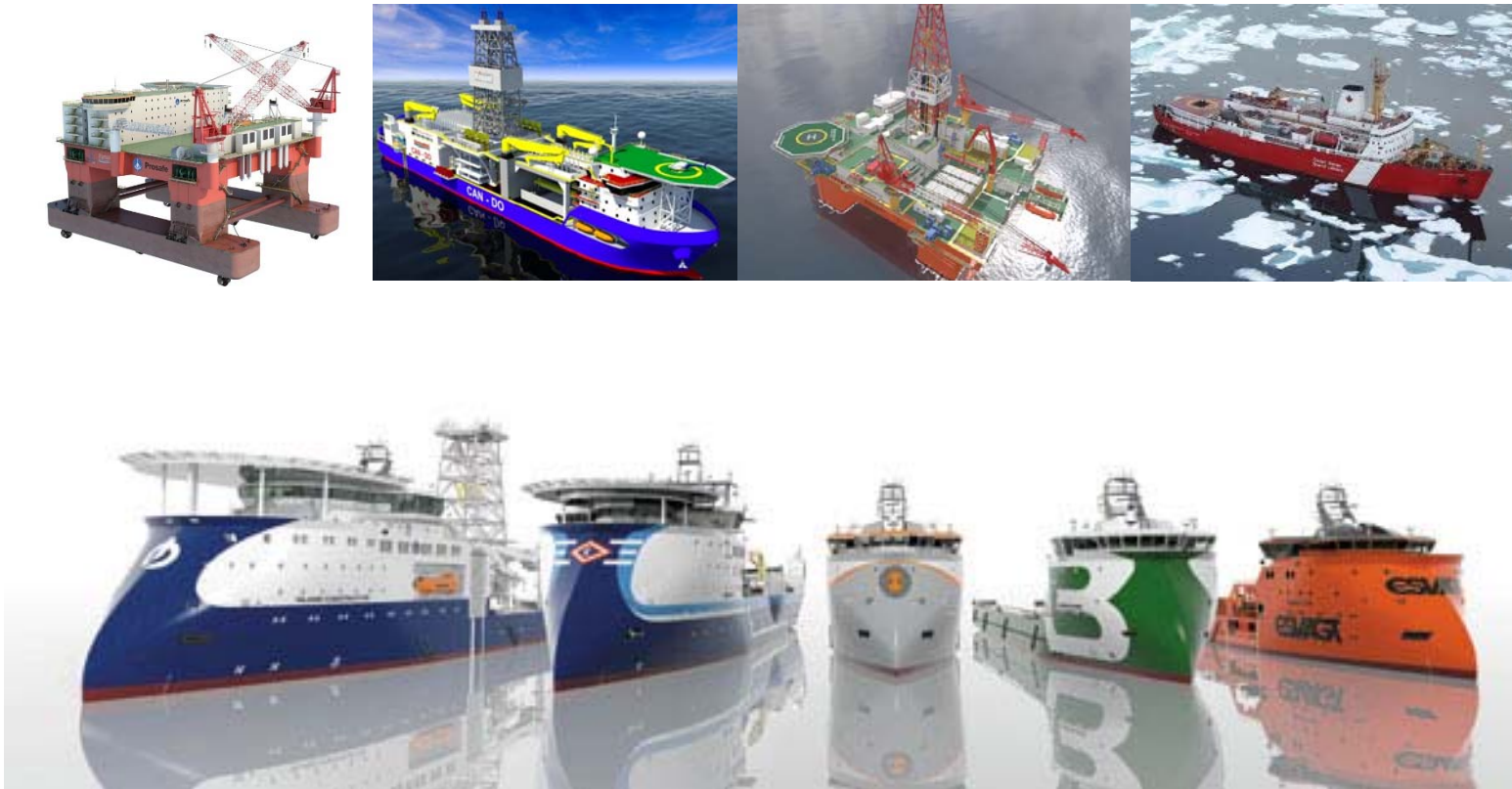
- Cost focus and operational improvements
- Competitiveness through further globalization
- Continuing life-cycle development

Strong position in a highly competitive market

- Cost pressure within the whole sector drives new technology and improved execution models
- The exploration of the “sea universe” drives satellite-, AUV-, sensor- and robot technologies
- Merchant marine new-building market is improving, strong OPEX focus

Kongsberg Maritime

Selected vessels that will get KONGSBERG onboard



Kongsberg Defence Systems



KDS is in the final phase of several major delivery programs. In 2014 a new major NASAMS contract was signed and JSM phase III secured.

KDS' modern defence portfolio is well positioned to meet the evolving security challenges.

(MNOK)	Q2-14
Operating revenues	1,291
EBITDA	147
Order income	2,019
Order Backlog	9,203

<p>Delivery programs on track and JSM phase III secured</p>	<ul style="list-style-type: none"> - NASAMS to Finland and Coastal Artillery to Poland progressing as planned - Delivery of NSM to Norway on track - JSM phase III development contract secured
<p>Several ongoing market campaigns and innovative new offering</p>	<ul style="list-style-type: none"> - Significant prospects for sale of NASAMS and missiles to both new and existing clients - Strong international position within defence communications and naval command and control systems - Launched next generation ground based air defence command and control capability
<p>Defence budgets bottoming out</p>	<ul style="list-style-type: none"> - Consensus from defence analysts is that the overall defence budgets are bottoming out in 2014 - Increasing global security challenges drive new requirements within defence and security



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Kongsberg Defence Systems

Missiles – an important contributor in the past and in the future....

Penguin

1960 →



- World's leading anti-ship missile on naval helicopters
- Can be launched from ships and helicopters
- Sold to 9 countries
- Last contract so far in November 2013

NSM

1996 →



- The only fifth generation precision strike missile in existence as per today
- Can be launched from a variety of platforms against a variety of targets
- First sale 2007 (Norway), first international sale (Poland) in 2008
- Successful demonstration at RIMPAC

JSM

2008 →



- Designed for both Anti Surface Warfare and Land Target missions in open sea, littoral and over land
- Can be carried externally and internally in the bomb bay of the F-35
- Phase III development contract signed to complete development of the missile



Raytheon and KONGSBERG have formed a teaming agreement to provide new solutions for the Offensive Anti-Surface Warfare (OASuW) mission in USA.

US Navy is considering cost-effective solutions for next-generation OASuW systems

Raytheon and KONGSBERG have collaborated successfully in the global market for ground-based air defence systems for several years

Kongsberg Protech Systems



A leading global market position and an increasingly broader product portfolio puts KONGSBERG in good position to scale volumes in the anticipated future demand growth

(MNOK)	Q2-14
Operating revenues	365
EBITDA	39
Order income	899
Order Backlog	3,088

<p>Good order intake but lower revenues and declining margins in 2014</p>	<ul style="list-style-type: none"> - Second highest quarterly order intake since 2011 mainly driven by CROWS - Deliveries in 2014 are on contracts signed under a new price regime - Deliveries of new systems declining but life cycle business is growing
<p>Strong potential within both new and existing offerings</p>	<ul style="list-style-type: none"> - Medium Caliber Remote Weapon Stations attracts great attention - Strong interest for product portfolio from new regions - Ongoing demonstrations and test firings
<p>World leading position in a geographically changing market</p>	<ul style="list-style-type: none"> - KPS is without doubt the world #1 supplier of remote weapon stations - The market outside the USA is growing - Focus turned more towards reset and repairs in the USA

Kongsberg Oil & Gas Technologies



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

The business area is currently facing some challenges

H2 will see improved performance

(MNOK)	Q2-14
Operating revenues	247
EBITDA	(42)
Order income	198
Order backlog	514

Challenging start to the year – actions taken

- Overcapacity due to project cancellations and postponements
- Recovery actions already initiated in early Q1
 - Improve competitiveness, reduce costs
- Actions will result in improved H2 2014 earnings

Attractive technology positioning

- Significant technology development program
- Commercial success on several software core solutions
- Well positioned in several subsea technology segments

More challenging market conditions

- General reduction in oil companies' exploration and development activity
- Several new projects postponed or put on hold
- Opportunities for new solutions and execution models

Talents look to KONGSBERG!

- 1,350 applications for 150 summer jobs
- Specific projects from start to finish
 - Creating technology to be utilized in existing or future products and services
- A win-win for KONGSBERG and the students
- A contribution from KONGSBERG to reduce the student drop-out ratio



TAR ANSVAR. Konsernsjef i Kongsberg gruppen Walter Qvam tror sommerprosjekter for studenter kan bidra til å forebygge at så mange hopper av studiene. Foto: Javad Parsa

Et samfunnsoppdrag næringslivet bør bli flinkere til å ta

Denne kan inneholde Kongsbergs nye forsvarsteknologi

OSLO: Også våpenprodusenten Kongsberg har sommeringeniørstudenter på utvalgte årstrinn på eksamen. De som ikke får godkjent resultatene, må ta eksamen på nytt. Dette kan være en utfordring for studenter som har sommerjobb i Kongsberg. Konsernsjefen i Kongsberg, Walter Qvam, mener at sommerprosjekter for studenter kan bidra til å forebygge at så mange hopper av studiene.

KARRIERE Høythengende sommerjobber



Studenter skal lage styringsystem

Fikk 1.350 søknader til 150 stillinger

Kongsberg Gruppen feirer valgte utvalgte studenter det første året som sommerprosjekt for studenter som skal ha sommerjobb i Kongsberg.

150 studenter har blitt valgt ut til sommerprosjekt i Kongsberg Gruppen. Dette er første året som sommerprosjekt for studenter som skal ha sommerjobb i Kongsberg.

2014 Outlook



- **Kongsberg Maritime**
 - Continued high level of activity
 - The merchant marine market has improved
- **Kongsberg Defence Systems**
 - Several important long-term opportunities
 - Strong backlog provides a robust business platform
- **Kongsberg Protech Systems**
 - Leading global position
 - Activities slower than in 2013 and underlying margins declining
- **Kongsberg Oil & Gas Technologies**
 - Lower activity and restructuring impacts 2014 negatively
 - Well positioned in key areas in the industry

See quarterly report for full text

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