



KONGSBERG

CMD | 2019

AMBITIONS

24/09/2019

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Key drivers for value creation


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ONE KONGSBERG
TECHNOLOGY
POWER HOUSE

HARVEST TECHNOLOGY
SYNERGIES ACROSS
GROUP



CAPITAL
ALLOCATION

SOLID BALANCE SHEET.
INVEST FOR ORGANIC
GROWTH


SHAREHOLDER RETURN



SUSTAINABLE
GROWTH

GROW AT OR ABOVE
MARKET

BNOK >30 IN 2022



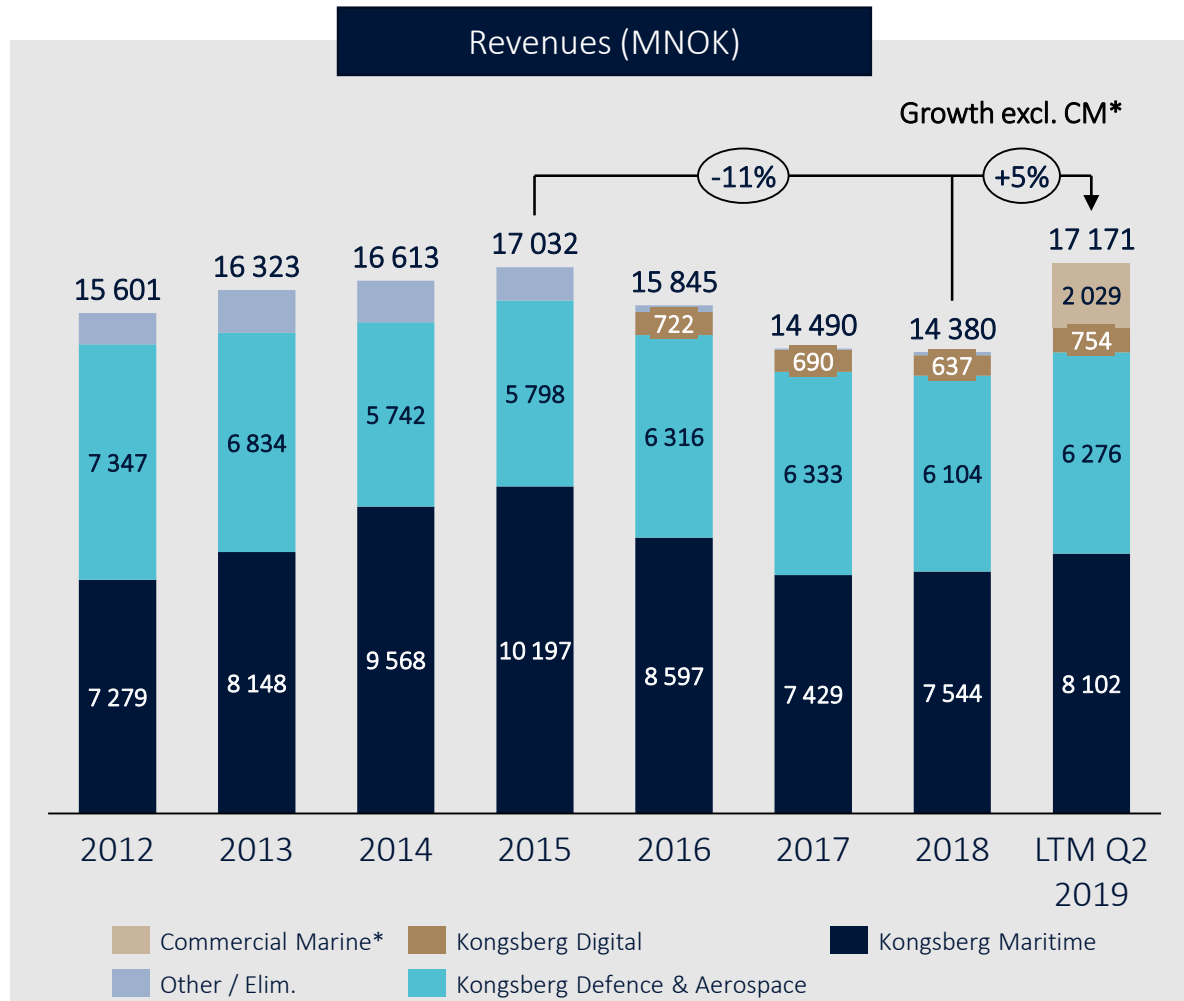
IMPROVE
PROFITABILITY

INCREASED
PROFITABILITY

EBITDA-MARGIN
>12 %* IN 2022



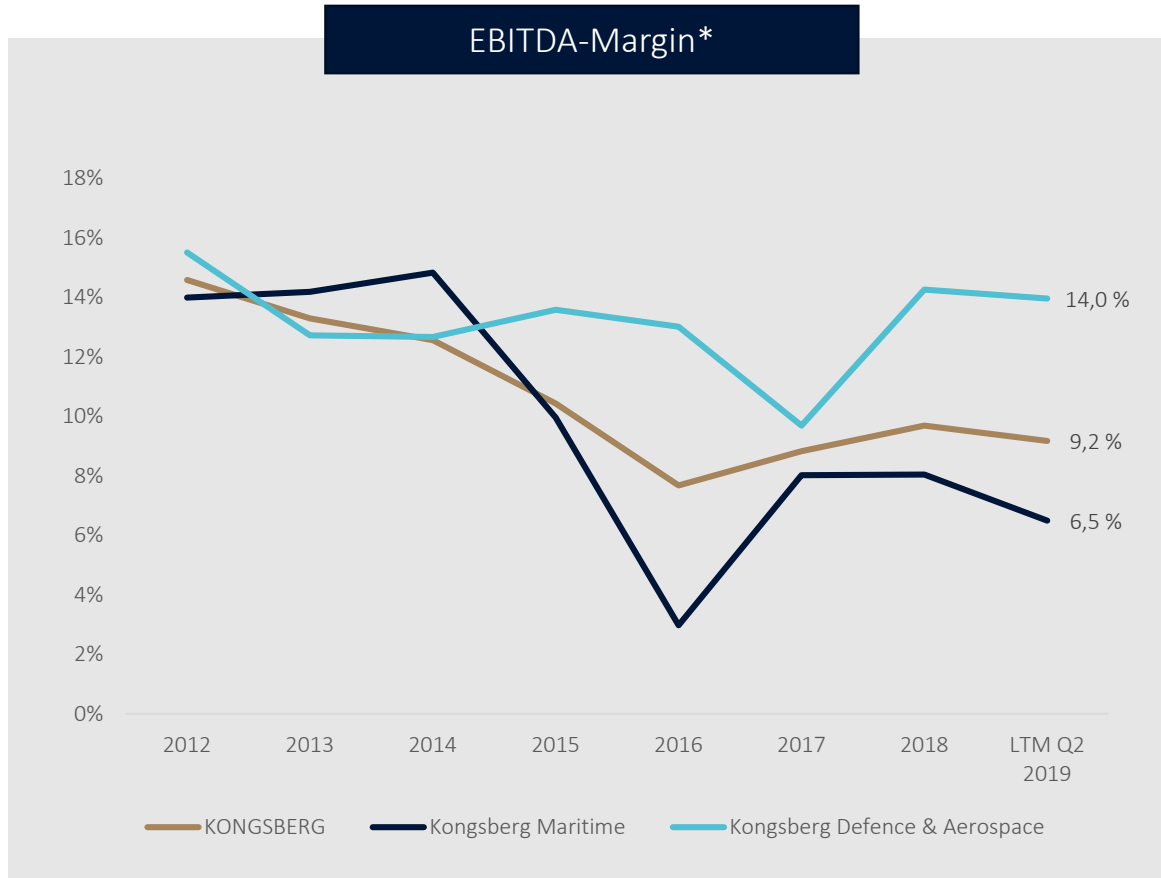
Improving revenue trend



- 2012-2014
 - Strong growth from overheated offshore market
 - Declining defence revenues due to falling CROWS volumes
- 2015-2018
 - Stop in offshore contracting led to 25+ % decline in KM
 - Defence relatively stable
- 2019 →
 - Added revenues from Commercial Marine
 - Some growth in “old” KM
 - Ramp up from recent order intake in KDA



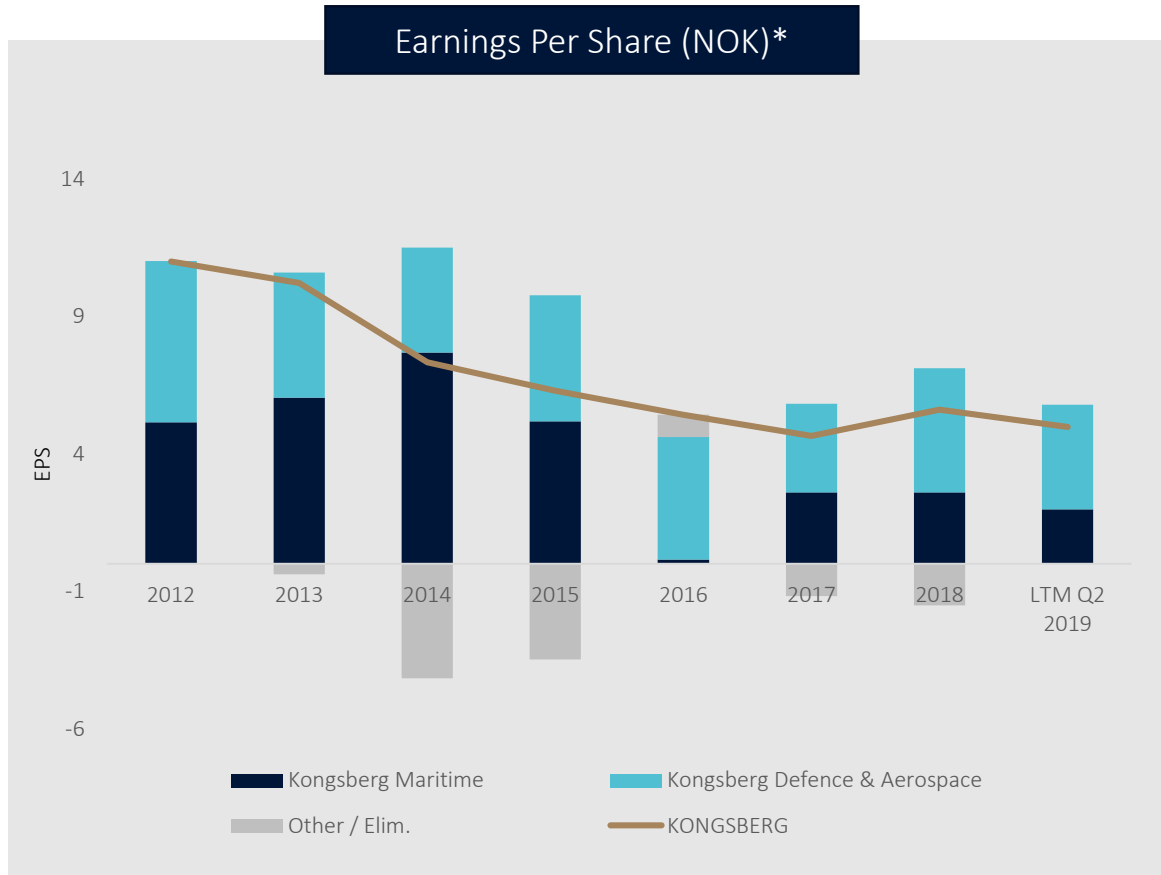
Commercial Marine weighing on improving margins



- 2012-2014
 - Hot offshore market founding strong profitability
 - Drop in defence margins due to decline in Remote Weapon Station (CROWS) volumes
- 2015-2018
 - KM margins challenged by declining volumes and price pressure
 - Defence impacted by restructuring in 2017
- 2019 →
 - Integration of Commercial Marine affects margins
 - Improvement in “old” KM
 - Defence relatively stable



Steady EPS-contribution from KDA, KM fluctuates



- KDA proving a stable foundation
- KM market more cyclical
- Equity rights issue in 2018 diluting EPS until Commercial Marine turn-around materialize

*The graph illustrates each business unit's contribution to EPS. Actual contribution may deviate.



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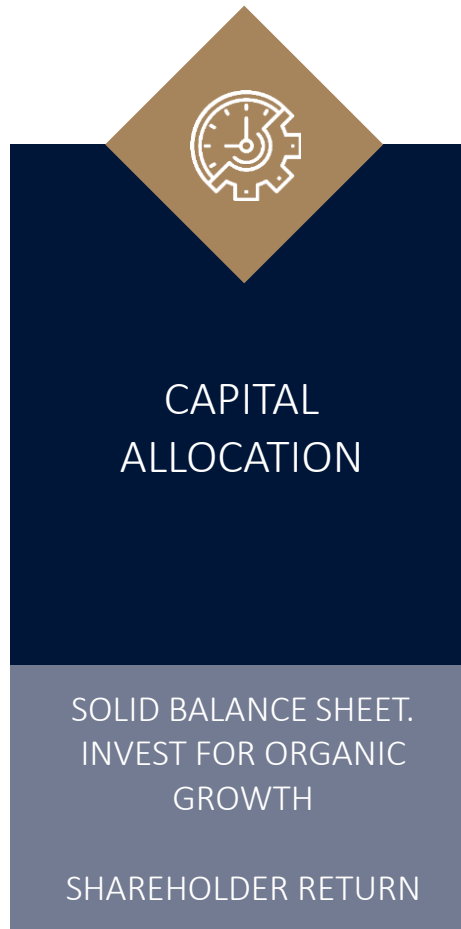
EBITDA-MARGIN
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Our capital allocation priorities

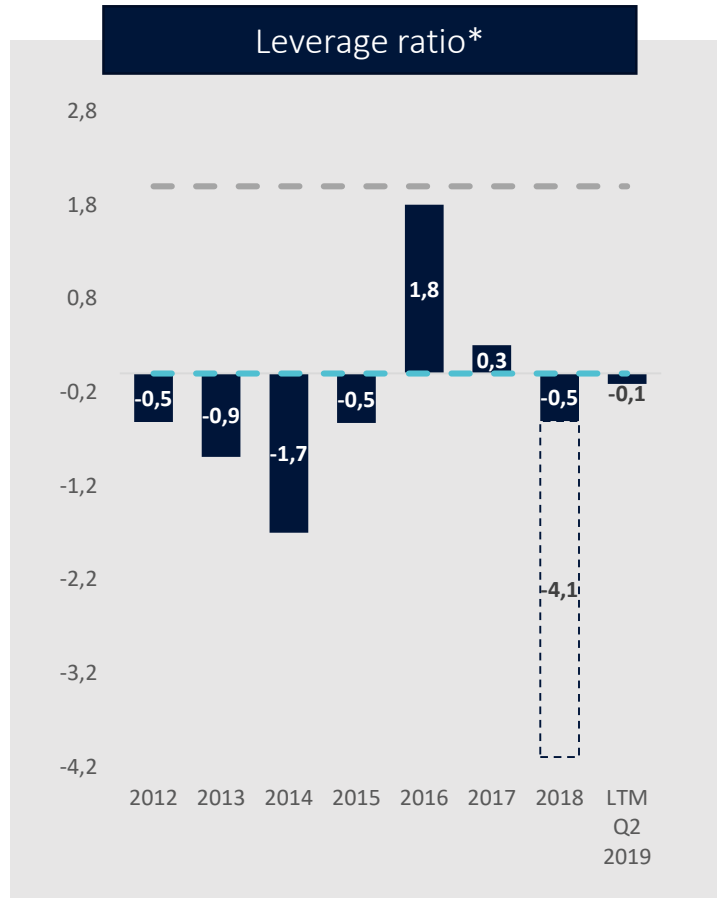
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-  1. Solid balance sheet
-  2. Invest for organic growth
-  3. Shareholder remuneration
-  4. Portfolio management



Rationale for having a solid balance sheet



*Net Interest Bearing Debt / EBITDA, 2018 inclusive and exclusive BNOK 5 rights issue.

1. Access to funding

- Medium term target of Net debt/EBITDA of 1.0x +/- 1.0x
- Securing investment grade credit rating equivalent and access to debt capital markets
- Committed credit facility acting as a back-stop

2. Customer confidence

- Long-term view in strategy and execution
- Fluctuating working capital
- Financial currency hedging policy

3. Integration of recent acquisition

- The Commercial Marine business has been cash consuming
- Uncertainty regarding timing of recovery in the offshore market

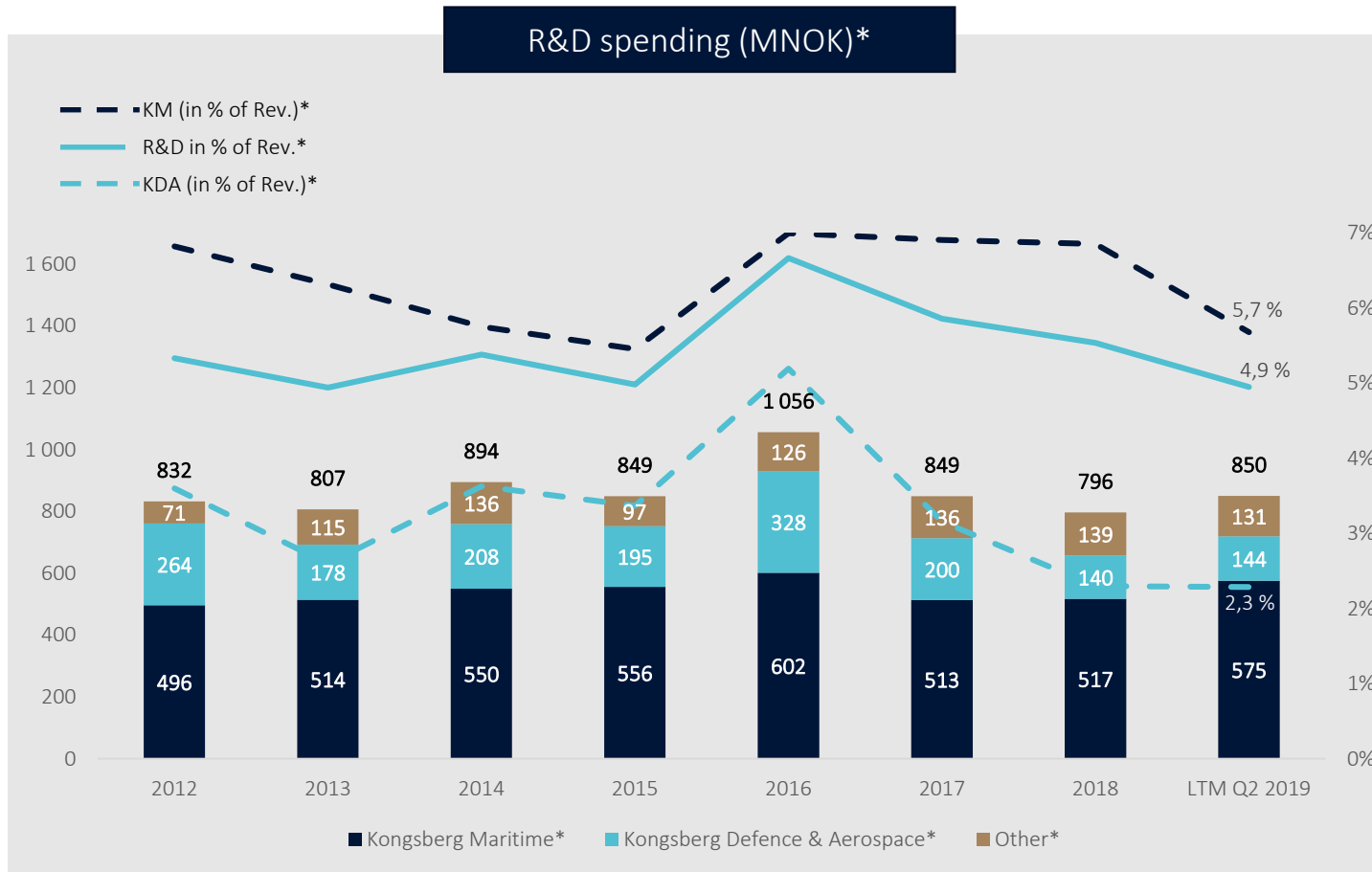


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Technology development securing our positions

Self-funded R&D

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- R&D - investing to secure #1 positions
 - Self-funded R&D 5-6% of revenues
 - In addition we benefit from customer funded R&D
- Prioritisation of R&D projects

*Sum of expensed and capitalized R&D (i.e. excluding product maintenance).

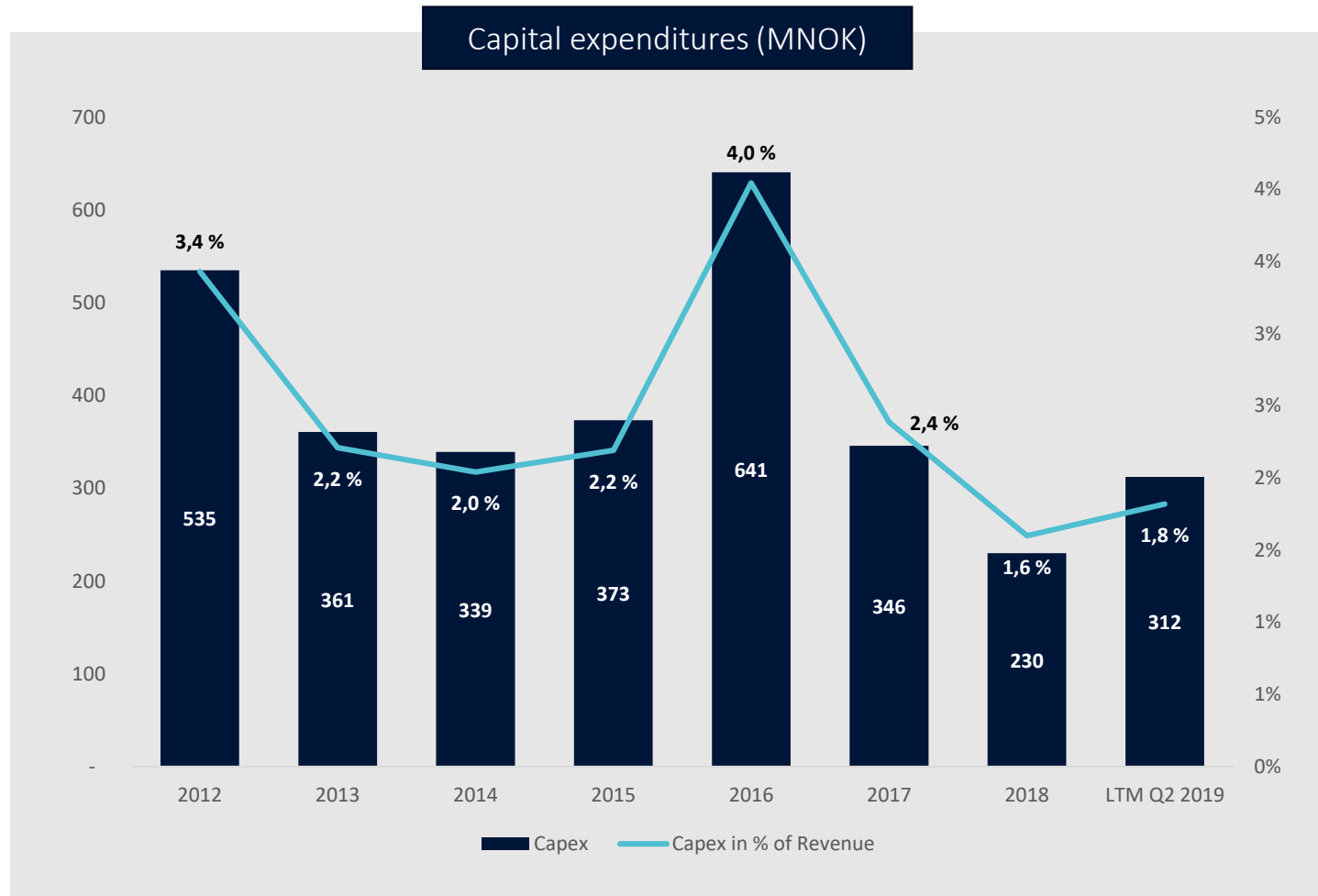


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Investments

Capital expenditures 2012-2018

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- Investments ex. R&D averaging 2.6% of revenues
 - Few production facilities requiring high investments
 - Low level of machinery and equipment related to operations
 - Production mainly performed by sub contractors
- Capex expected at 2-3% of revenues going forward
- Depreciation & amortisation going forward expected to be at ~same level as in Q2 2019

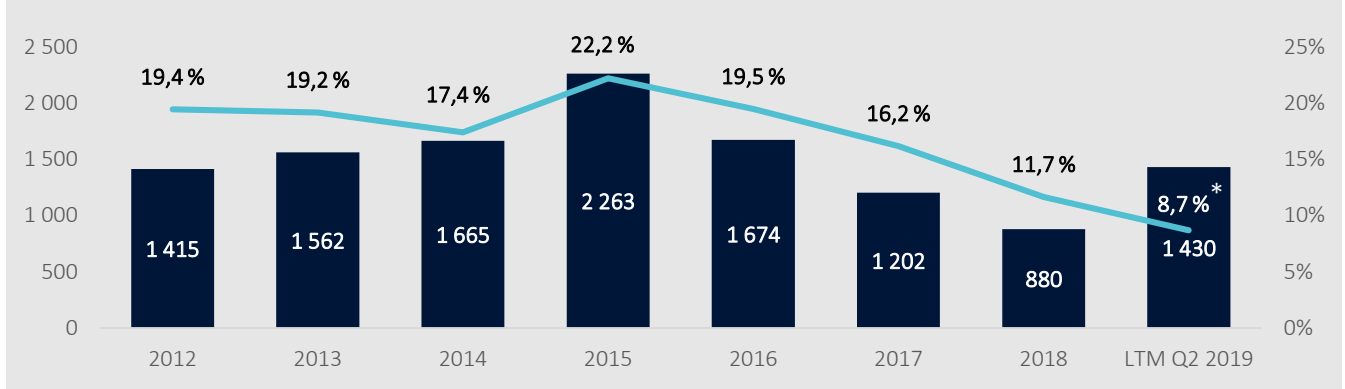


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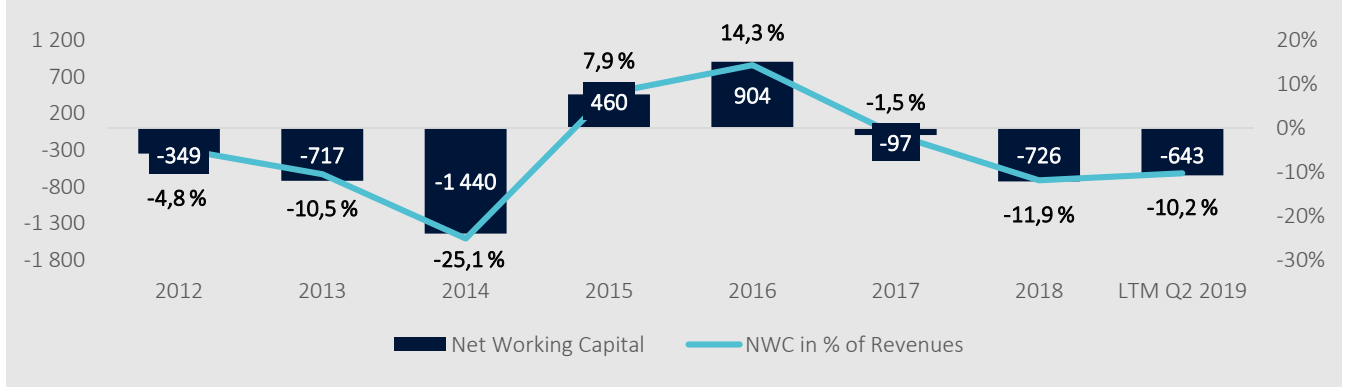
Fluctuating working capital

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Net Working Capital – Kongsberg Maritime (MNOK)



Net Working Capital – Kongsberg Defence & Aerospace (MNOK)



- Net working capital has fluctuated significantly
 - KDA: Mainly related to payment structure and project timeline within large projects
 - KM: historically more stable at 15-20% of revenues. Targeting a lower range going forward
- Average historical negative working capital within KDA. Expected to fluctuate also going forward

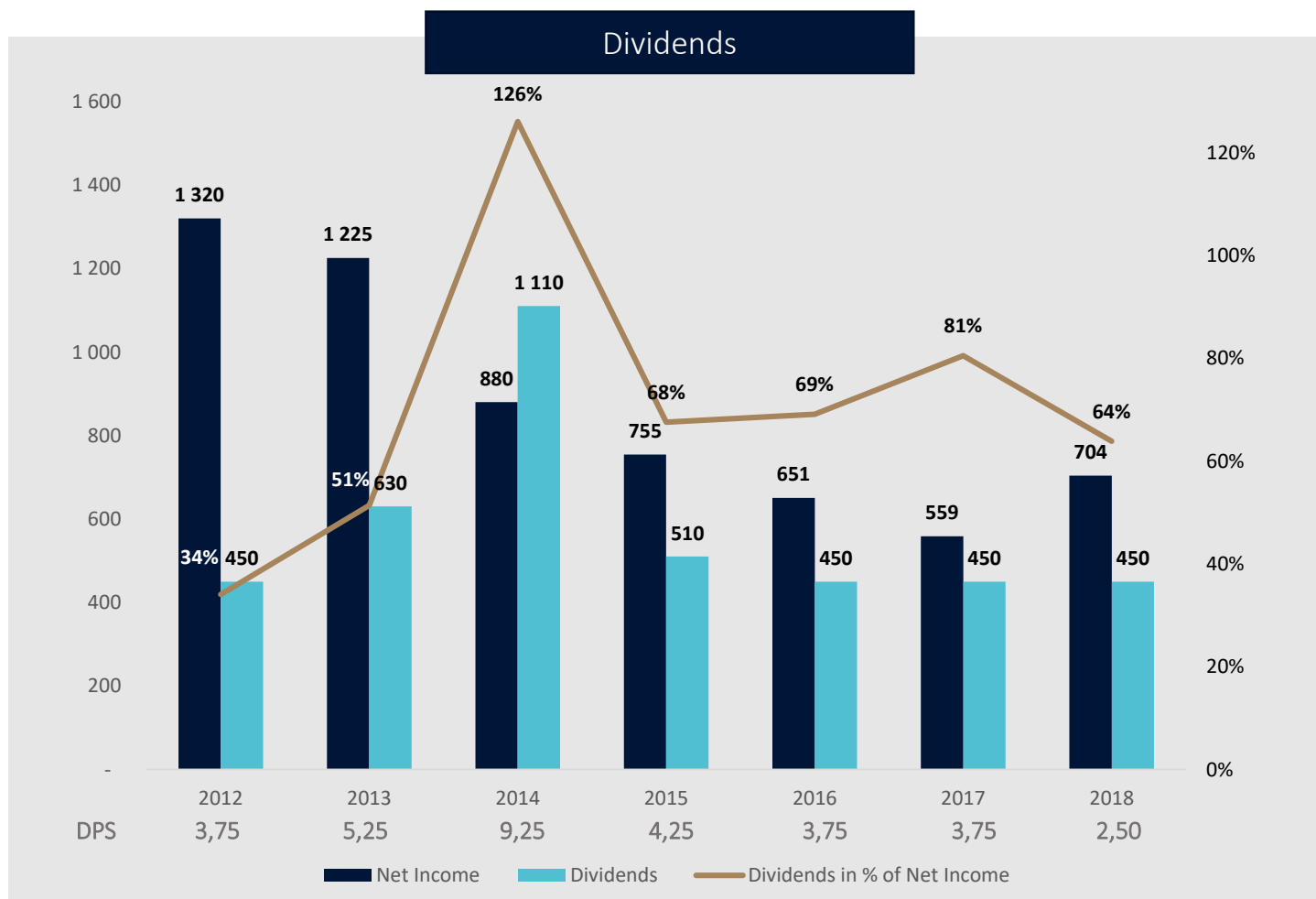
*) Including pro forma CM



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Healthy shareholder remuneration

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- Dividend policy of 40-50% of net income
 - Actual pay-outs from 2013 above interval
 - Evaluate special dividends or share buybacks as a supplement on a case-by-case basis



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Active management of business portfolio - Investments of 8 billion last 4 years

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- Support & develop Patria
- Integrate Commercial Marine
- Integrate Kongsberg Aviation Maintenance Services



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Key drivers for value creation

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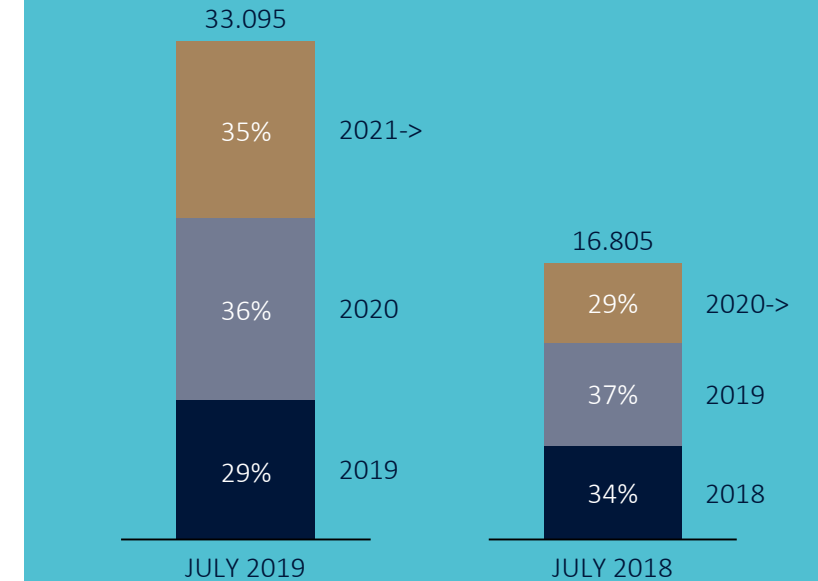


Recent pick up in order intake finds growth

Order intake and Revenues (MNOK)



Order backlog



BNOK 7 aftermarket in KM by large not reflected in backlog (annual basis)

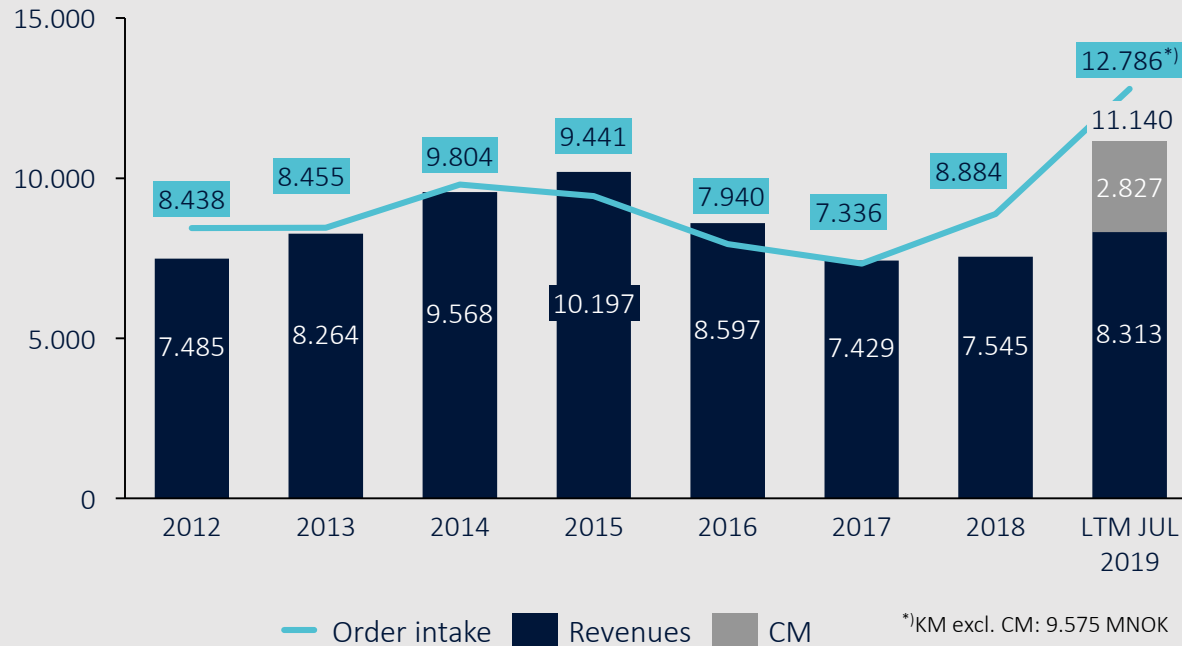


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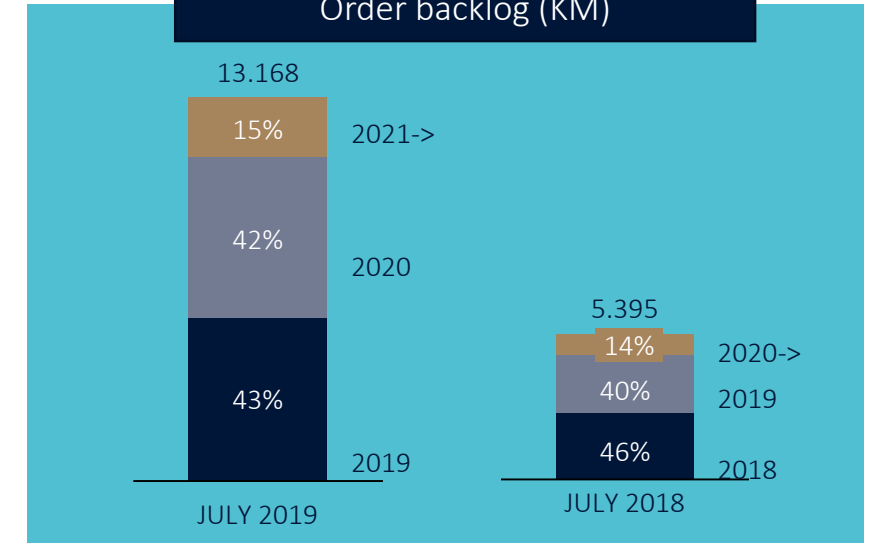
Short- and long-term backlog improved in KM

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Order intake and Revenues - KM (MNOK)



Order backlog (KM)



↓

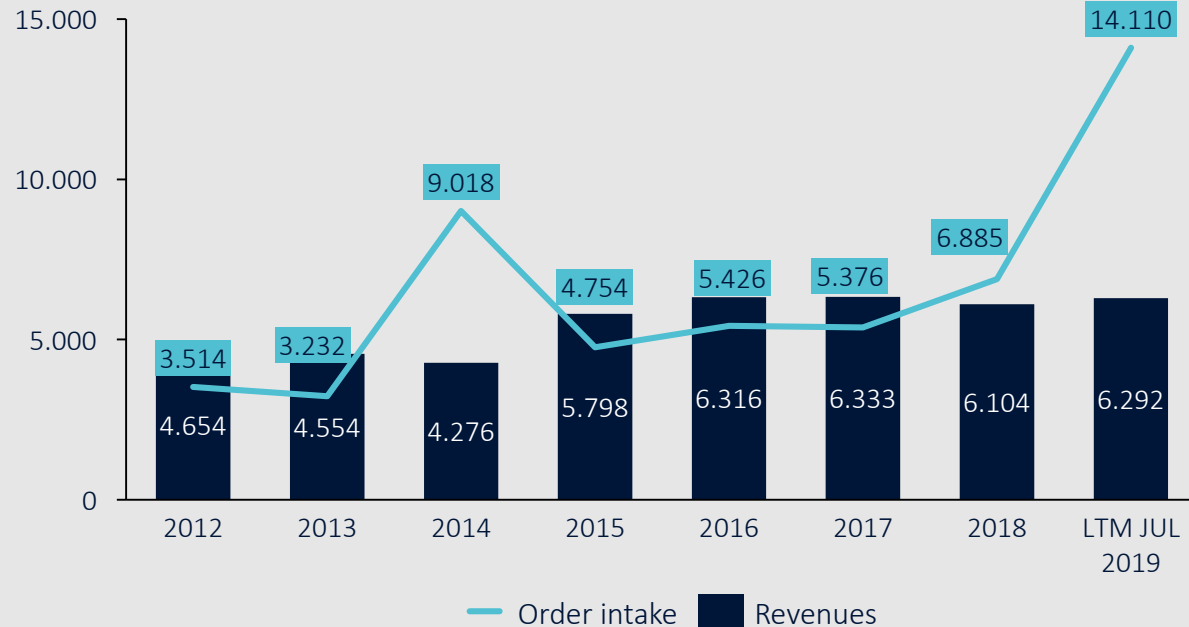
xCM: 6.973 MNOK
xKM: 6.195 MNOK

- 7 BNOK aftermarket in KM by large not reflected in backlog (annual basis)
- Average lead-time from contract to revenues typically ranges from 3-15 months

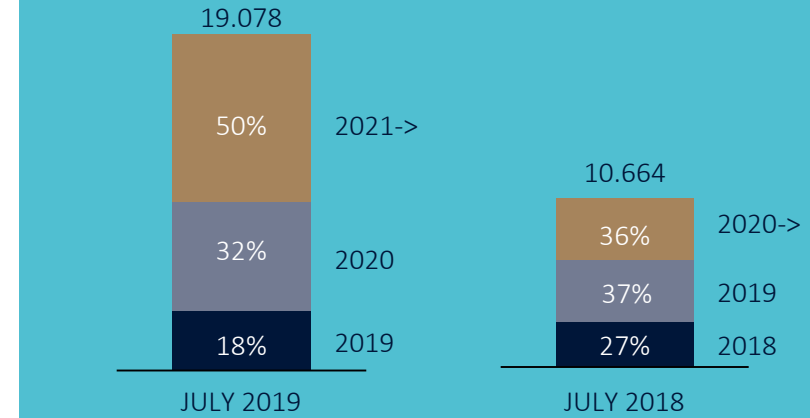


KDA: Solid pick up in order intake, major improvement in backlog

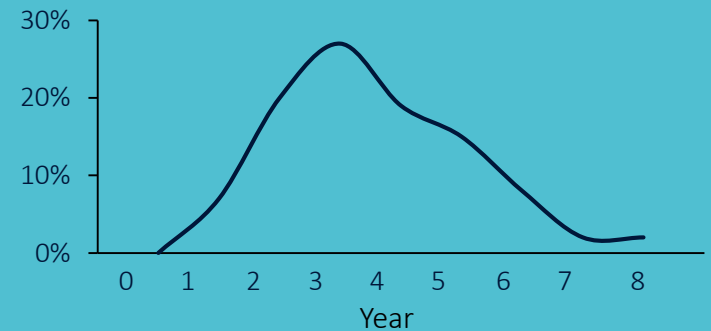
Order intake and Revenues - KDA (MNOK)



Order backlog (KDA)



Average distribution (+/- 3 years) of revenues in major KDA contracts





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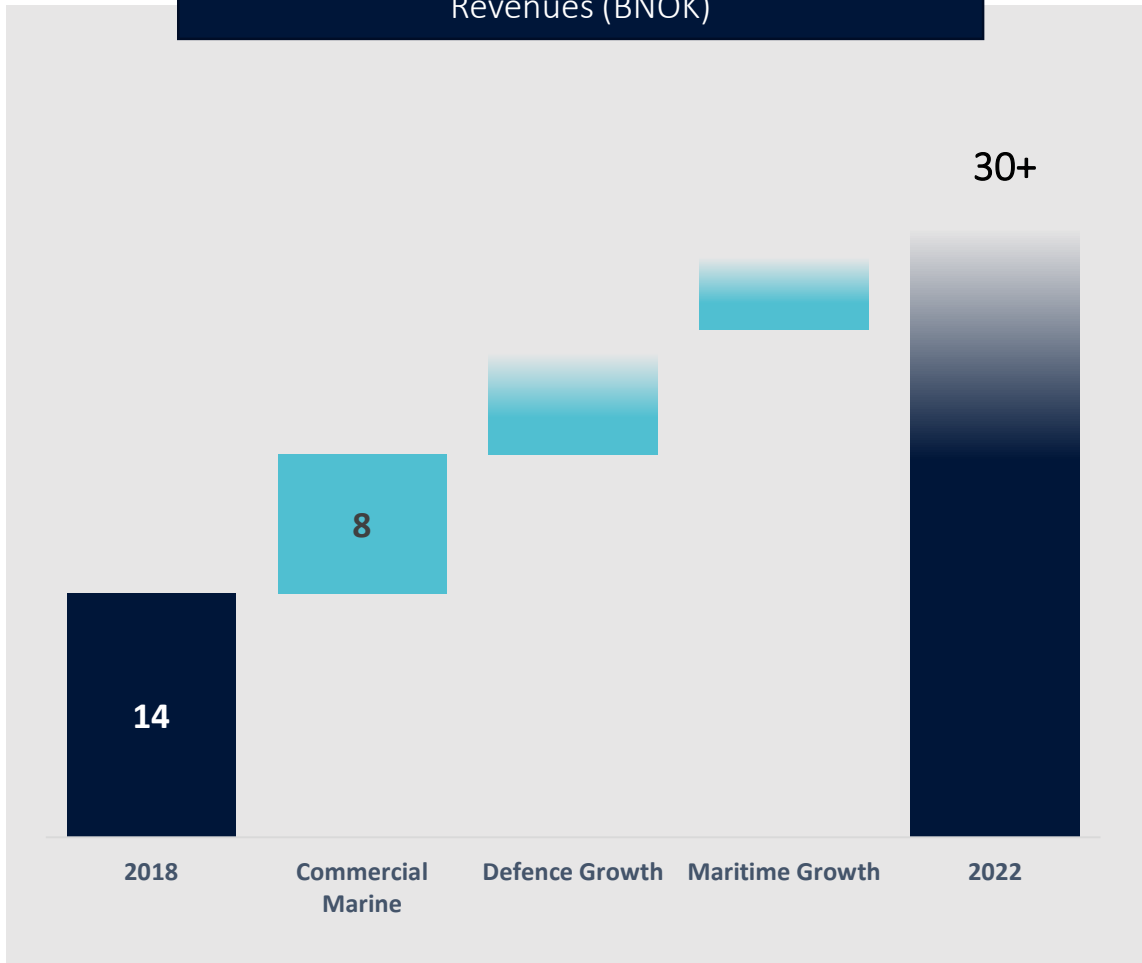
Top line growth

Our journey towards 2022



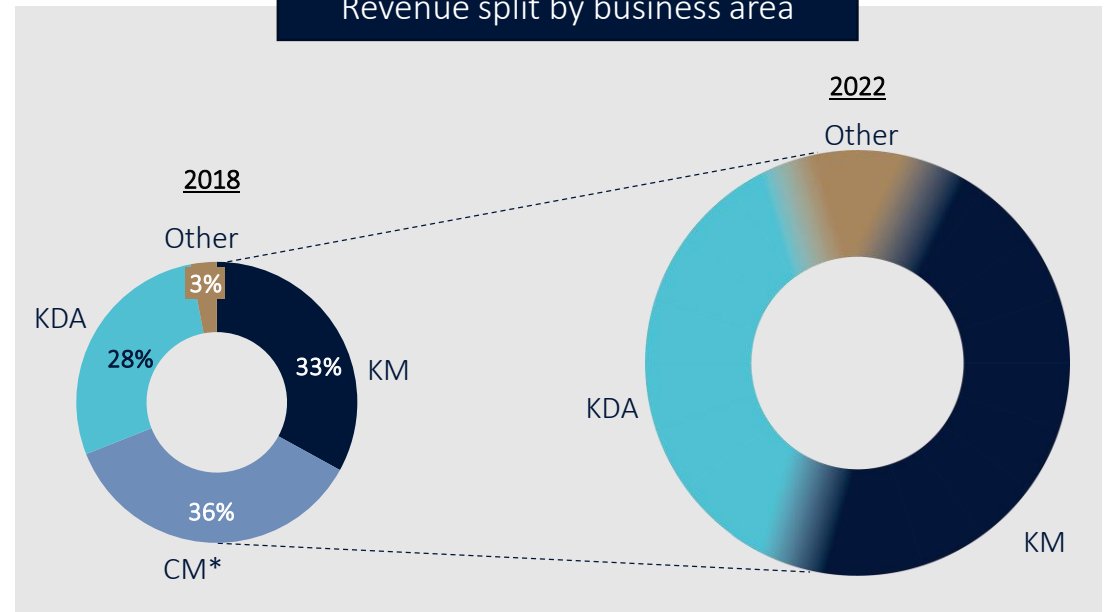
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Revenues (BNOK)



- Positioned and ready for growth
 - The «New» Kongsberg Maritime
 - Well positioned for underlying growth within defence

Revenue split by business area





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Increased profitability

Our journey towards 2022



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	KONGSBERG MARITIME	KONGSBERG DEFENCE & AEROSPACE	KONGSBERG DIGITAL
1. Deliver synergies	Deliver Commercial Marine synergies	Capitalise on Kongsberg Aviation & Maintenance Services and Patria in the Maintenance, Repairs and Overhaul market	Capitalise on cross business synergies
2. Increase profitability	Efficiency focus and product harmonisation	Benefits of scale	Capitalise on innovations
3. Growth	Increase market share and position for new markets	Secure new markets	Turn recent investments into growing sales

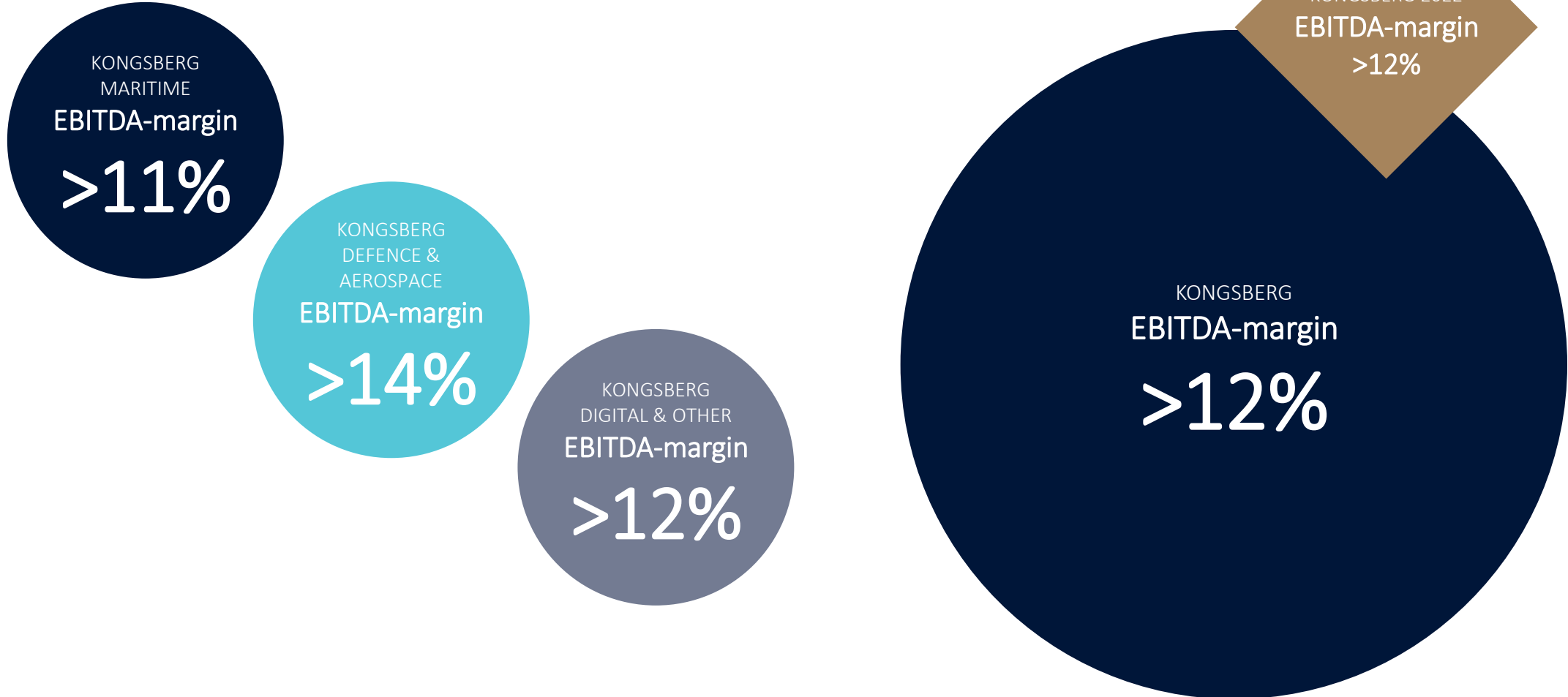


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Profitability ambitions (excluding IFRS16)

Our journey towards 2022

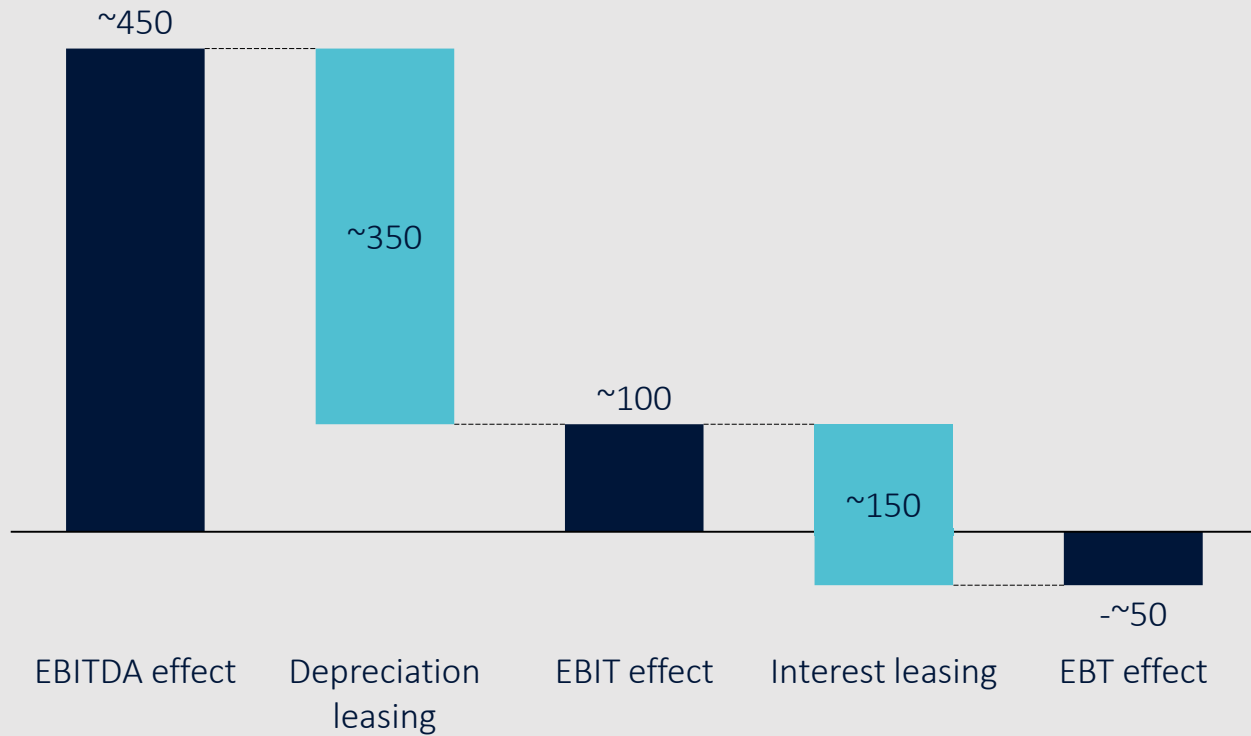
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IFRS16 adjustments

Est. full year effects from IFRS16 adjustments (MNOK)

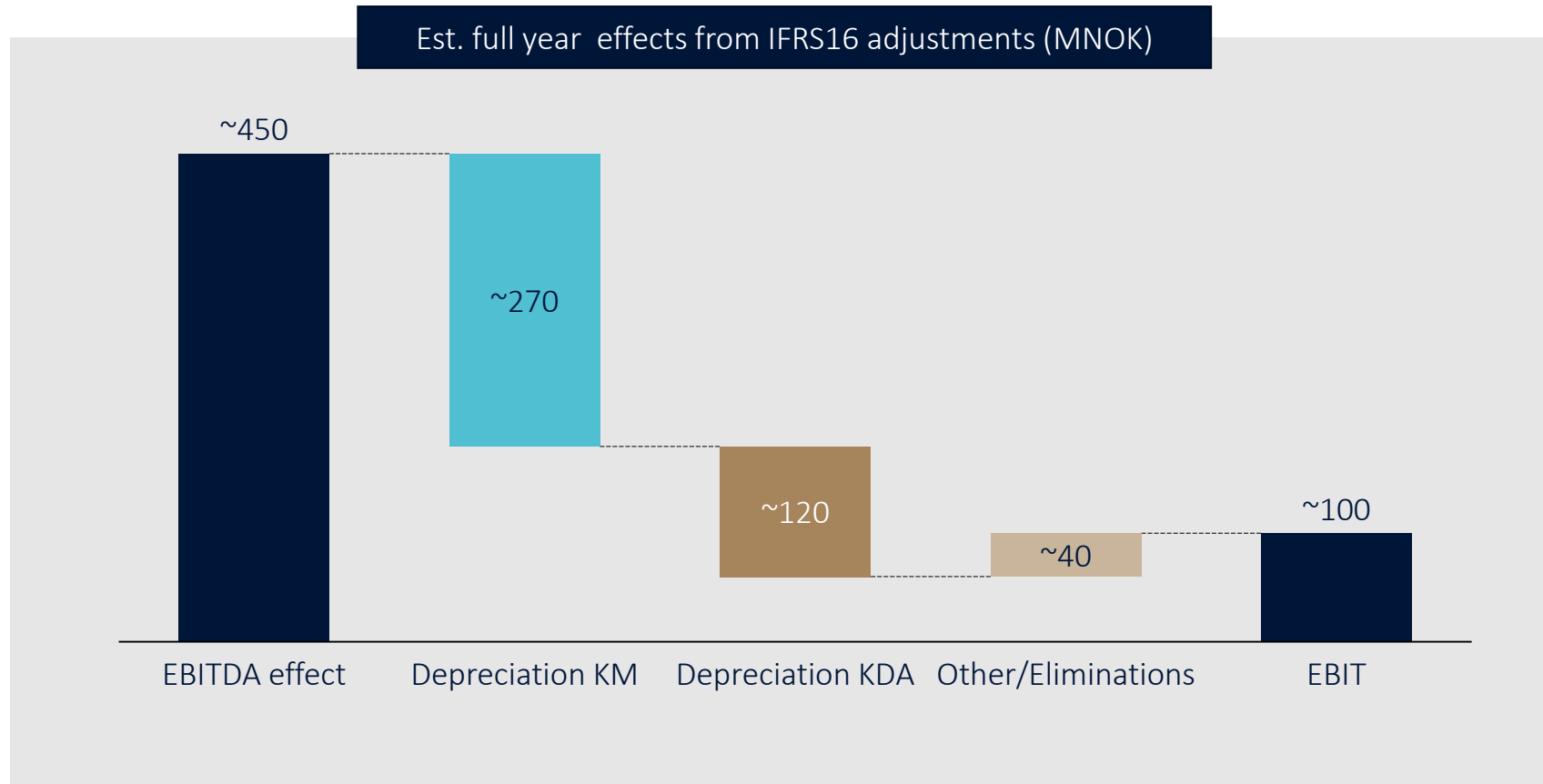


- EBITDA -and depreciation effects estimated to be ~equal in the period towards 2022
- Effects from *interest leasing* will gradually decrease in the period, hence long term effect on EBT will be ~0 towards 2022



IFRS16 adjustments continue

Depreciation per business area



*Other includes Group, KDI, property and eliminations



Estimated tax impact

Effective and payable tax rate until 2022

Tax positions

- Increased profits → Increased taxes → Accelerated use of tax positions
- KONGSBERG carries approx. BNOK 3.5 of losses carry forward
- Offshore taxes will not be impacted

Payable taxes

- Improved cash flow as deferred tax assets are utilised
- Improvement to correlate with losses utilised multiplied by statutory rate.

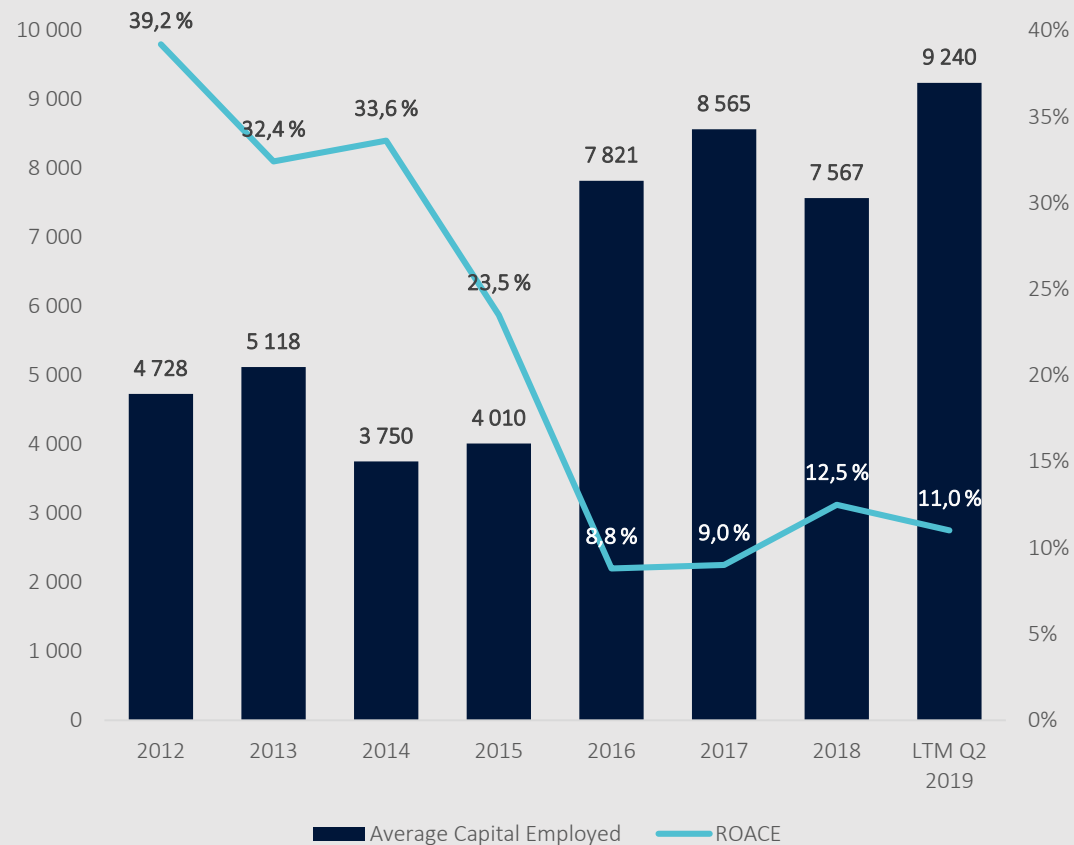
Effective taxes

- Approx. BNOK 2 of losses have not been capitalised in KONGSBERG
- Upon utilisation effective tax rate should come lower than statutory rate



Approaching turning point on ROACE

Average Capital Employed (MNOK) and ROACE (%)



- Patria investment and Commercial Marine (CM) acquisition increasing capital employed.
 - The turnaround of CM is in the early stages



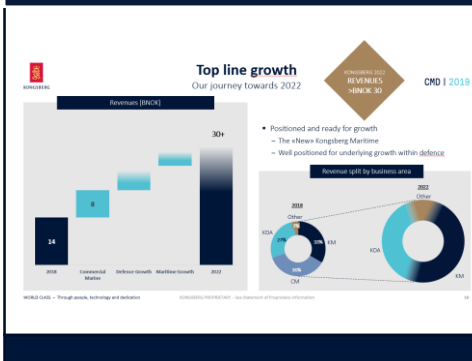
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Roadmap 2019-2022

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Manage the current & invest for the future

Solid growth



Improved profitability



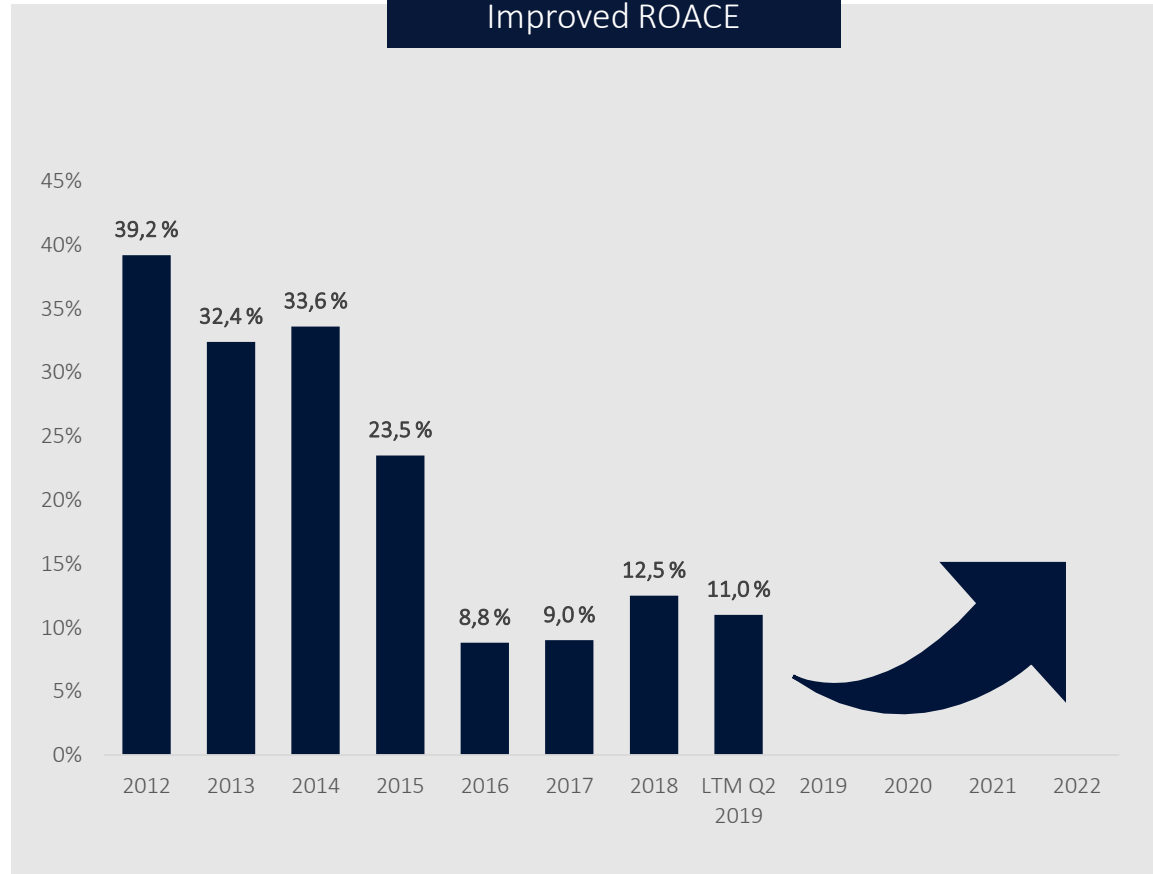
1. Solid balance sheet

2. Invest for organic growth

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4. Portfolio management

Improved ROACE



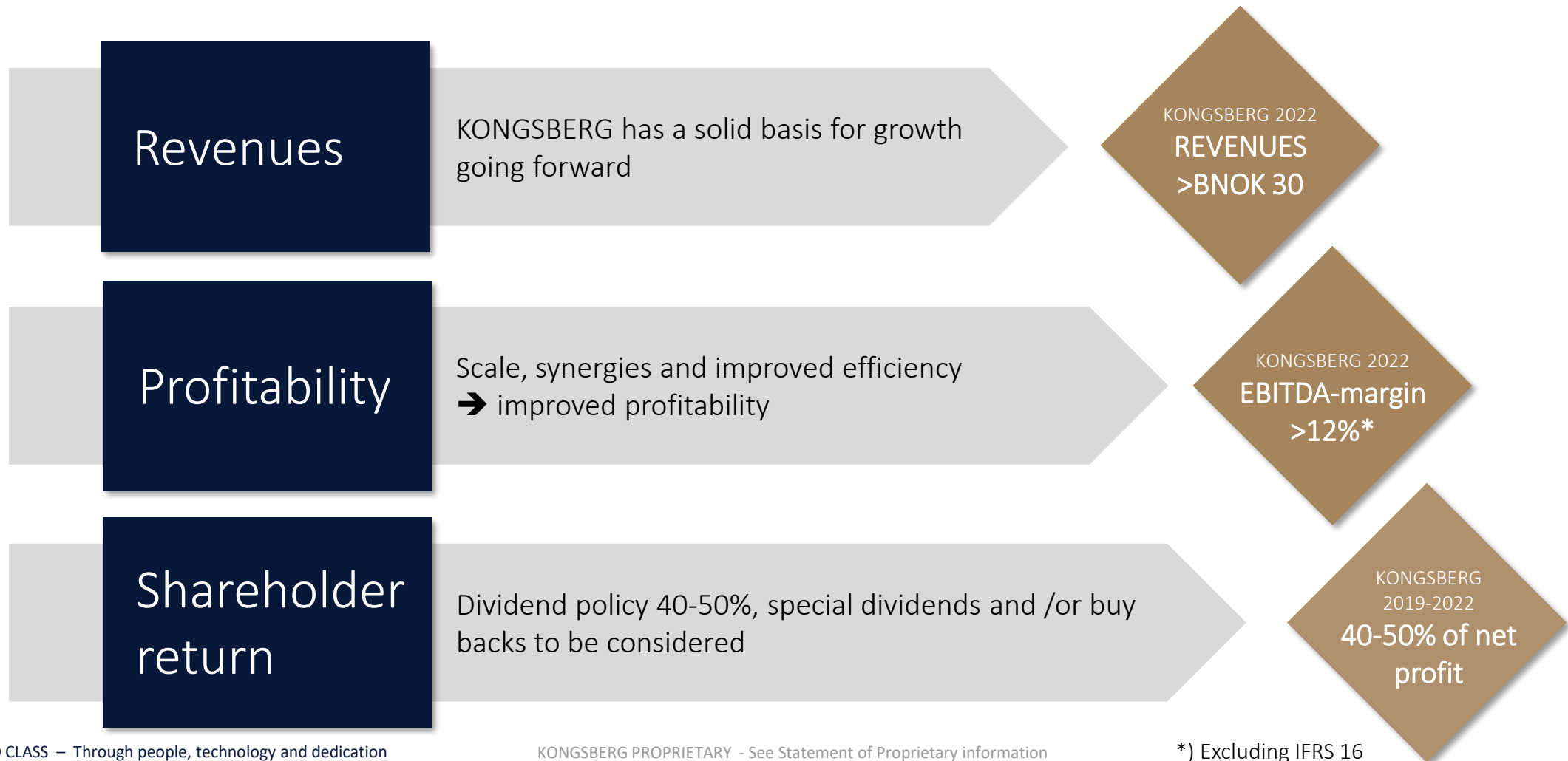


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>BNOK 30 revenues with solid improvement in profitability

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CAPITAL MARKETS DAY 2019