

CMD²⁰₁₄
CAPITAL MARKETS DAY



KONGBERG GRUPPEN ASA

Walter Qvam, President & CEO

Hans-Jørgen Wibstad, CFO & Executive Vice President

Agenda



TIME	TOPIC	PRESENTER(S)	
09:45	Welcome	VP IR	Jan Erik Hoff
09:55	Kongsberg Gruppen ASA	CEO CFO	Walter Qvam Hans-Jørgen Wibstad
11:00	Kongsberg Maritime	EVP	Geir Håøy
11:40	Kongsberg Oil & Gas Technologies	EVP	Pål Helsing
12:00	Lunch		
13:00	Kongsberg Protech Systems	EVP	Espen Henriksen
13:20	Kongsberg Defence Systems	EVP	Harald Ånnestad
14:10	Q&A Session		All
14:30	Final Remarks	CEO	Walter Qvam
14:45	End		



EXTREME PERFORMANCE FOR EXTREME CONDITIONS

We develop and deliver advanced systems and technology for people working under extreme conditions.

Our solutions ensure efficiency, safety, security and high performance in operations ranging from deep sea to outer space.

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- Introduction – This is KONGSBERG
- Financial status
- Status ambitions from 2013 CMD
- Status Delta One
- Innovation
- Commencing the next 200

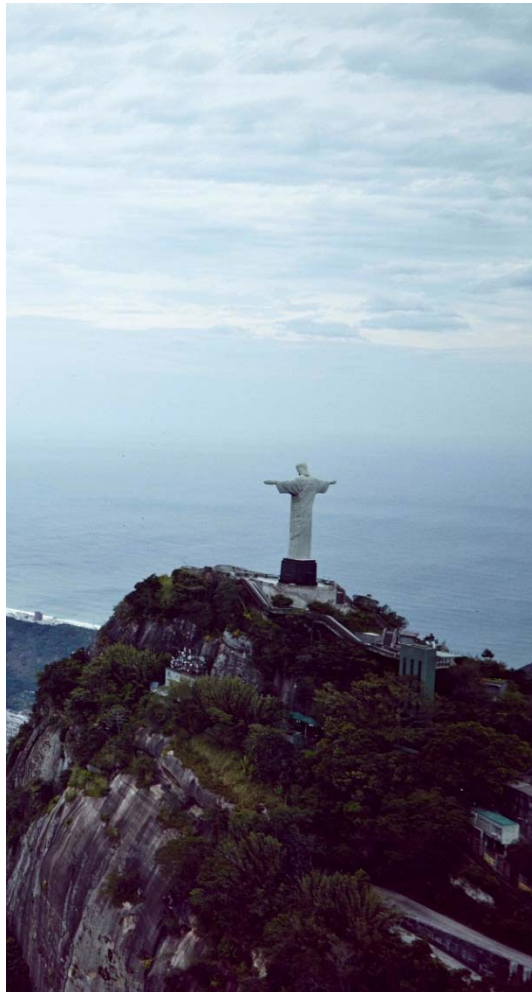
2014 - the first year of our next 200



Providing advanced solutions for extreme performance under extreme conditions



Continuing to serve demanding customers all over the world



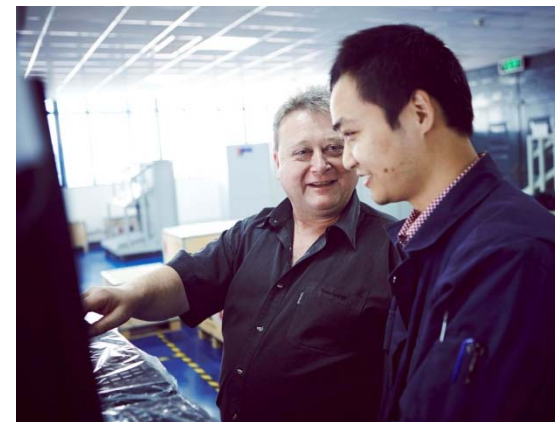
Involved in the world's most technology intensive industries



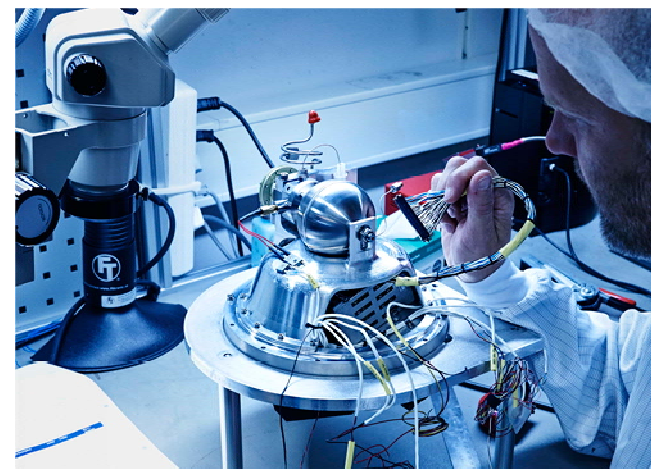
Rapidly adapting to changes and opportunities



Involved in strategic areas, often of national interest



Highly skilled, dedicated and hard working employees



A genuine belief in that our strong, value based culture drives our performance



DETERMINED



INNOVATIVE



COLLABORATIVE



RELIABLE



Development since CMD 2013



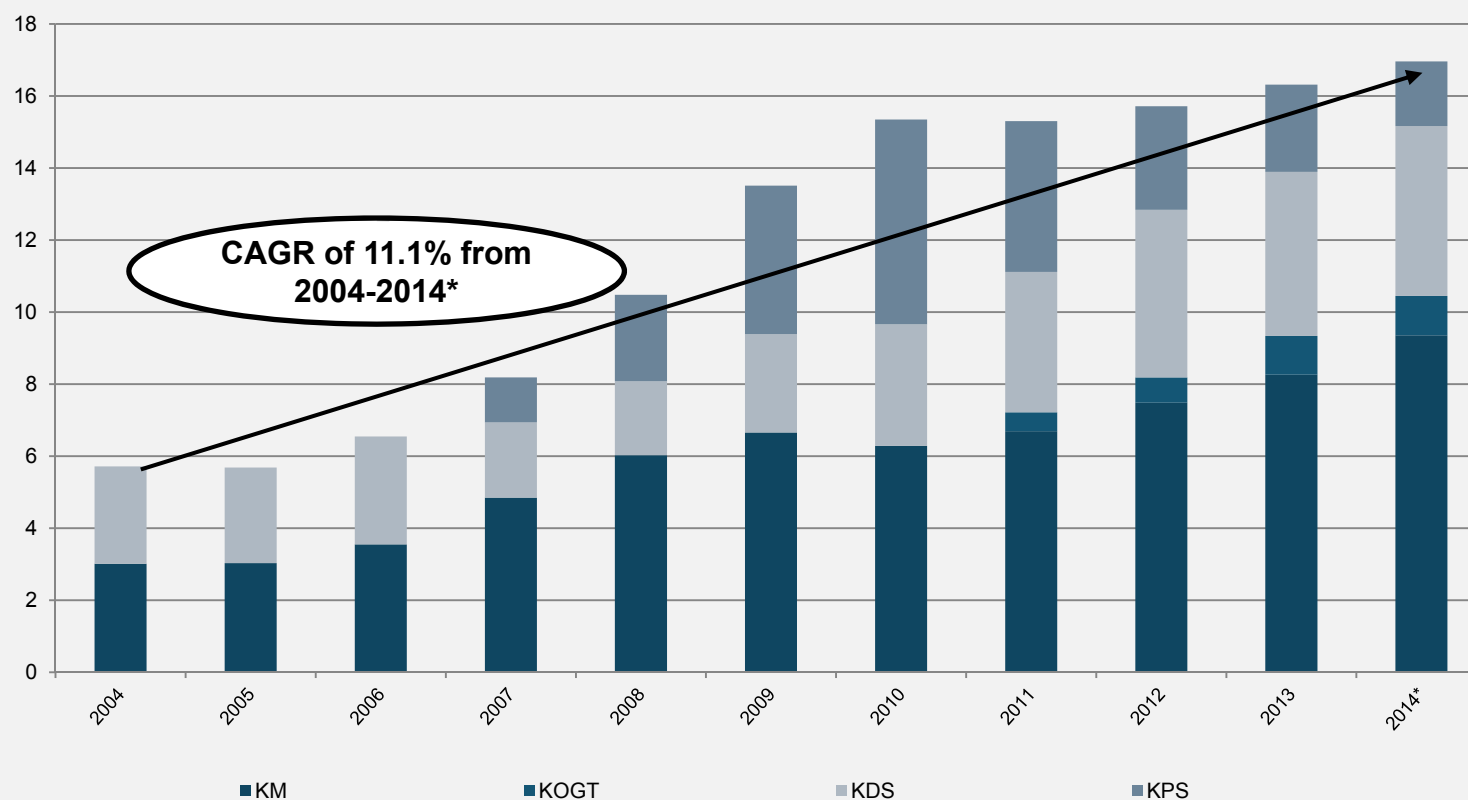
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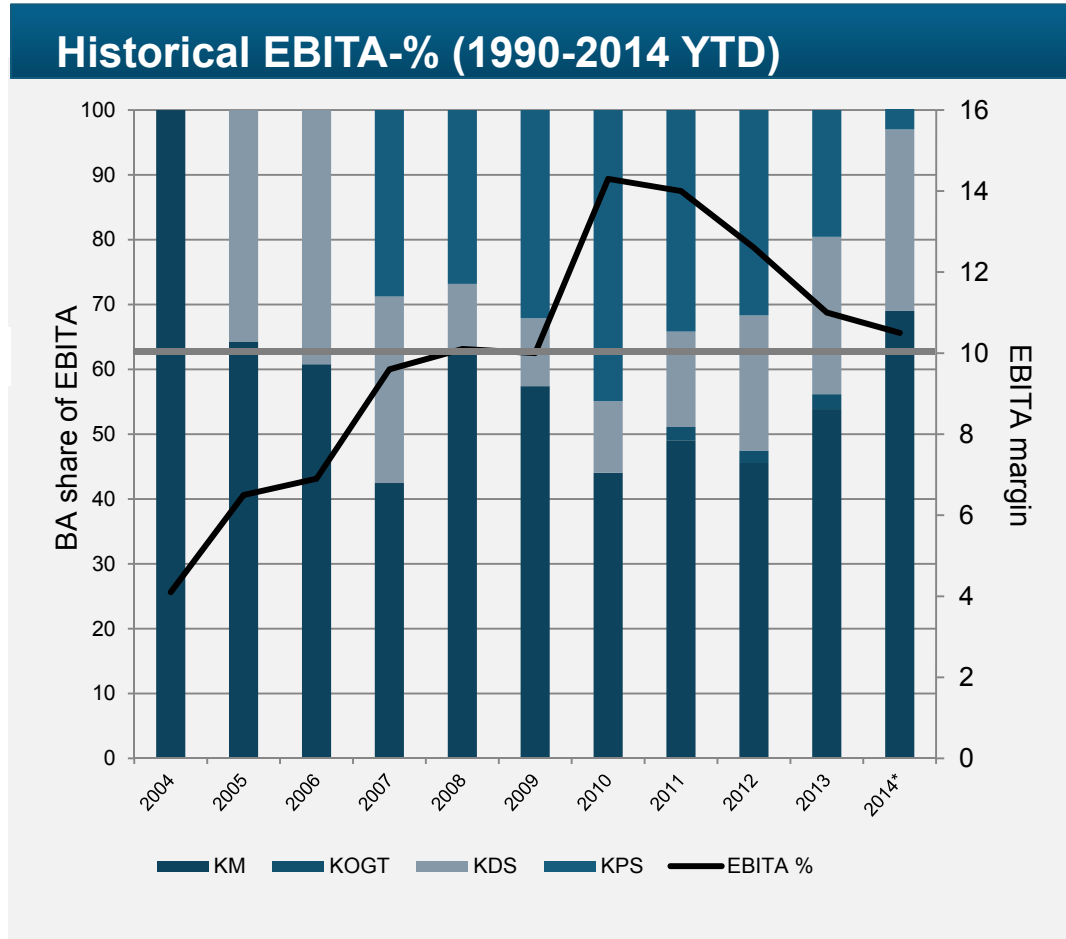
A decade of growth

Historical revenue growth (2004-2014*)



*) 2014 LTM figures

Diversity delivers

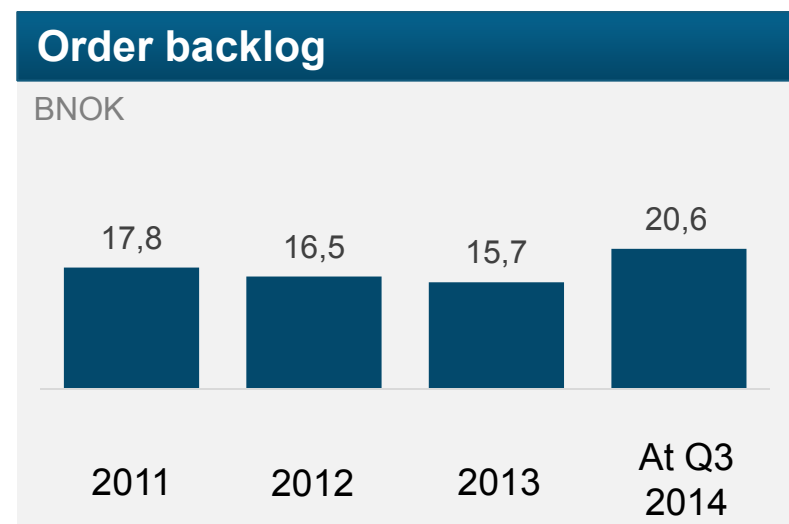
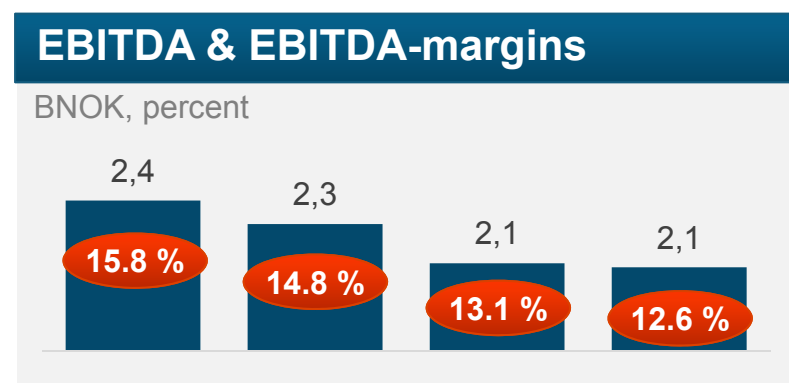
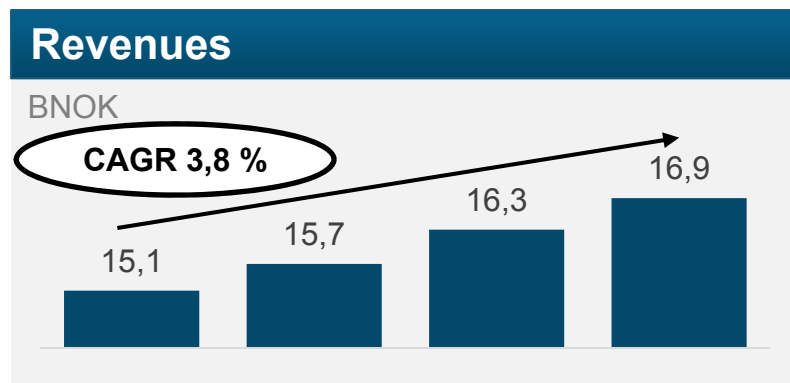


A double digit EBITA-% business

EBITDA-% approximately 2% points higher

Increased revenues and order intake

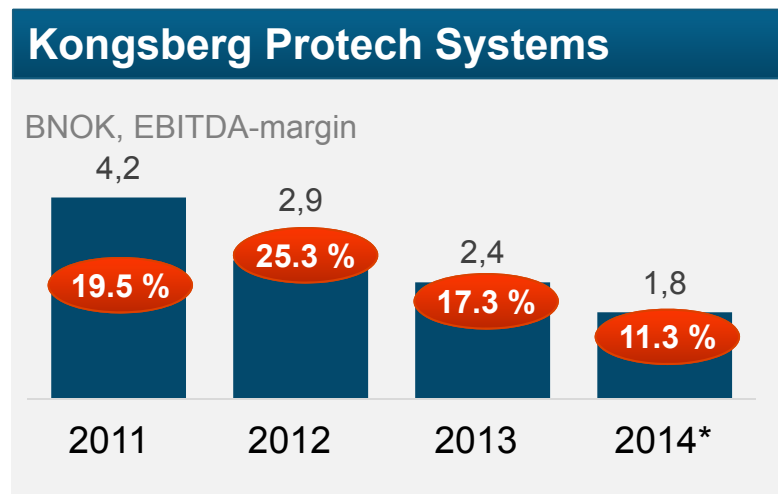
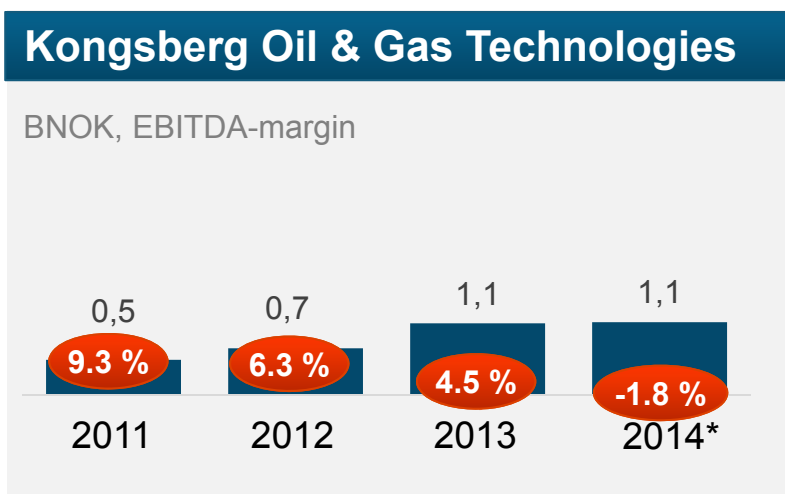
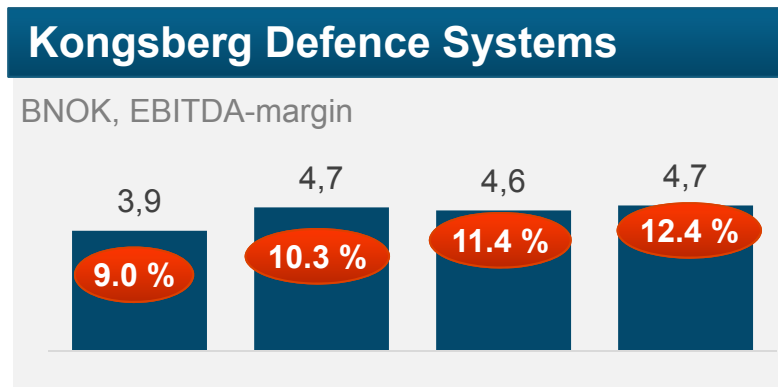
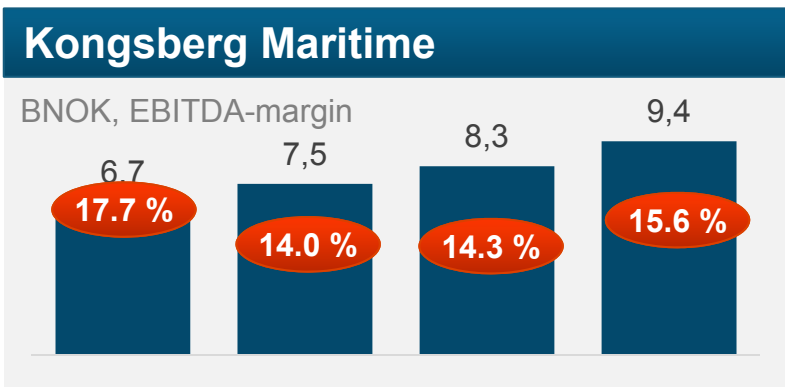
– Record high order backlog and solid margins



* 2014 figures are "Last 12 months"

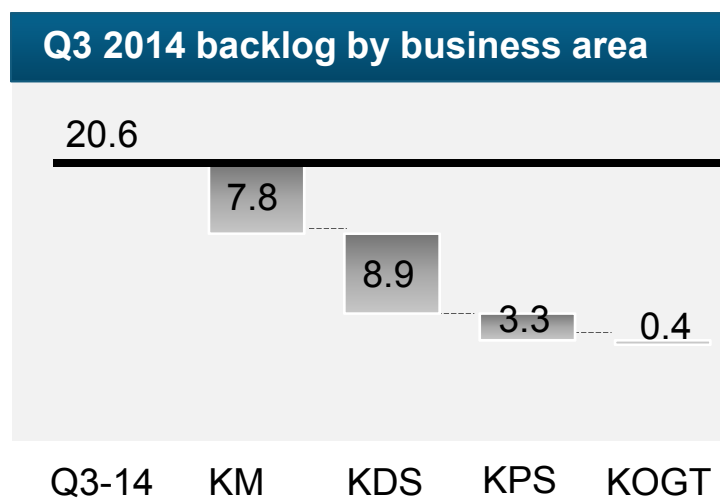
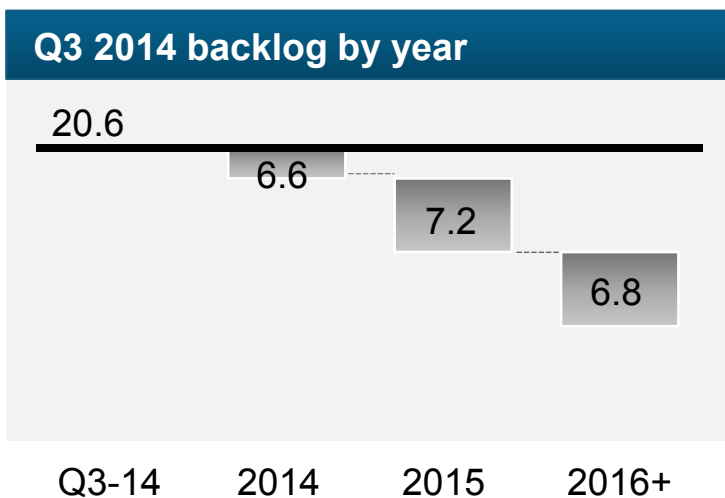
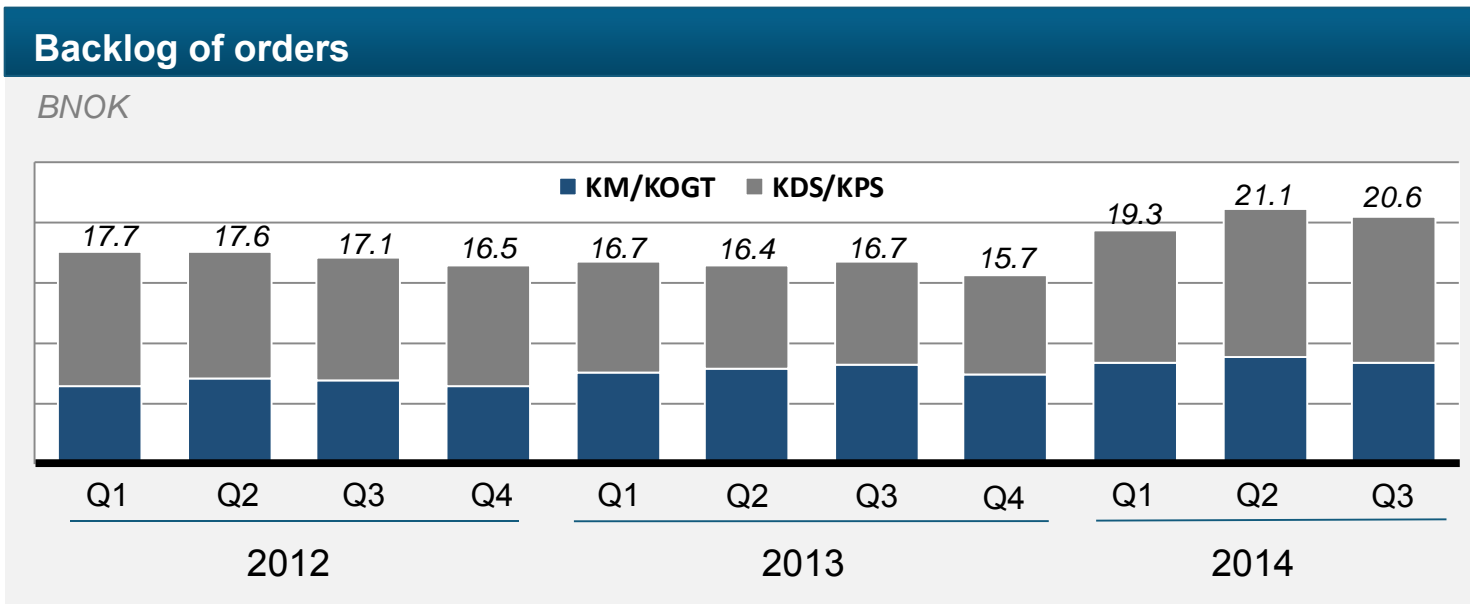
The two largest business areas are growing and improving margins

Revenue, EBITDA-margin



* 2014 figures are "Last 12 months"

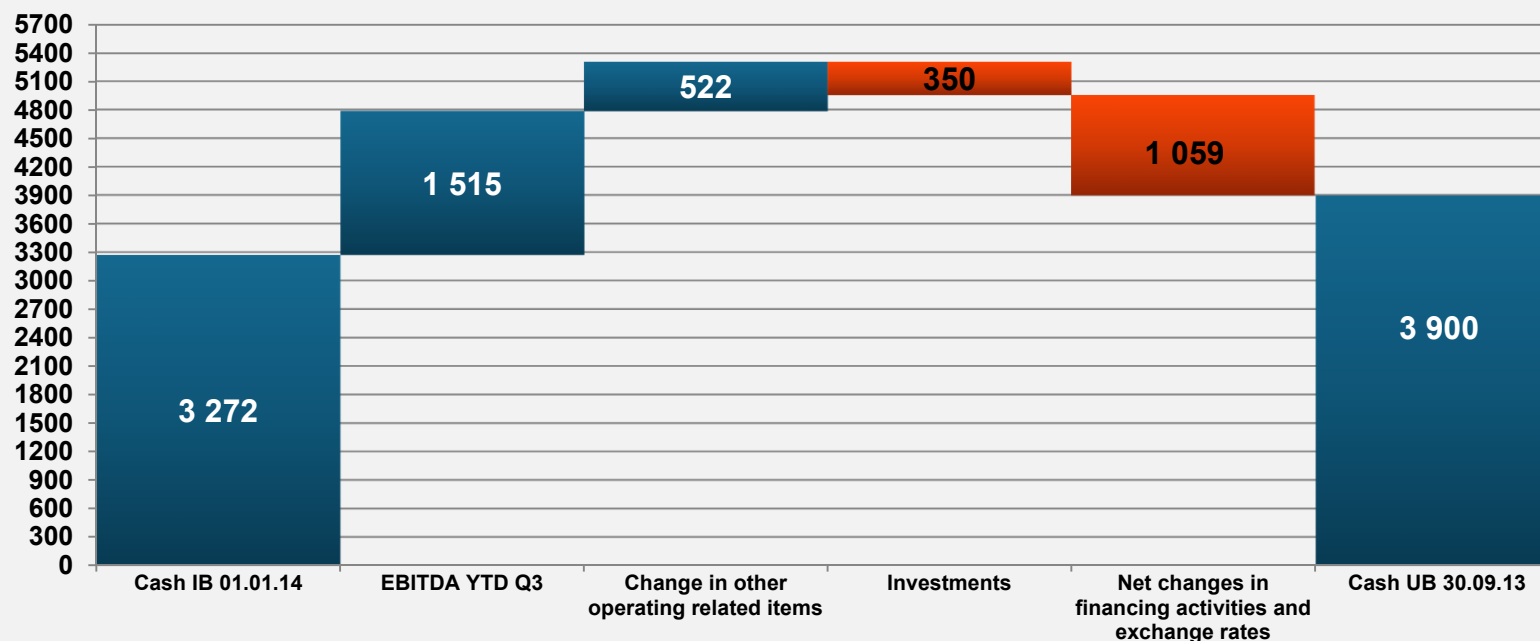
Strong and improving backlog – good visibility



Strong and improving cash flow last two years



Cash flow YTD 2014



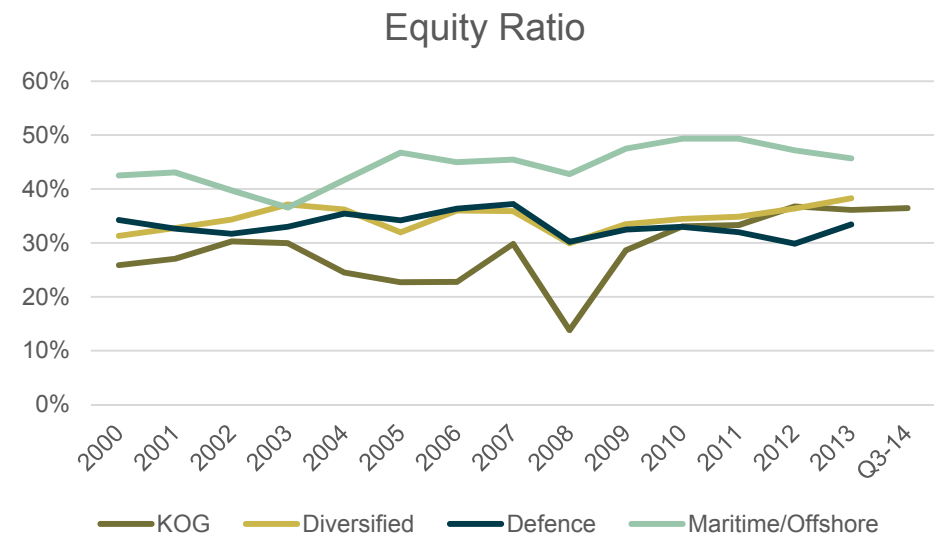
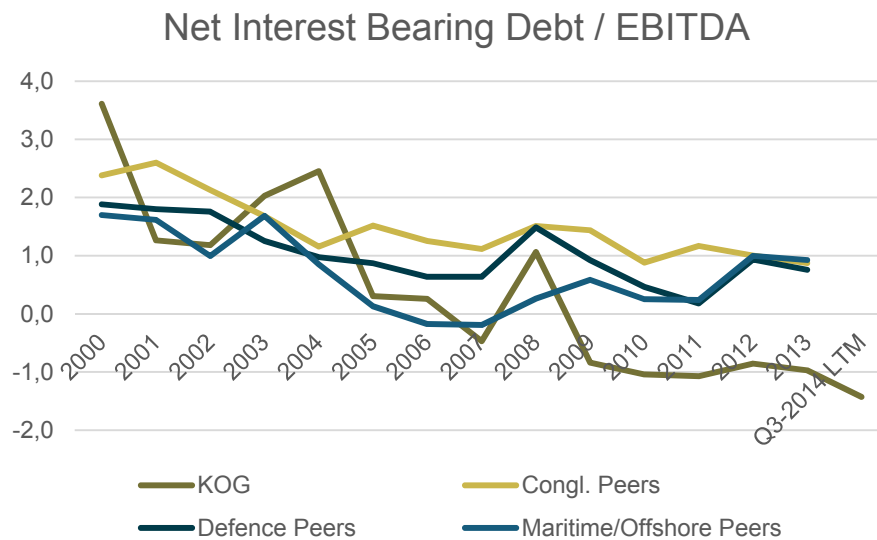
	2009	2010	2011	2012	2013	Q3 2014
Cash and short-term deposits	1.467	2.660	3.083	2.509	3.272	3.900
Cash flow from operating activities	2.669	2.018	1.643	207	1.983	2.037
Net interest bearing debt	(634)	(1.813)	(2.191)	(1.198)	(1.935)	(3.045)

Capital structure

Net cash and solid equity position provides robustness to support growth



Low NIBD/EBITDA and solid equity ratio increases KONGSBERG's flexibility



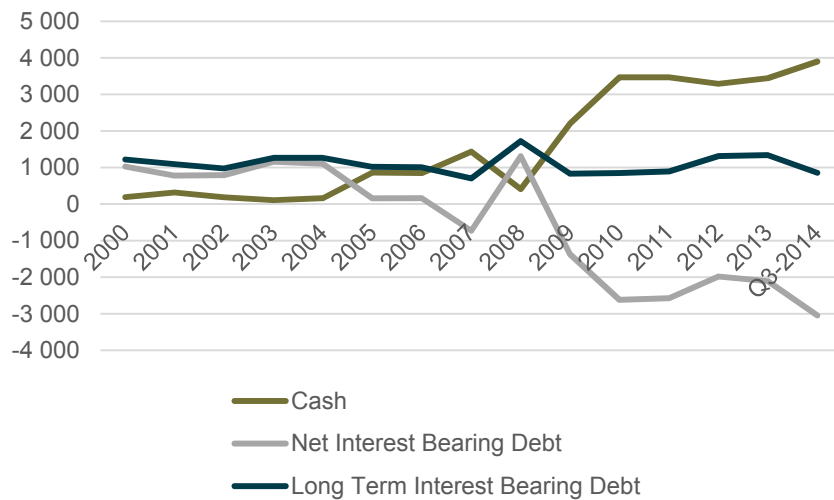
1) Peers includes: Diversified: Honeywell, Rolls Royce, L-3 and Moog; Defence: Lockheed Martin, Cobham, SAAB, Raytheon, Elbit, Chemring, Ultra Electronics, Harris Corp, GD, Thales, Northrop grumman, Quintiq, Finmeccanica; Oil Service/ Maritime: Wartsila, Cargotec, AKSO, Subsea 7, Technip, Schlumberger, Baker Hughes, NOV, Halliburton, Weatherford, Cameron

Capital structure

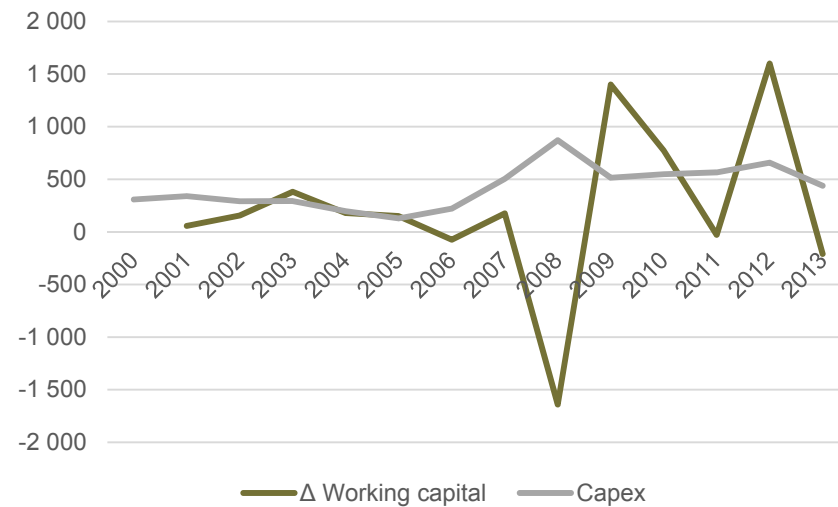
Solid cash position - stable CAPEX - fluctuating working capital

Fluctuating Working Capital requires cash reserves

Development Cash* and Debt



Working Capital and Yearly Capex

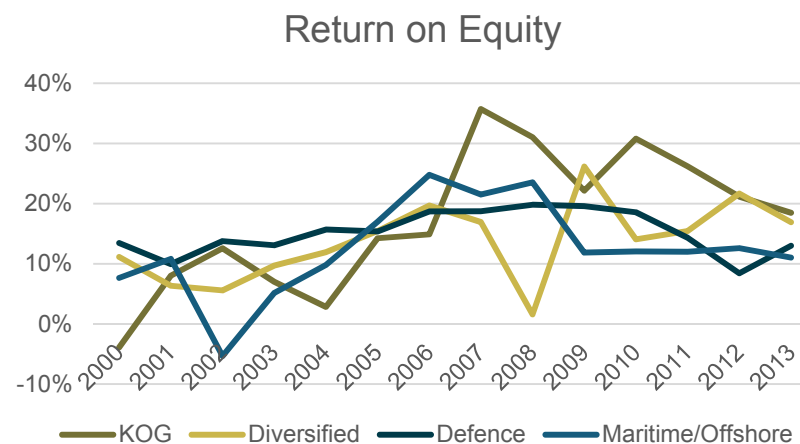
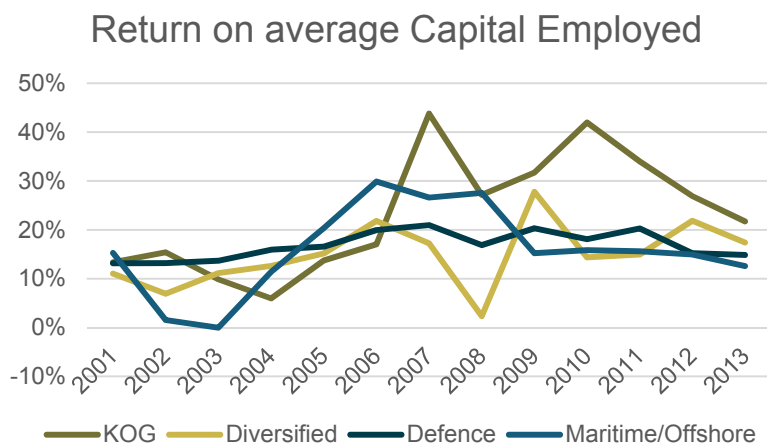


* KONGSBERG has a BNOK 1.5 credit facility, the facility is undrawn.

Capital structure

Return on Capital Employed and Equity

KONGSBERG has provided solid returns



Capital structure



KONGSBERG shall maintain a strong balance sheet



Investment grade rating target

Access to attractive debt markets

Important for stakeholders

KONGSBERG has an ambitious growth agenda



Strong balance sheet is an «enabler»
to achieve the growth strategy

Significant investment / debt capacity

Reliability and predictability is «a must» in our business



Competitive factor

Long term customer relations

Cash flow is fluctuating significantly



Adequate cash buffer

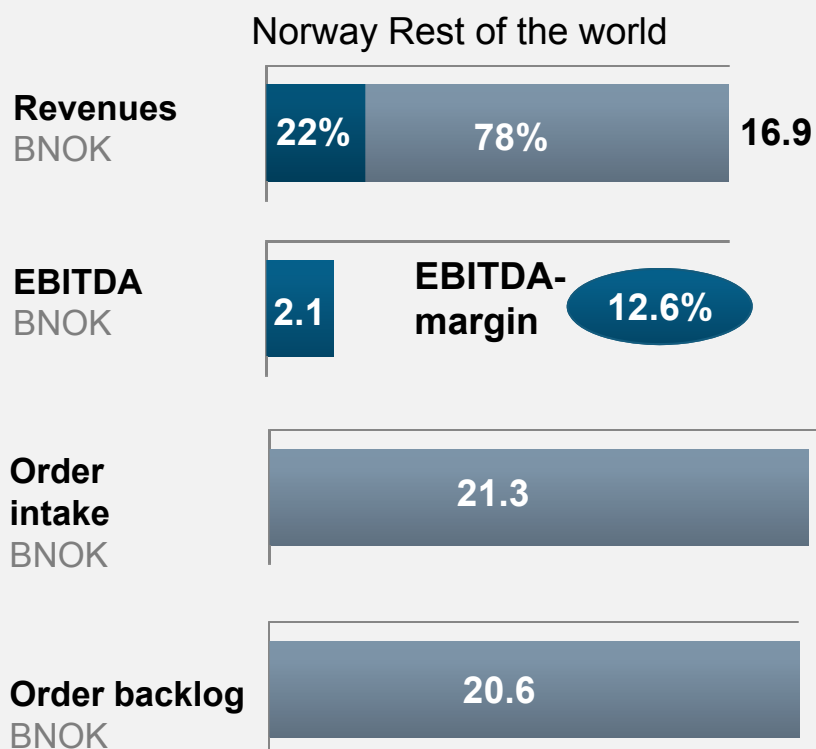
Fluctuating markets/unexpected
events/prepayments

Capital structure is considered regularly

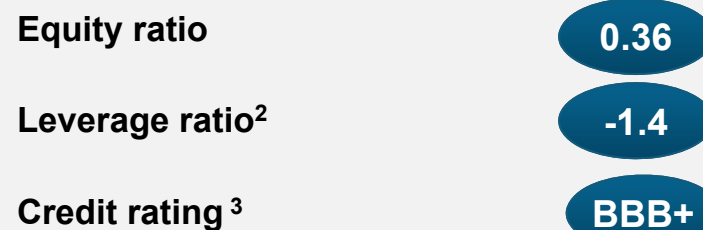
Strong finances

Diversity delivers

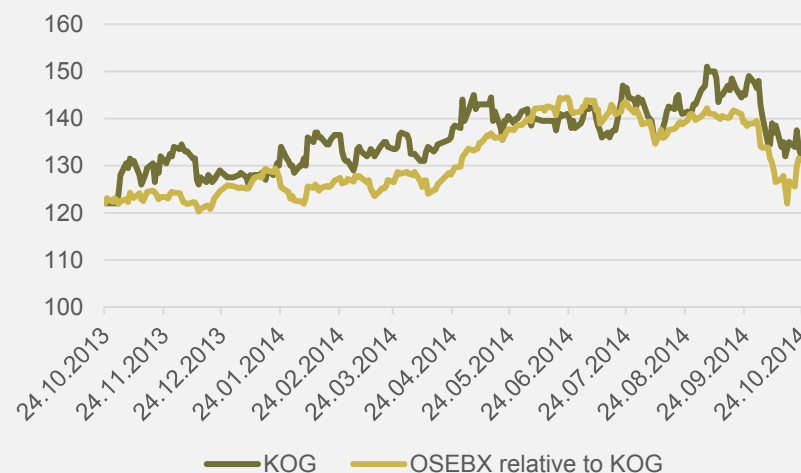
Key figures¹



Balance sheet and rating



Share performance last 12 months



¹ Last twelve months

² Net interest bearing debt (NIBD) divided by last twelve months EBITDA. NIBD equals long-term interest-bearing loans minus cash and cash equivalents

³ Shadow ratings

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Changing markets

- **Defence**

- Defence spending bottoming out
- Global security challenges
- KONGSBERG has well positioned product portfolio

- **Offshore, Oil & Gas**

- Cost pressure drives new technology and new execution models
- Declining Oil Price
- KONGSBERG offers cost efficient solutions

- **Merchant Marine**

- Demand from merchant marine market has improved
- Strong OPEX focus
- KONGSBERG has increased market shares

- **Subsea technology**

- Increased demand for KONGSBERG's modern subsea portfolio



Taking on more systems-, solutions- and prime responsibilities

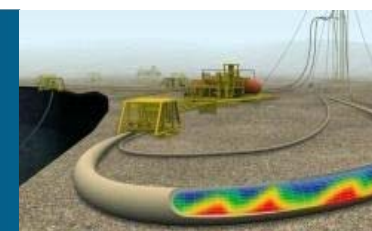
Key core capabilities

- Integrating sensors and software
- Supporting human decision making, precision, safety, security
- Cybernetics, software, signal processing and system engineering
- Project and supplier management

**Systems
Bundled solutions**



**Decision support
solutions
Field studies
Small EPC**



**Advanced robot
systems
Integrated
solutions**



**Command and
control systems
Integrated
solutions**

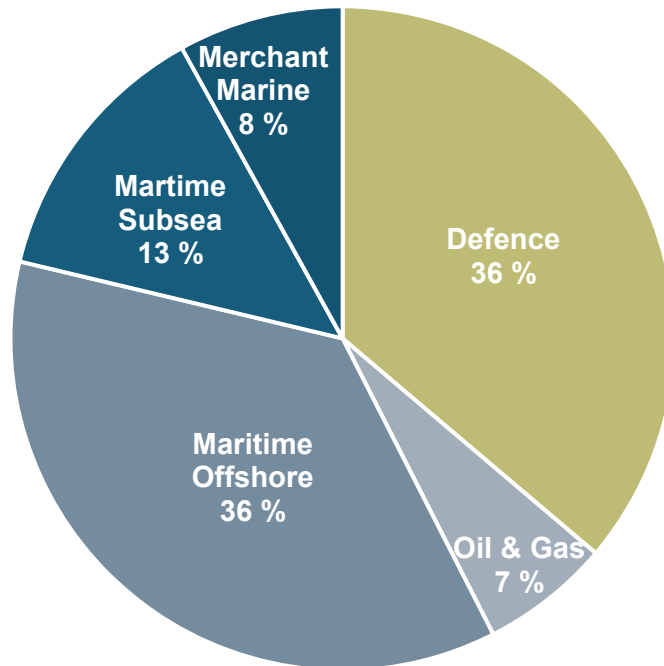


Diversified market exposure

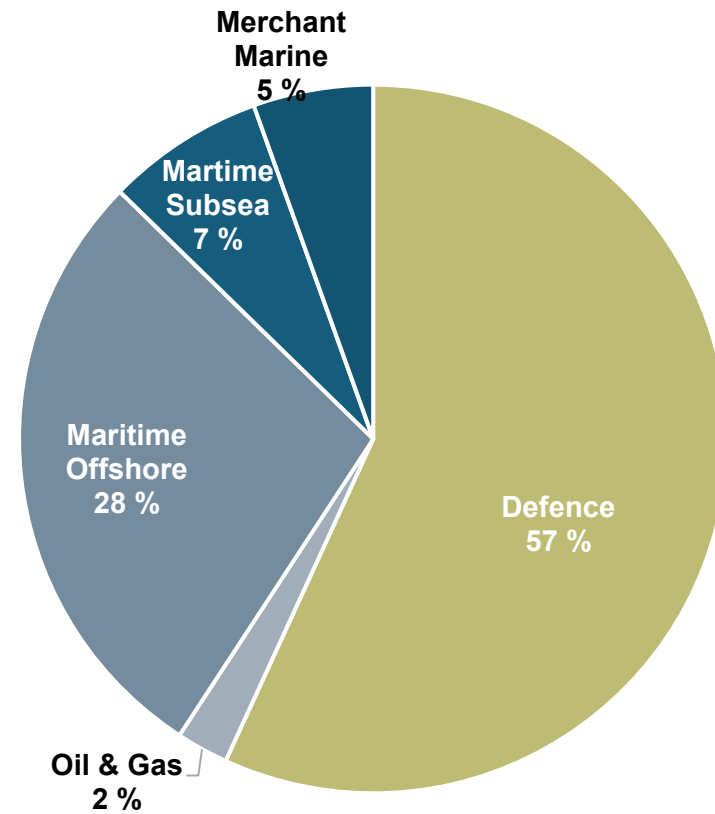
- less dependent on single cycles



SALES YTD Q3-14



Order Backlog at Q3-14



Status ambitions

Our markets are changing, our targets stay the same



Slides from CMD 2013

KONGSBERG going forward

Our ambition
We shall be a leading technology industry group with World Class positions. We shall drive a proactive growth agenda, generate stakeholder value and develop value adding solutions for demanding customers within our key industries.

<p>Solid foundation with strong finances</p> <ul style="list-style-type: none"> • Solid platforms in Maritime, Oil & Gas, and Defence • Life cycle business view • Strong finances • Unquestioned compliance • Culture of growth and innovation 	<p>Profitable growth from market positions with high entry barriers</p> <p>Growth through both organic development and M&A</p> <p>Group-wide improvement programs, supplementing continuous improvement in business units</p>	<p>Group competitive advantages</p> <ul style="list-style-type: none"> • Cross-fertilization of technology • Strong brand • Common culture and value foundation • Attracting top technology talent
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Expanding a leading global maritime position through strong international relationships

Our maritime strategies are about widening scope of supply and maintaining the leading Full Picture® position

- Growth drivers: Full Picture, 24/7 life cycle support, new products/systems that increases 'sale per vessel', underwater technologies
- Enabling strategies: Product development, and bolt-on's to maintain leading position in current segments, alliances and/or acquisitions to widen scope



Scaling a modern defence portfolio with increasing international demand

Our defence strategy is about growth, market entry in selected regions and home market support

- Growth drivers: NSM, JSM, NASAMS, Medium Caliber RWS, Submarines
- Enabling strategies: Building/acquiring regional presence, entering/reinforcing alliances, Foreign Military Sales (FMS)

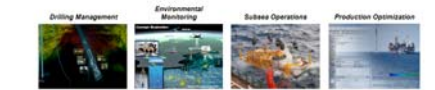


Expanding on existing unique oil and gas technologies and adding new growth

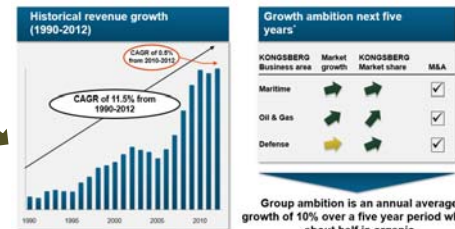
Our oil and gas strategy is about widening our scope and scaling our business in four selected areas:

Drilling management, subsea solutions and operations, production optimization and environmental production

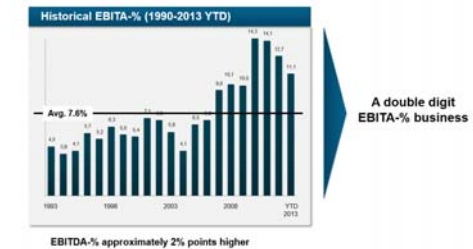
- Growth drivers: World leading S/W solutions/decision support, subsea technologies, drilling and well technologies
- Enabling strategies: Product development and bolt-on's to maintain current leading positions, alliances or acquisitions to widen scope and establish additional growth platform



Our ambition is to grow an average of 10% p.a. over a five year period



We shall be a "double digit" EBITA-margin business



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DELTAONE

– a group-wide program to strengthened profitability and competitiveness launched at CMD 2013

- Launched to stimulate sustainable improvements
- A tool for strengthening and accelerating ongoing / planned initiatives
- A mechanism sharing internal and external best practices
- Increased ambition: NOK 1 billion

Strategic Growth Review

Accelerated efforts to increase shareholder return and improve competitiveness

Continuous focus on operational excellence

- Strong operational performance in all business areas
- Continuous focus on competitiveness

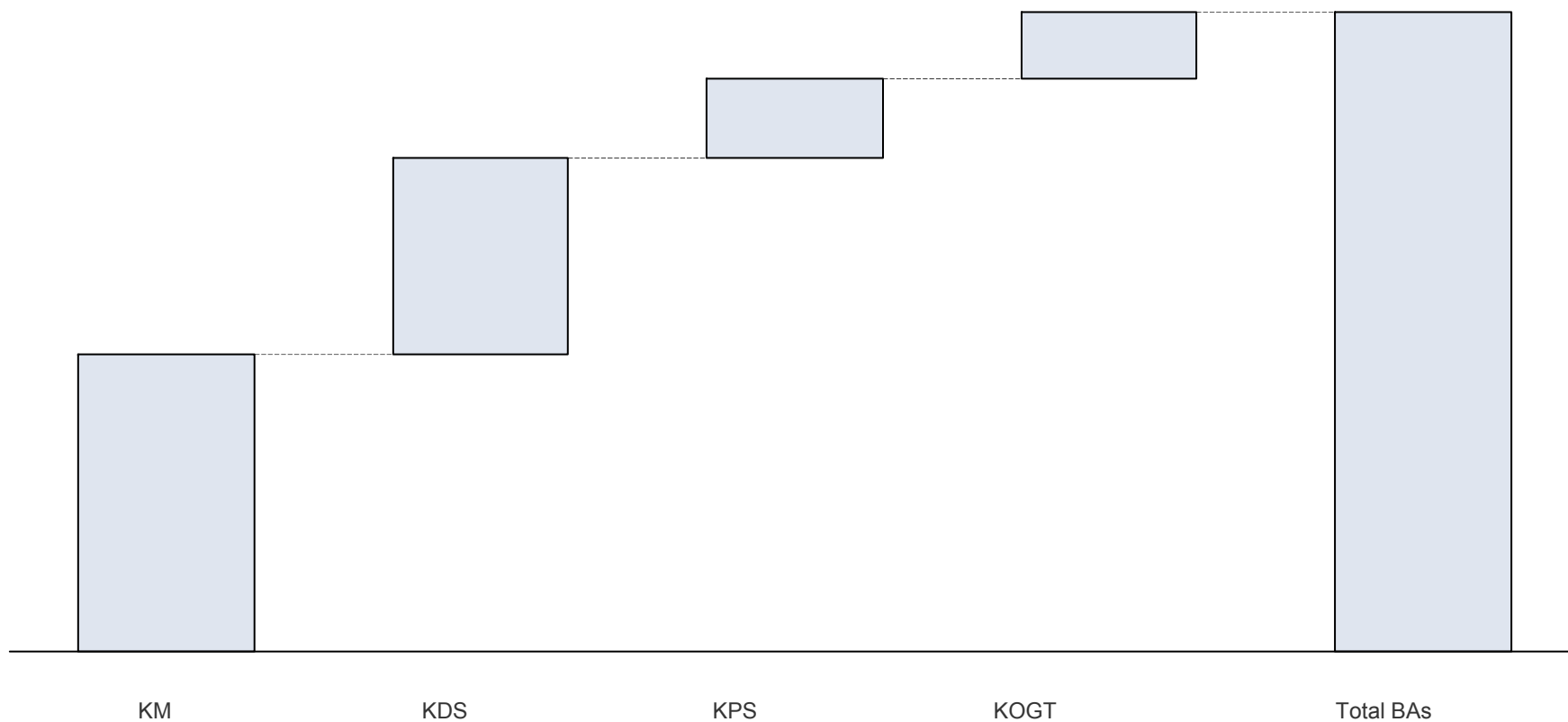
Group wide program to strengthen profitability and competitiveness

- Ambition in addition to our ongoing improvements:
> MNOK 500 annual cost improvements by 2016
- The ambition will be further detailed on Q4 2013 presentation



- *Implementation ongoing all over the organization*
 - *50+ initiatives*
- *Implementation to be completed by the end of 2016*

Effects totaling NOK 1 billion



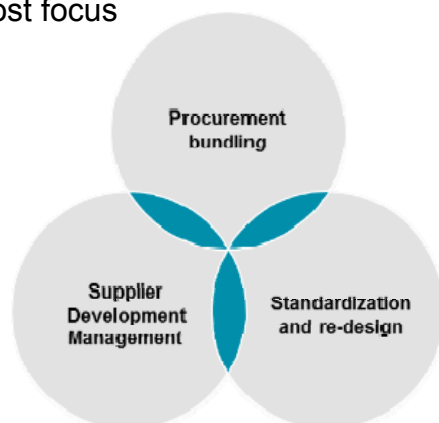
BA's include relative split of group-wide effects

Ongoing DeltaOne initiatives

Sourcing and Lean Production

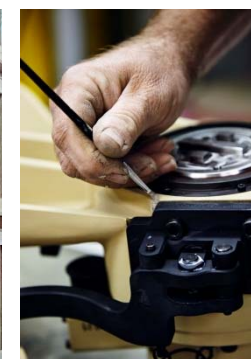
DELTAONE SOURCING IN KM

- A strong Sourcing team in KM has emphasized the value of collaboration
 - Internally, cross business areas, divisions and functions
 - Externally with key suppliers
- Creating tangible and sustainable value within the areas of
 - Cross division bundling
 - Supplier development and management program
 - Standardization and re-design for Life-cycle cost focus



DELTAONE STATUS IN JOHNSTOWN LEAN

- Lean Total System Repair (TSR)
 - Target: 17,5% @ end of 2014
 - So far: 9%
- Lean manufacturing of new products – Cables & Harnesses
 - Target: 10-15%
 - So far: 14,2%
- Reduction in Indirect Material/Services Cost
 - Target: 10-15%
 - So far: 13%

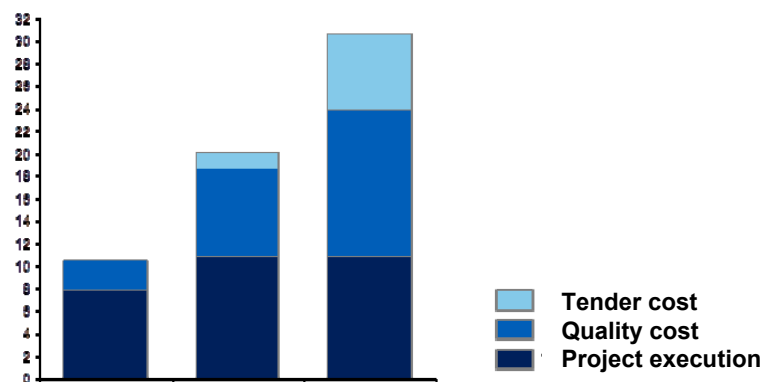


Ongoing DELTAONE initiatives

Project Execution and Sharing of Technology Platforms

KOGT – PROJECT EXECUTION

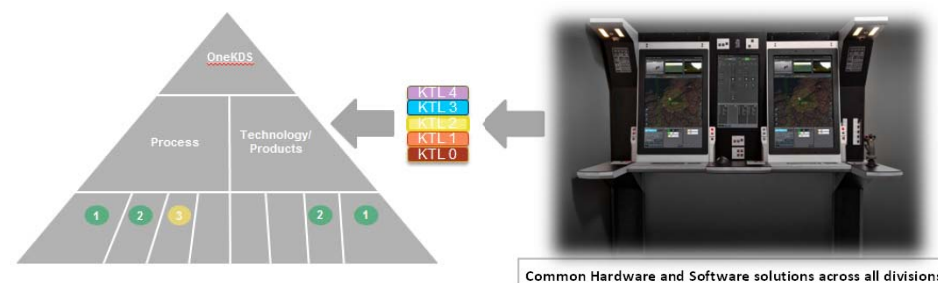
- One common set of processes and Business Management System to be uniformly applied throughout the global KOGT organization
- Total cost savings of 28 MNOK
 - Standard processes
 - Contract management
 - Quality cost
- Implementation expected to be completed in 2014 with gradual saving realization until end of 2016



OneKDS – Standardize, but still unique solutions

Cost savings through standardization on KDS products and technology to maximum extent, still do tailoring for bringing unique products to customers

- Establish a KDS common technology baseline
- Strategic sourcing of certain components and products
- Increased reuse of technology and products across divisions
- Kongsberg Technology Level (KTL) defines level of commonality
















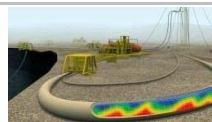


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- Commencing the next 200

KONGSBERG driving innovations

		Relevant current Kongsberg products	
	Automation of knowledge work	<ul style="list-style-type: none"> ▪ Full Picture control systems ▪ Site Com Well Advisor 	
	The Connectivity of Things	<ul style="list-style-type: none"> ▪ Integrated drilling management ▪ Underwater robotics 	
	Advanced robotics	<ul style="list-style-type: none"> ▪ Naval and Joint Strike Missile ▪ AUV's 	
	Autonomous and near-autonomous vehicles	<ul style="list-style-type: none"> ▪ Hugin, Remus, Munin and Seaglider AUVs 	
	Energy storage	<ul style="list-style-type: none"> ▪ Seaglider AUV 	
	Renewable energy	<ul style="list-style-type: none"> ▪ Wind turbine and wind park steering systems 	
	Advanced materials	<ul style="list-style-type: none"> ▪ Aerostructures: high-alloy metals (titan) and composites 	
	Advanced O&G exploration and recovery	<ul style="list-style-type: none"> ▪ Drilling management, simulation and production optimization ▪ Environmental monitoring 	

SOURCE: McKinsey Global Institute analysis

Strengthened innovation capacity through ”Innovate with KONGSBERG”



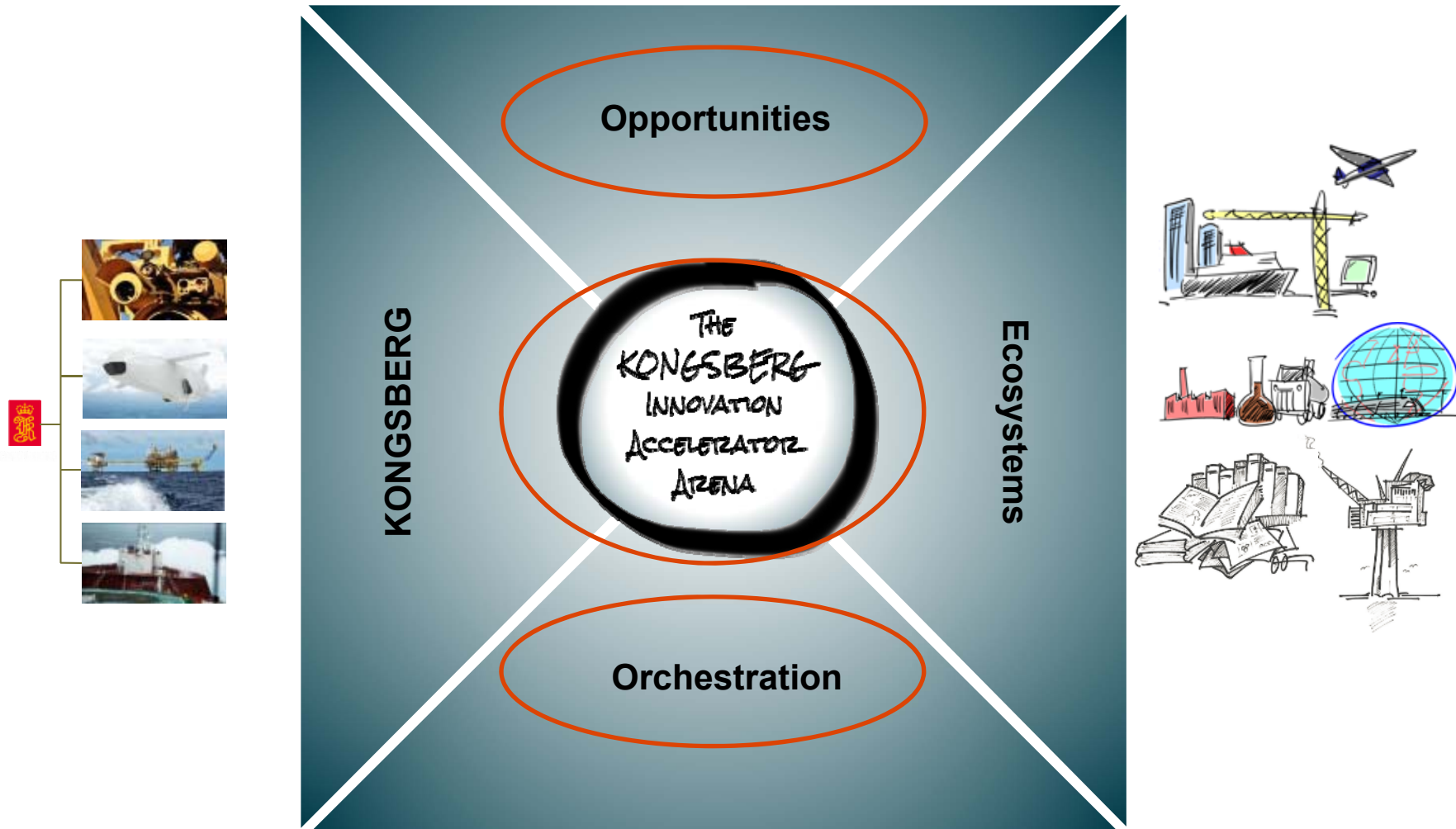
Continued emphasis on:

- *Strong product ownership in the distributed, empowered organisation*
- *R&D investments, 10 % of revenues*
- *Close collaboration with leading research institutes*
- *Close relationship with customers in development work*

New capabilities:

- *Corporate “Key Opportunity Areas”*
 - *Ocean space*
 - *Smart Communities*
- *The KONGSBERG Innovation Accelerator Arena*
- *Higher leverage of group wide competences for new innovation and problem solving*
- *Group wide innovation funding model*

The KONGSBERG Innovation model



Key Opportunity Areas focuses Group long term innovation efforts



Ocean Space

- Leveraging our's and Norway's unique position to take a leading role in exploring innovative opportunities in the ocean space



Smart communities

- KONGSBERG technologies enabling and protecting the intelligent – but vulnerable – society. Optimizing, securing and protecting critical interests, such as supply-, distribution- and consumption of resources

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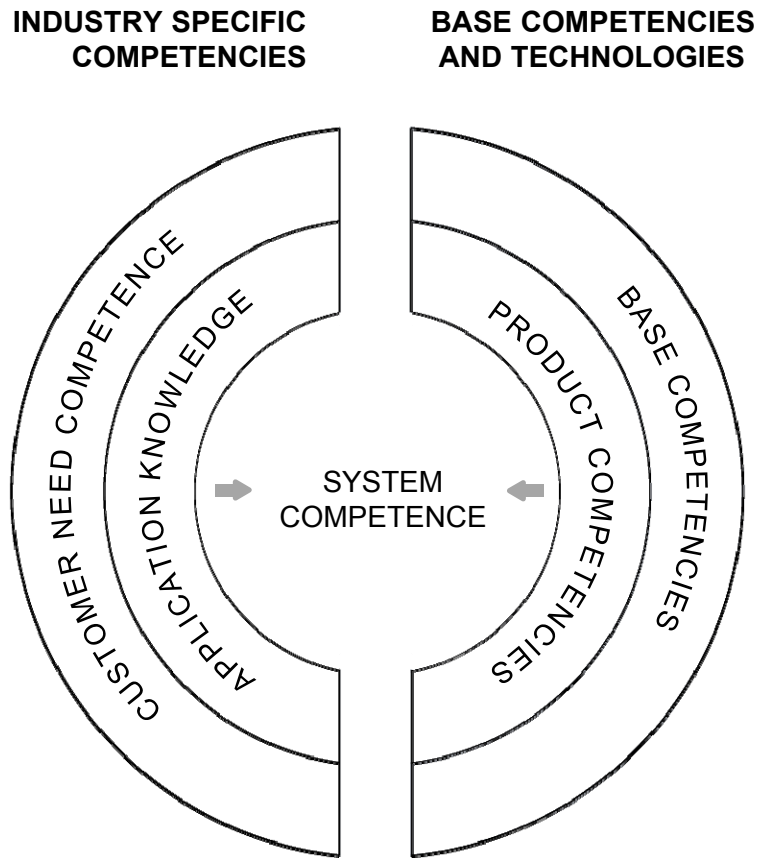
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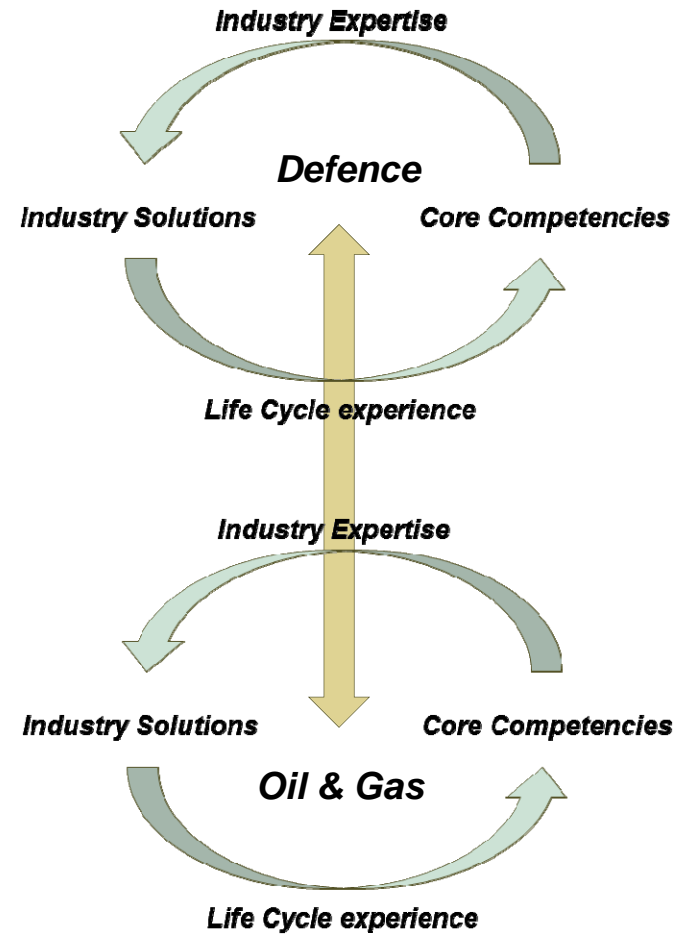
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Diversity drives innovation

KONGSBERG
Competence Model



KONGSBERG
Innovation Synergies



Merchant Marine, Offshore and Oil & Gas

Overall strong performance – mixed picture

Kongsberg Maritime

Solid performance in cyclical markets

- Record high backlog of orders
- More challenging market picture within certain areas

- Very strong performance the last years
- Successful broadening of scope
 - Systems
 - Markets

- Installed base secures recurring revenues for years
- An ocean of opportunities



Geir Håøy
Kongsberg Maritime

Kongsberg Oil & Gas

Challenging markets but high potential over time

- Experiencing challenging market conditions
 - Reduced E&P spending results in delays and cancellations
- Restructuring the organization

- Volumes doubled since 2011
- Commercial success with several core offerings

- Declining order intake and challenging market
- Stricter efficiency standards in drilling and production phase will open opportunities over time



Pål Helsing
Kongsberg Oil & Gas

Defence

Well positioned product portfolio

Kongsberg Defence Systems *Strong order intake and improving profitability*

- Several important contract wins
- Improving margins
- Successful development programs
- Solid international positioning within defence niches
 - Missiles
 - Air-Defence
 - Defence Communications
- Very modern and attractive product portfolio with regards to current trends
- Large scale opportunities



Harald Annestad
Kongsberg Defence Systems

Kongsberg Protech Systems *World leading market position in declining market*

- Protecting #1 position
- Declining volumes and margins
- Confirmed market leading position
- Adapting to changing markets
- Strong focus on product development
 - Medium Caliber RWS
- Well positioned to meet future anticipated demand
- Strong interest for extended product portfolio



Espen Henriksen
Kongsberg Protech Systems

Commencing The Next 200.....



Where we are heading

Where we are

KONGSBERG

- An international technology corporation with market leading positions within defence, offshore, maritime and oil & gas niches
- We develop and deliver advanced systems and technology for people working under extreme conditions
- Our solutions ensure efficiency, safety, security and high performance in operations ranging from deep sea to outer space.
- We have a strong financial position that gives operational predictability and represents a fundament for further growth

Growth

- Innovation
 - We spend approx. 10 per cent of our revenues on Product Development every year
- Business Development
 - We acquire 3 – 5 bolt-on companies each year

KONGSBERG

Further develop our platform through our defined growth strategies

- Defence – primarily expanding customer base
- Maritime – primarily expanding offering base
- Oil and Gas – expanding and adding foot print
- Increased leverage of international alliances
- Growth and prudence leadership focus

Growth

- Innovation
 - We continue current innovation process, and in addition we fuel innovation further by introducing the KONGSBERG Innovation Accelerator Arena and Group funding model
- Business Development
 - Continue current practice and in addition we follow opportunities resulting from market restructuring and reprising

kongsberg.com



KONGSBERG

200