KONGSBERG

INVESTOR PRESENTATION

Q4 2018

14/02/2019

Geir Håøy, President & CEO
Gyrid Skalleberg Ingerø, CFO

CHALLENGES ADDRESSED IN 2018

GROWTH

2018

ACQUISITION OF RRCM
AND AIM NORWAY

GROWTH IN MARITIME AFTER
THREE YEARS OF DECLINE

MARGINS

2018

CONTINUED STRONG
MARGIN IN DEFENCE

UNDERLYING MARGIN IN
MARITIME AT 9.3 %

ORDERS

2018

ORDER BACKLOG
IMPROVED 11 %

SECURED FRAMEWORK
AGREEMENTS WITH I.E.
OTH AND CROWS

MOU'S WITH QATAR

KONGSBERG

AN EXTREMELY EVENTFUL YEAR

KOG

YARA BIRKELAND

JOHAN SVERDRUP
FASE ONE & TWO

AWILCO

AWARDS

MASSTERLY

GRIMALDI

KDA

SINGAPORE POLICE

DIGITAL TWIN

KM

CAPITAL INCREASE

RRCM

AIM NORWAY

MOST ATTRACTIVE

KDI

OTH CONTRACT NSM

CROWS FOLLOW ON

JSM TEST

NORSPACE GALILEO

NSM TO MALAYSIA

QATAR

KONGSBERG

HIGHLIGHTS Q4

GROUP:

- Solid quarter throughout the organization
- Secured RRCM financing through rights issue and bond placement

DEFENCE:

- Acquisition of AIM Norway
- Secured MNOK 805 CROWS order

MARITIME:

- Strongest revenues since Q4 2016
- Preparations for RRCM integration on plan

DIGITAL:

- Strongest revenues since Q1 2016
- Order backlog improved by 38% from strong H2 order intake

4 148 REVENUES	3 859 NEW ORDERS	520 EBITDA	12.5 % EBITDA MARGIN

FINANCIAL STATUS

KONGSBERG

2018

14 381 MNOK (14 490)	**REVENUES** KM MNOK 7 545 (7 429) KDA MNOK 6 104 (6 333)
1 394 MNOK (1 279)	**EBITDA** KM MNOK 594 (589) KDA MNOK 863 (612)
9.7% (8.8%)	**EBITDA MARGIN** KM 7.9 % (7.9 %) KDA 14.1 % (9.7 %)
16 574 MNOK (13 430)	**ORDER INTAKE** KM MNOK 8 884 (7 336) KDA MNOK 6 885 (5 376)

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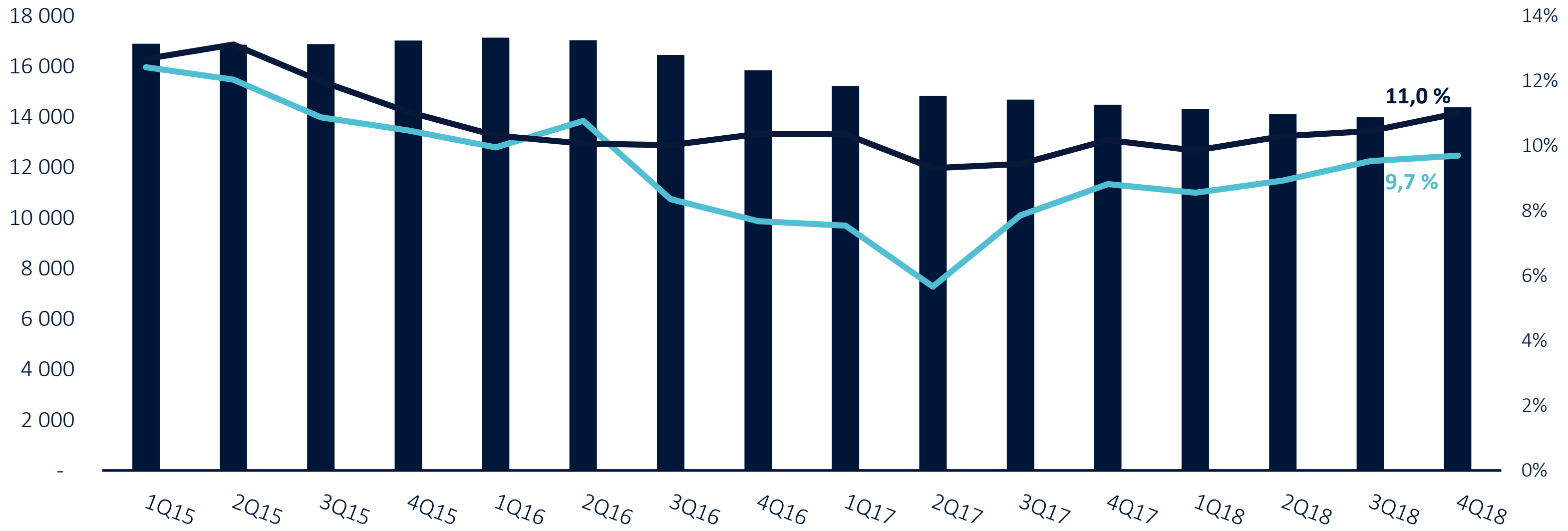
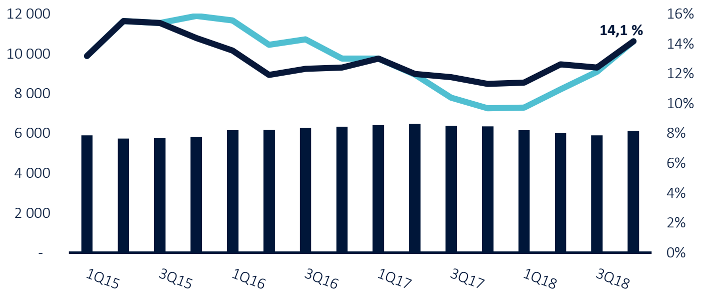
ROLLING LTM

UNDERLYING/REPORTED PERFORMANCE

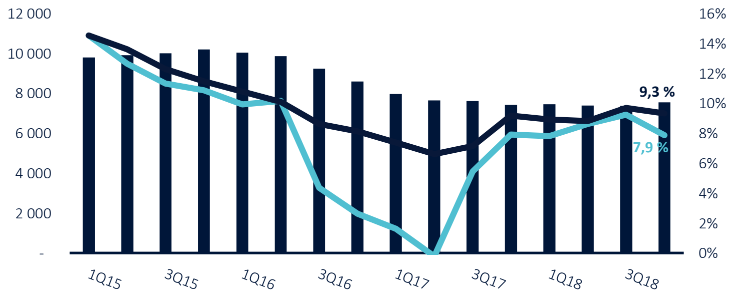


KOG Adjustments include: =<2017: Released provisions, impairment and restructuring, >=2018: acquisition costs, integration costs

LTM Revenues LTM EBITDA % LTM Underlying EBITDA %



KDA Adjustments: Released provisions & restructuring



KM Adjustments: Impairment, restructuring & integration costs

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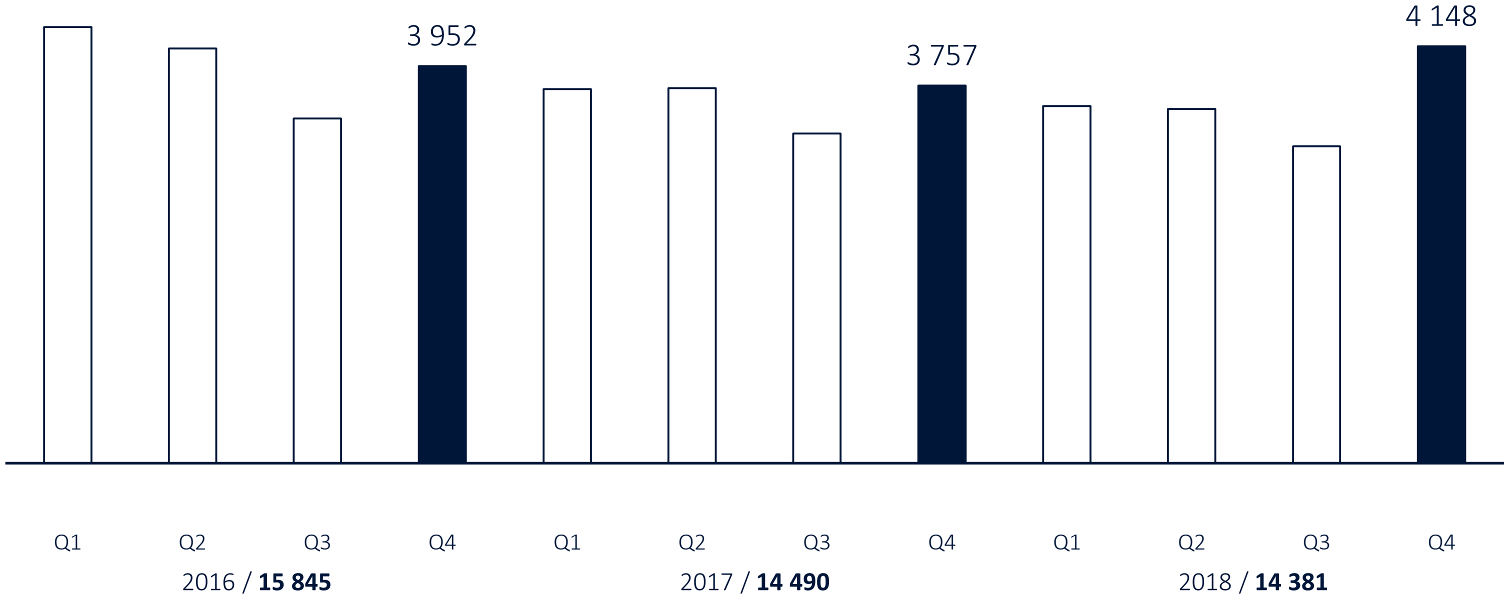
REVENUES Q4

REVENUES UP 10.4% YoY

KM revenues up 8.7% YoY

KDA revenues up 12.8% YoY



KDA / 1 898

(1 683)

KM / 2 041

(1 877)

OTHER / 209

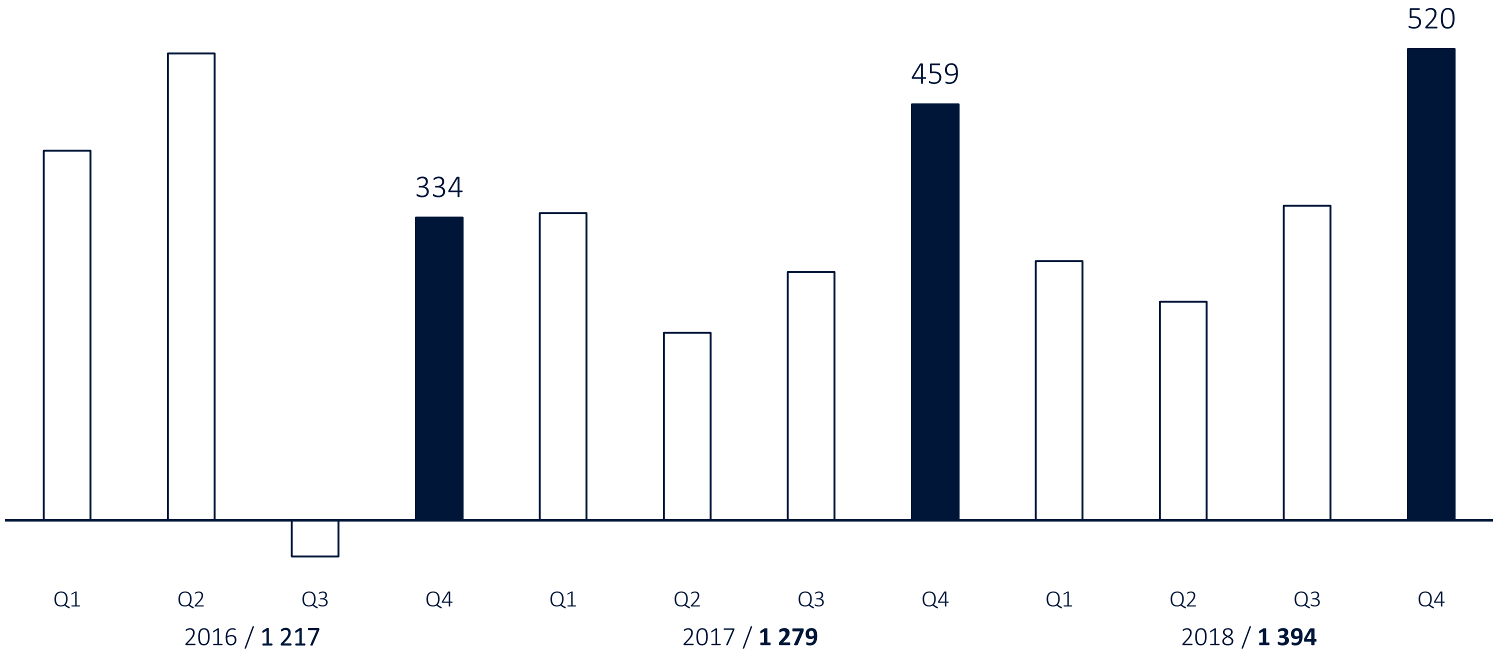
(197)

EBITDA Q4

12.5 % OVERALL MARGIN (12.2%)
MNOK 85 integration costs included in Q4 2018

STRONG KDA QUARTER
Project mix, project milestones, volume

11.0 % UNDERLYING EBITDA MARGIN IN KM
Project execution, high utilization, volume



KDA / 371
19.5 % MARGIN

KM / 140
6.9 % MARGIN

OTHER / 9

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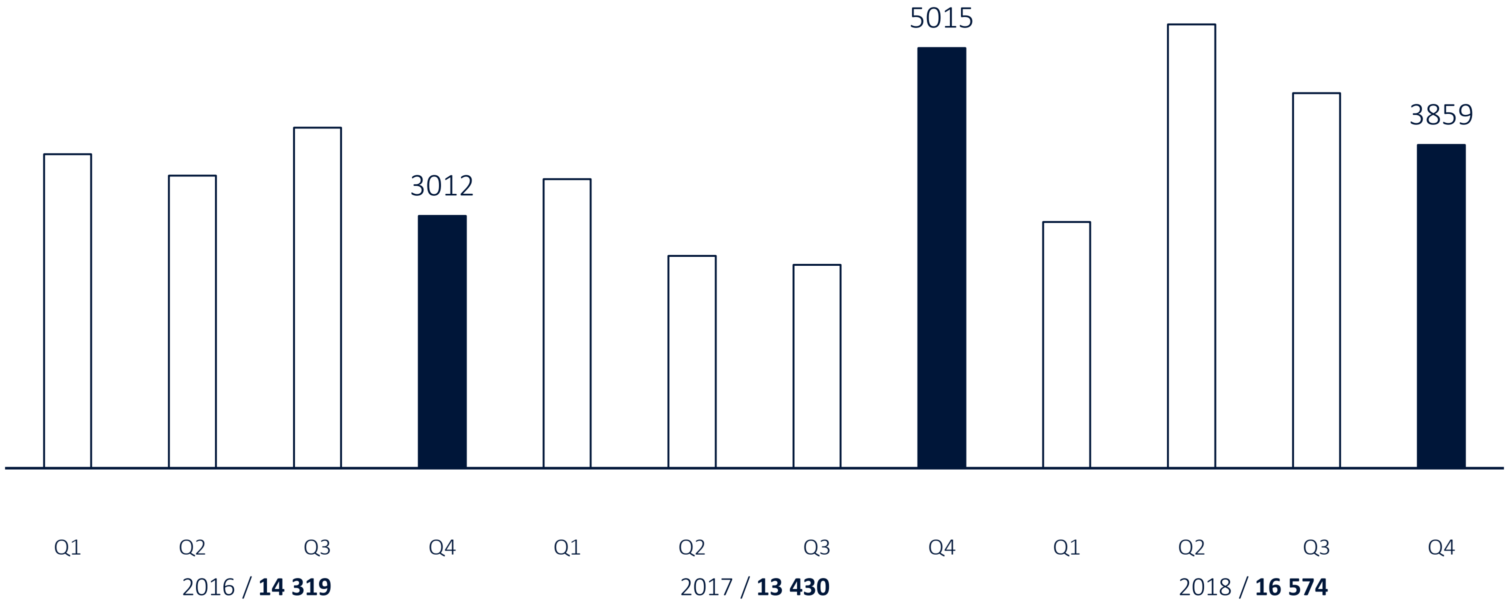
NEW ORDERS Q4

2018 BOOK/BILL 1.15, 0.93 IN Q4
MNOK 17 283 total order backlog

KM BOOK/BILL 0.91
Order backlog grew 19.5 % in 2018
MNOK 700 more secured in backlog for delivery in 2019 compared to 2018

KDA BOOK/BILL 0.93
Order backlog grew 7.9 % in 2018
MNOK 805 order for CROWS



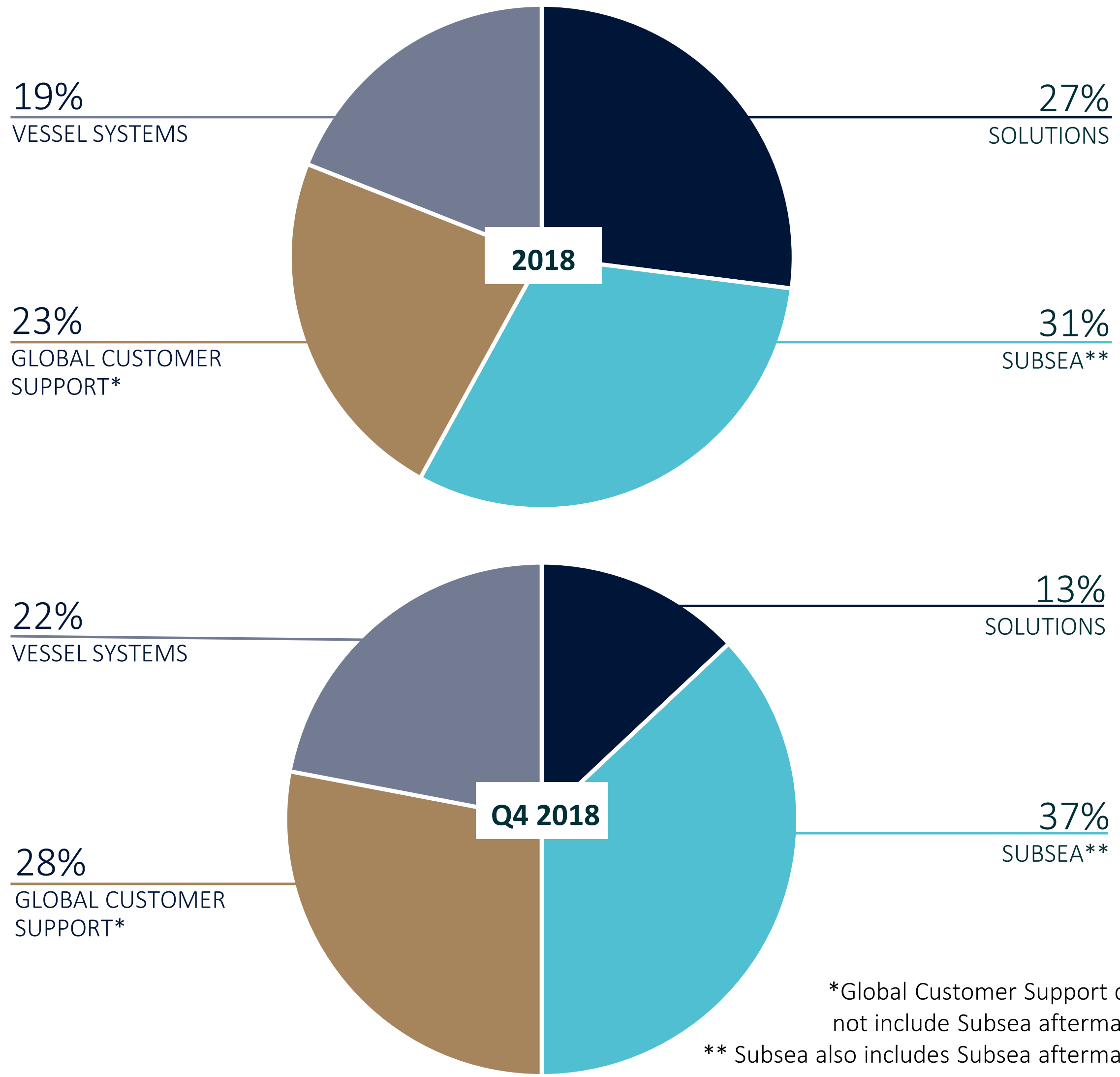
KDA / 1 770
(3 168)

KM / 1 853
(1 693)

NEW ORDERS KONGSBERG MARITIME

2018: **MNOK 8 884**

Q4: **MNOK 1 853**



*Global Customer Support does not include Subsea aftermarket
** Subsea also includes Subsea aftermarket

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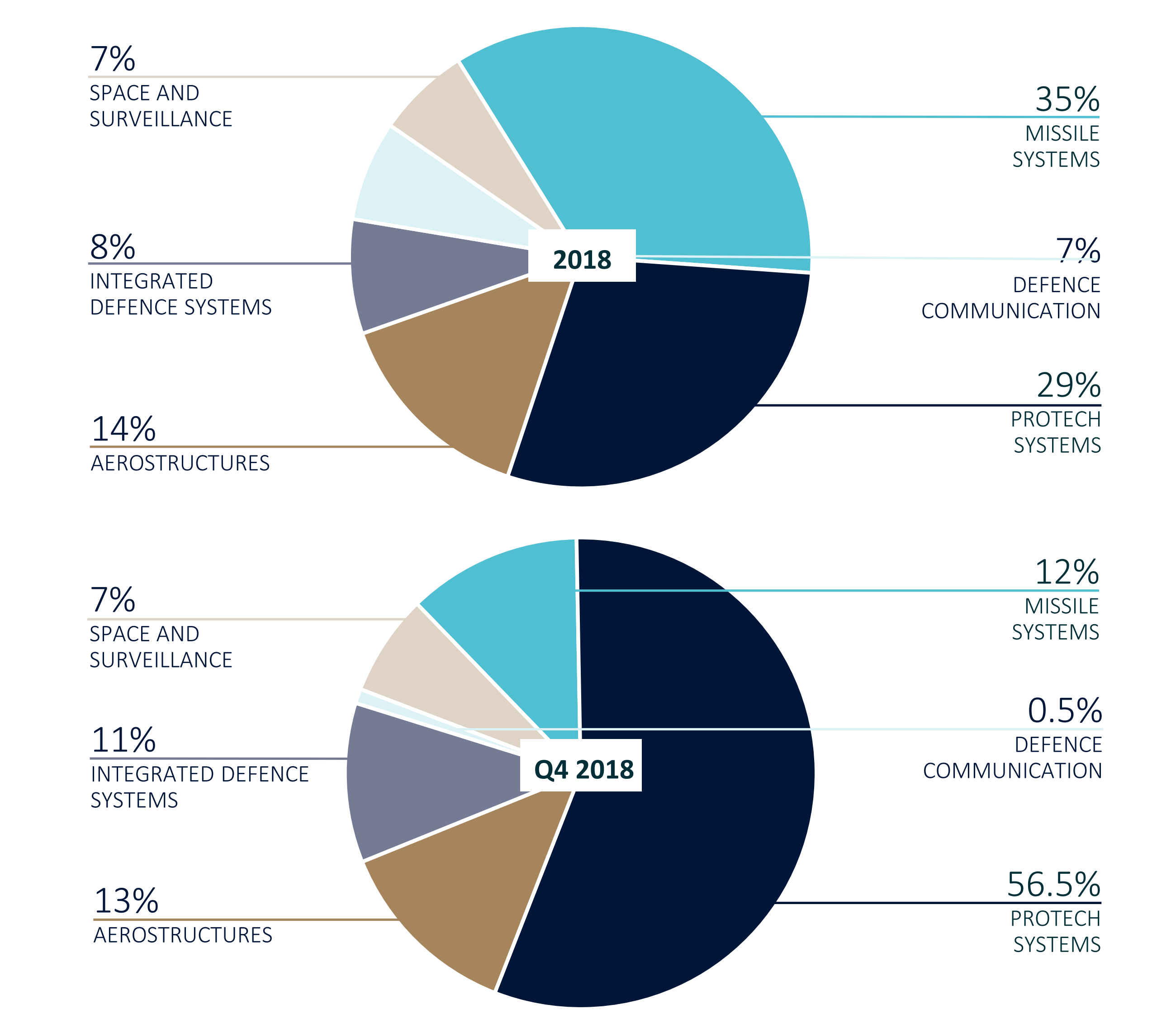
NEW ORDERS KONGSBERG DEFENCE AND AEROSPACE

2018 **MNOK 6 885**

Q4 **MNOK 1 770**



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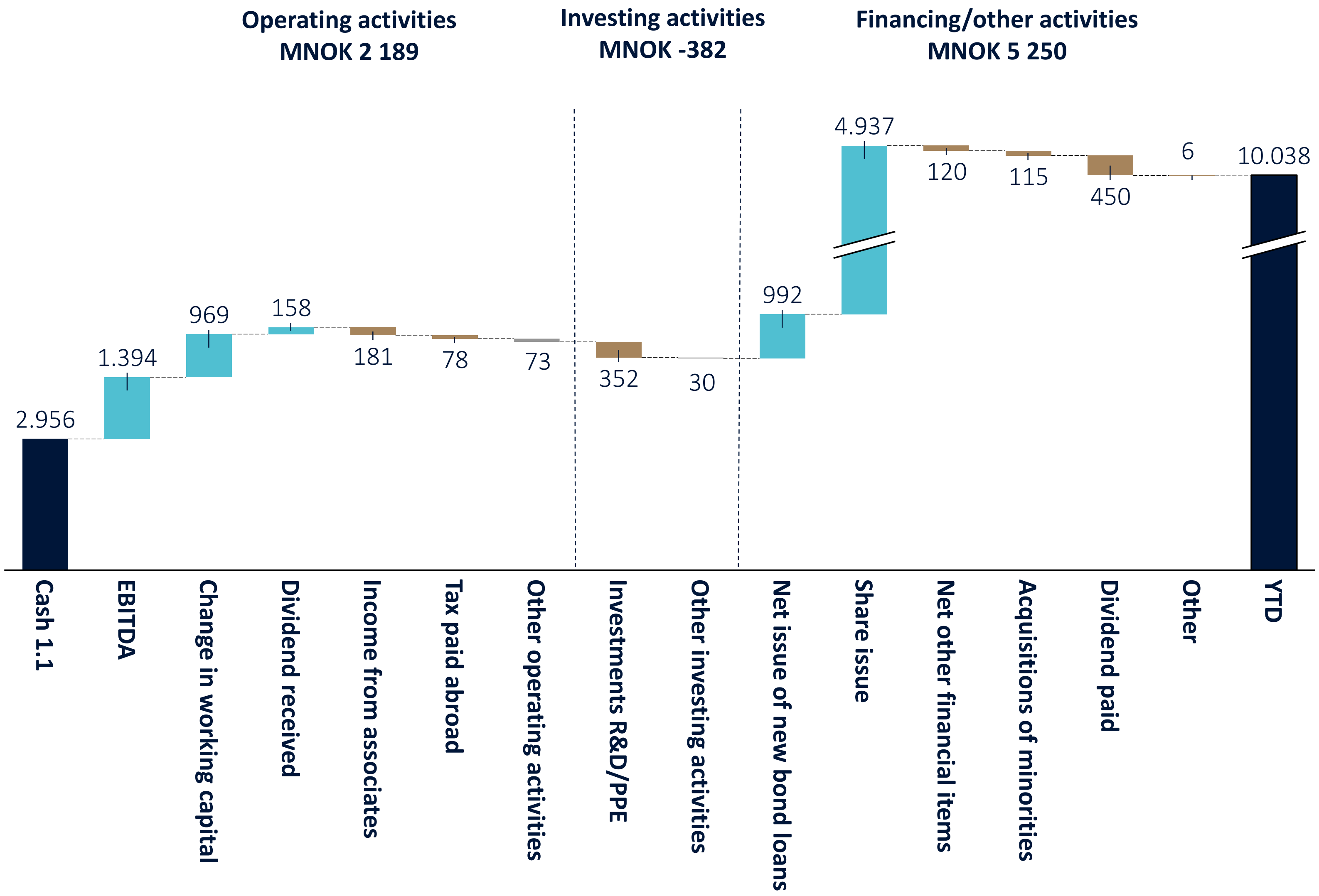
DEVELOPMENT IN CASH AND SHORT TERM DEPOSITS

Share issue: amount is net received after capital costs

Reduced investments in R&D/PPE in all areas, compared to 2017 (down MNOK 116)



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STRONG BALANCE SHEET

	Q4 2018	Q3 2018	2017
Gross interest bearing debt	4 020	3 019	3 340
Cash and short-term deposits	10 038	2 990	2 956
Net interest bearing debt	-5 706	336	384
Equity ratio	45.7 %	35.5 %	35.6 %
ROACE	12.5 %	10.7 %	9.0 %

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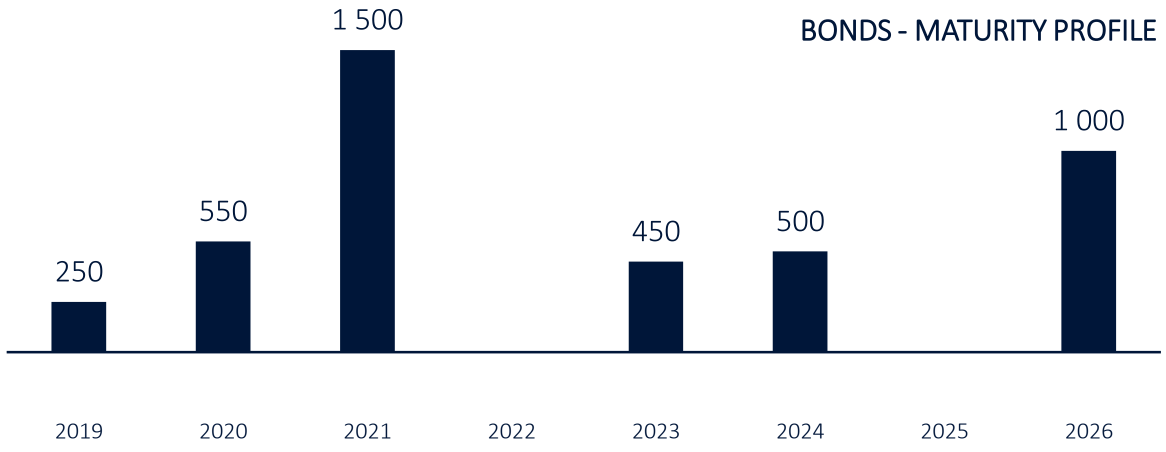
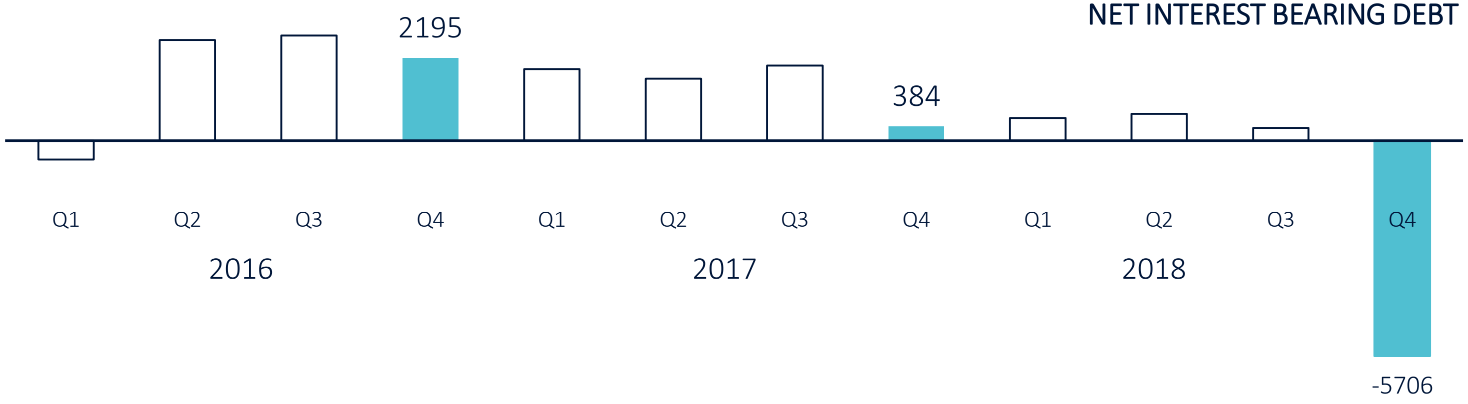
DEBT POSITION

HEALTHY MATURITY PROFILE





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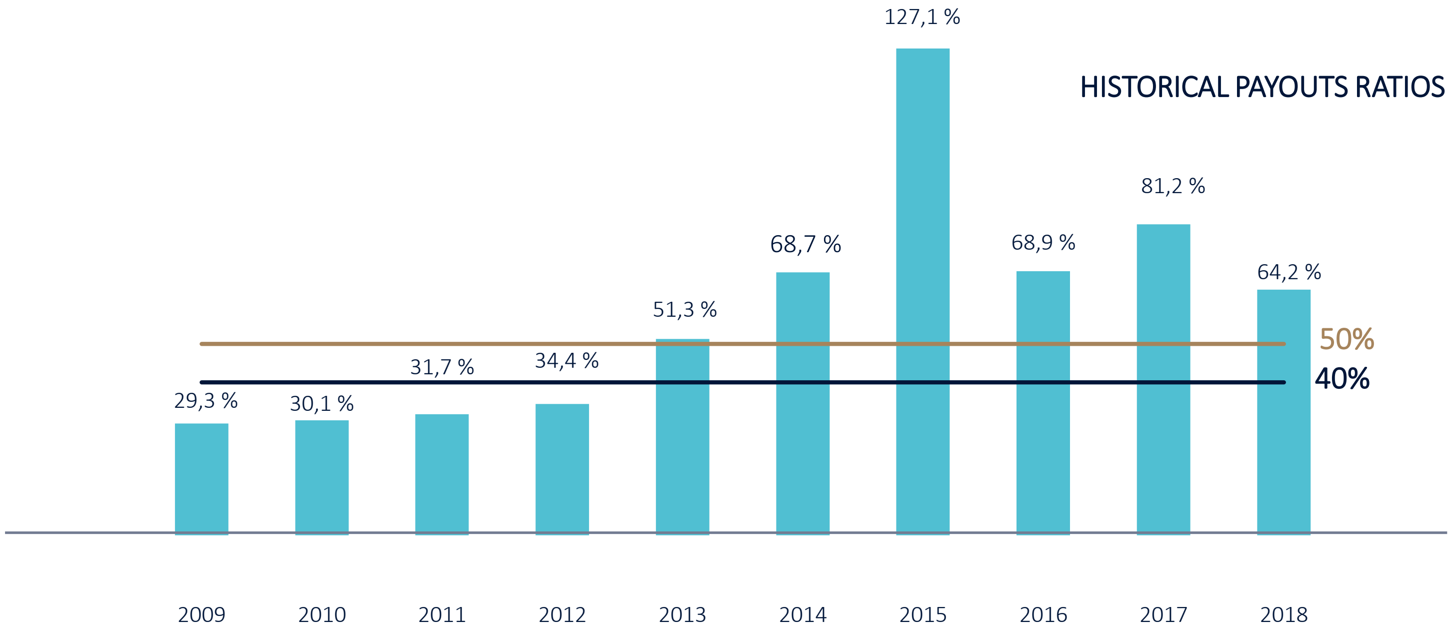
	2016	2017	2018*
Total dividends	MNOK 450	MNOK 450	MNOK 450
Payout ratio	68.9 %	81.2 %	64.2 %

* Proposal for 2018 AGM

DIVIDEND

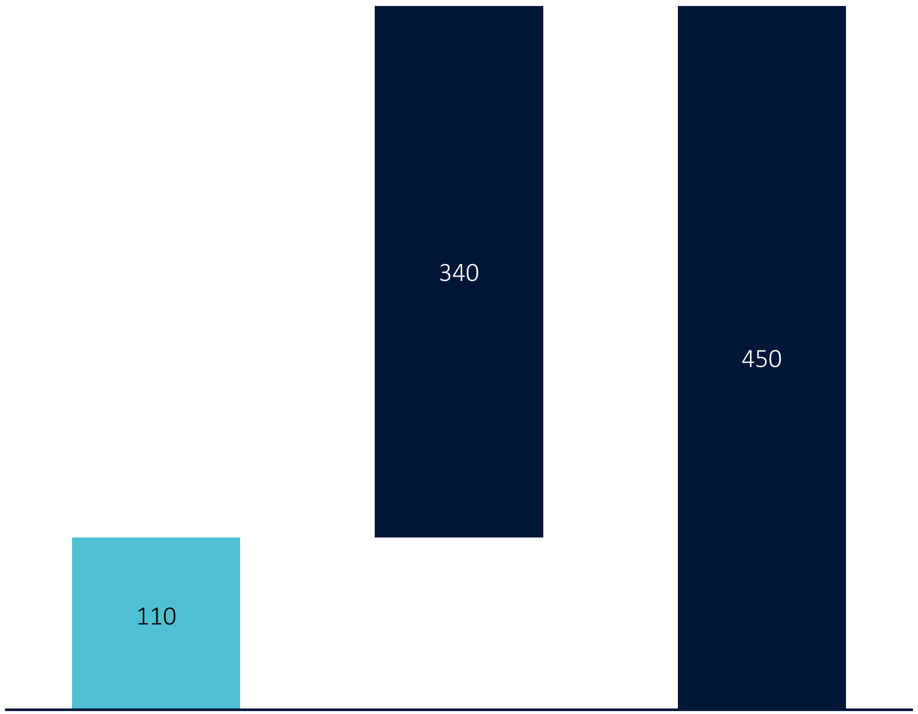
THE BOARD PROPOSES FOR THE ANNUAL GENERAL MEETING ON 14 MAY 2019 A DIVIDEND OF NOK 2,50 PER SHARE FOR FY 2018

Dividends shall over time constitute between 40 and 50 per cent of the company's ordinary net profit after tax, future capital requirements taken into account



STATUS INTEGRATION
ROLLS-ROYCE COMMERCIAL MARINE

INTEGRATION COSTS



ACTIONS AND TIMELINE

Close to 6 000 actions to be completed prior to closing

Largest external costs related to IT, legal, and harmonization and separation actions.

Closing expected to take place 1st april, 2019

Presentation of integration plans and short term targets to be presented on 1st quarter presentation 10th may.

STATUS INTEGRATION
ROLLS-ROYCE COMMERCIAL MARINE

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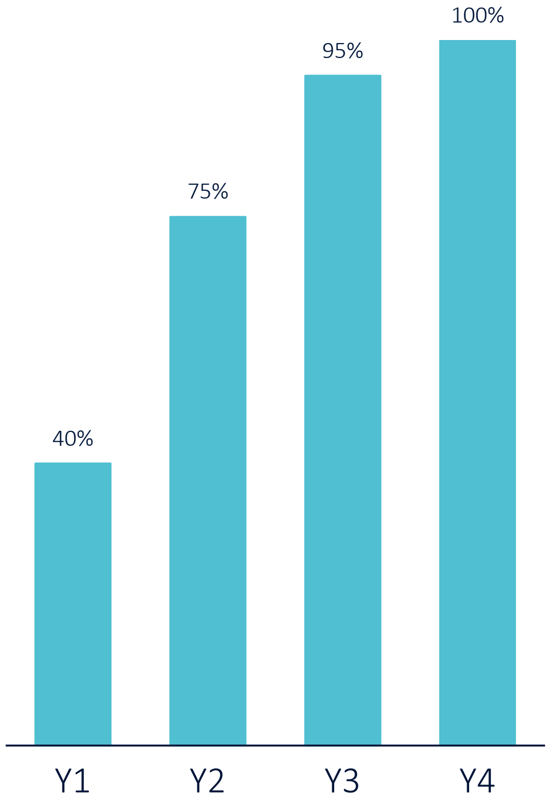
OVERVIEW OF SYNERGIES



Expected annual run-rate cost synergies in excess of NOK 500 million through infrastructure optimization and streamlining

Cost synergies expected to reach run-rate by 2022, with approximately 75% achieved by end of 2020 (full year effect)

Implementation and integration costs of approximately NOK 450 million

Also significant potential for revenue synergies from cross-sales, sale of more integrated packages and broader scope on aftermarket sales through combined installed base

KEY AREAS OF POTENTIAL COST SYNERGIES

	Estimated annual run-rate synergies:
Site co-locations and streamlining of production	MNOK 200
Realization of synergies within the sales, general and administrative functions, as well as indirect procurement	MNOK 200
Consolidation of overlapping R&D spending and prioritization of total R&D efforts according to future market potential	MNOK 100

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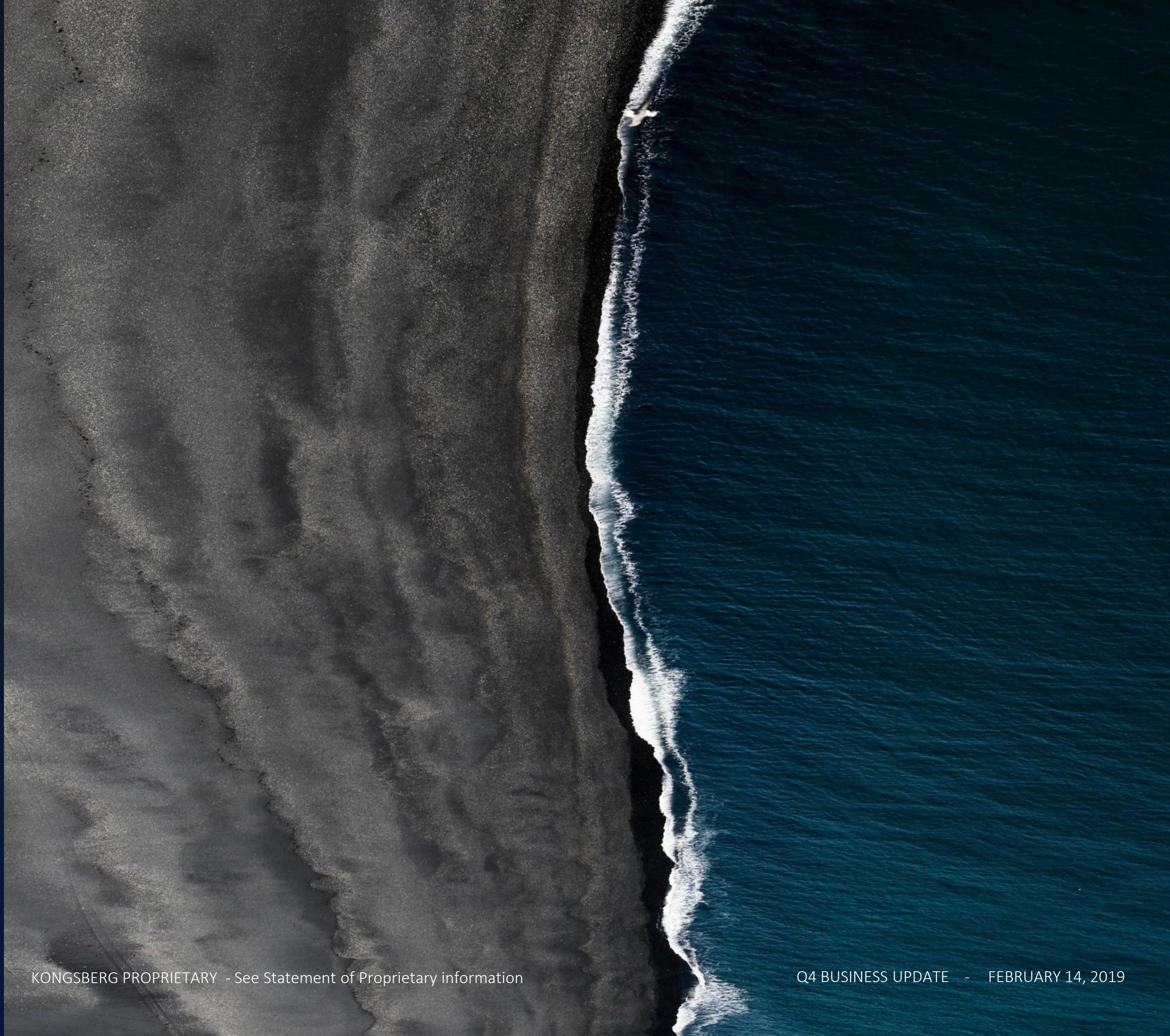
BUSINESS UPDATE



BUSINESS UPDATE KONGSBERG DEFENCE & AEROSPACE

Strong quarter with solid margins

- Revenue increase from ramp-up of new projects and F35
- Favorable project mix and milestones
- Solid project execution

Acquisition of AIM Norway

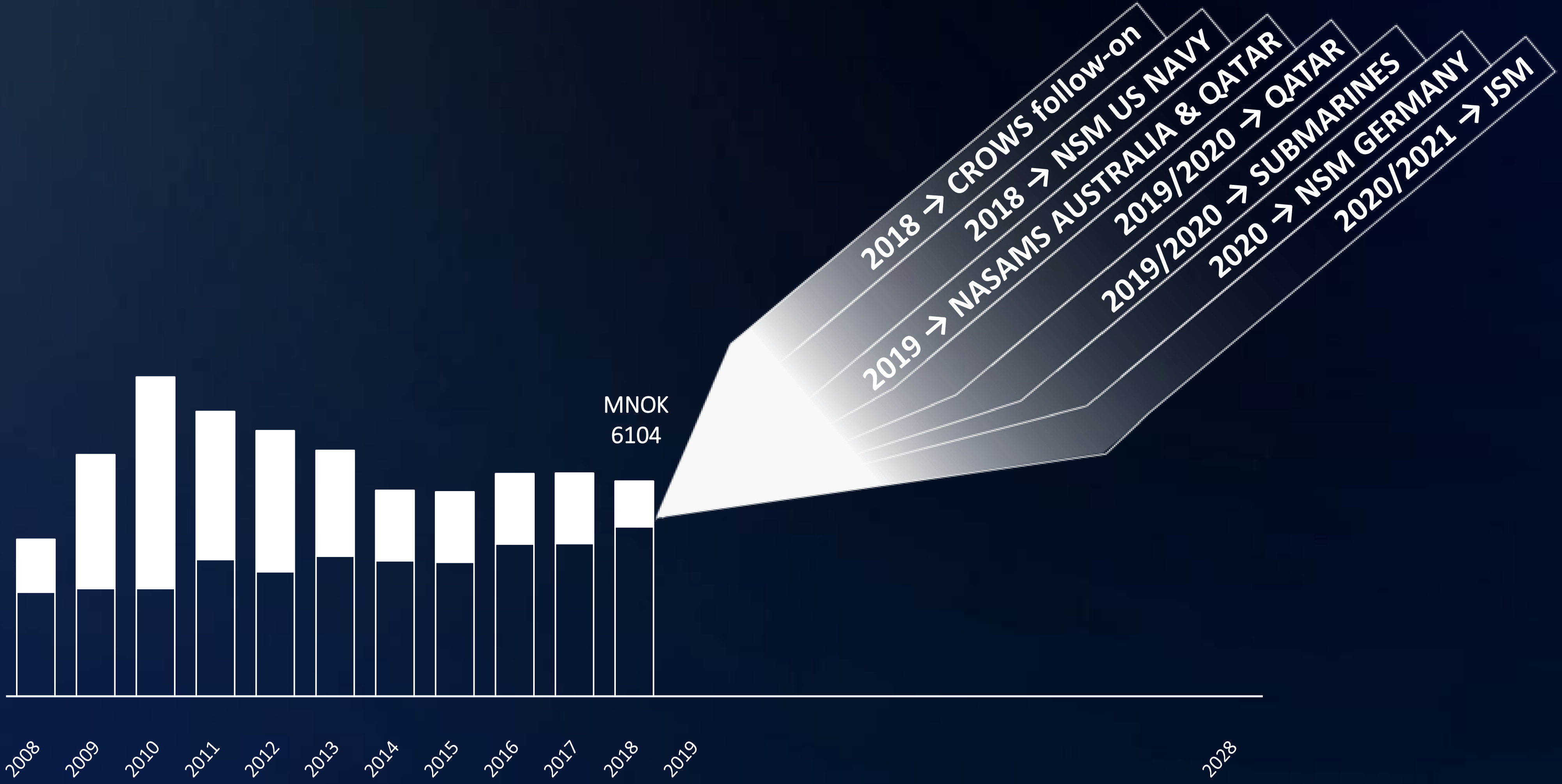
- Strengthens position as Norwegian armed forces' strategic partner for operative requirements

Order backlog increased 7.9 % in 2018

- MNOK 805 contract for CROWS program in Q4
- Ongoing negotiations on several large programs

1 898 / 6 104	1 770 / 6 885	371 / 863	19.5% / 14.1%
REVENUES	NEW ORDERS	EBITDA	EBITDA-MARGIN

SECURED POSITION FOR FUTURE GROWTH



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AIM NORWAY

A MAJOR ACTOR IN AVIATION INDUSTRY SINCE 1916

Strengthens KONGSBERGs role as a strategic partner for the Norwegian armed force’s operative requirements, both as a supplier of equipment and for maintenance

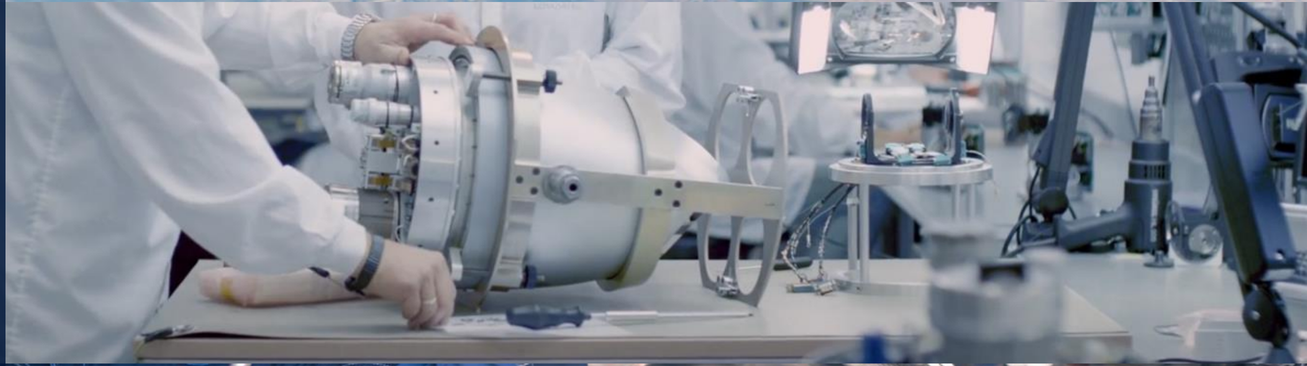
Closing expected within H1 2019

EMPLOYEES / 440

OFFICES/ 3

AVIATION

ELECTRONICS



MECHANICS

ENGINES & COMPONENTS

BUSINESS UPDATE KONGSBERG MARITIME

Delivering operational excellence

- Our customers have first priority, at the same time we are preparing the largest integration in the company's history

Revenue improvement, margins impacted by integration costs

- High utilization and good development in operations
- Margins impacted by MNOK 85 integration costs

Order backlog increased 19.1 % in 2018

- Integrated concepts
- Johan Sverdrup
- LNG
- PAX
- Marine robotics

2 041 / 7 545	1 853 / 8 884	140 / 594	6.9% / 7.9%
REVENUES	NEW ORDERS	EBITDA	EBITDA-MARGIN

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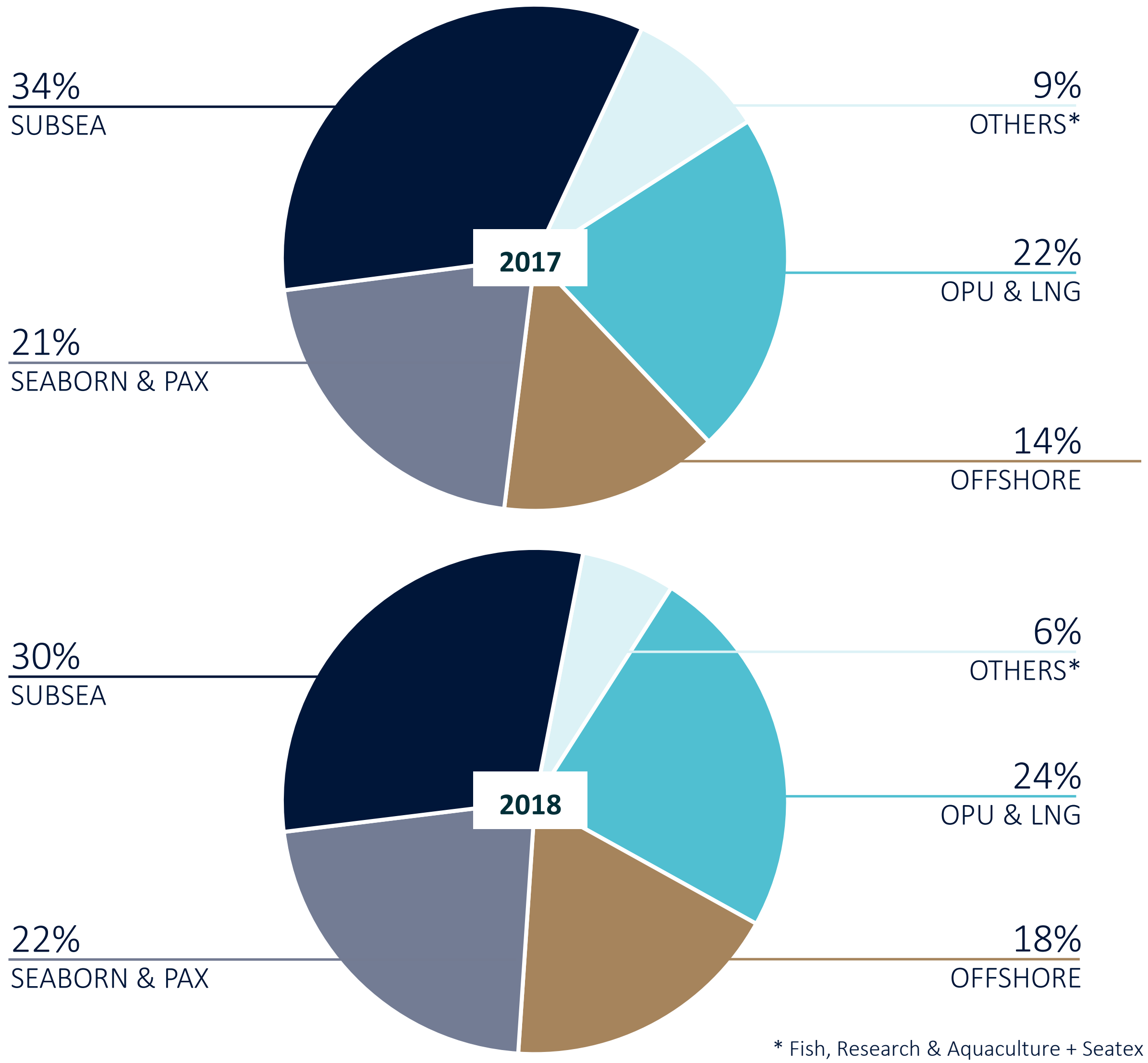
SOLID AND DIVERSIFIED ORDER INTAKE KM

TOTAL ORDER INTAKE 2017: MNOK 7 336

TOTAL ORDER INTAKE 2018: MNOK 8 884



* Fish, Research & Aquaculture + Seatex

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BUSINESS UPDATE KONGSBERG DIGITAL & PATRIA

KDI

HIGHEST REVENUES SINCE Q1 16 AND 1.13 BOOK/BILL IN Q4

Order backlog grew 38% in 2018

Continued focus on further developing positions within digitalization of core areas such as oil&gas, wind and merchant marine.

PATRIA

2018 REVENUES AT MEUR 476, UP 1.8%
5.7 % decline in Q4 YoY,

Growth in Systems-division related to Hamina-contract signed early 2018.
Good development within maintenance areas, no major land business (vehicles) opportunities concluded

KONGSBERG's share of net profit was MNOK 65 in Q4 and MNOK 80 in 2018

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FOCUS FORWARD

OPERATIONAL EXCELLENCE PROFITABILITY

KM

Successful integration RRCM

Secure orders

KDA

Successful integration of AIM NORWAY

Secure orders

KDI

Secure scaling

Continue positive development for Maritime Simulation

2019 OUTLOOK

KM

Integration of RRCM will impact overall profitability

Good order intake in 2018 and some improvement in lifecycle business founds some revenue increase

KDA

Due to sizable contracts in negotiation, time of signing might influence this years' revenues

Current backlog indicates some growth independent of new contracting

KDI

Continued focus on further development of the area

25 % increased order intake in 2018 founds growth

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Q&A