



KONGSBERG

KONGSBERG DEFENCE SYSTEMS

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EVP Group Business Development

CMD²⁰₁₆
CAPITAL MARKETS DAY

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KONGSBERG

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AGENDA



KONGSBERG

THIS IS KONGSBERG DEFENCE SYSTEMS

PATRIA OWNERSHIP

ACHIEVEMENTS

THE DEFENCE MARKET AND OPPORTUNITIES AHEAD

KEY TAKEAWAYS



KONGSBERG

KONGSBERG DEFENCE SYSTEMS



*A modern portfolio positioned
for further growth*

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29 offices
in 17 countries

1,823 employees

Revenues LTM 4.2 BNOK

Order backlog 8.1 BNOK

International success
in selected niches

Integrated Defence
Systems

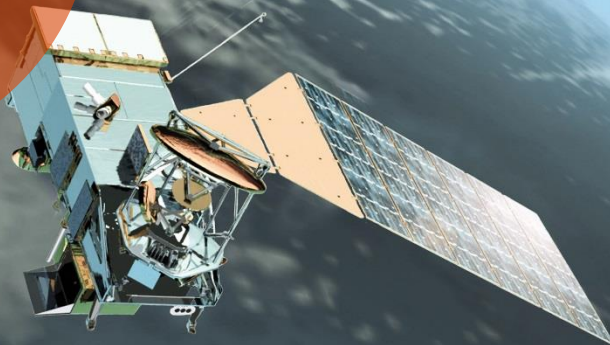
Missile Systems

Space & Surveillance

Aerostructures

Defence Communication

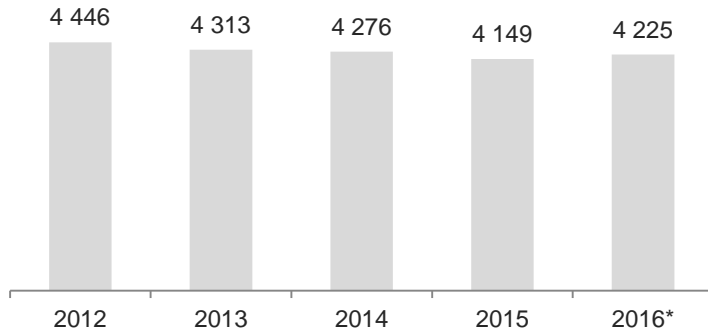
Patria



STABLE ACTIVITY LEVEL LAST FEW YEARS

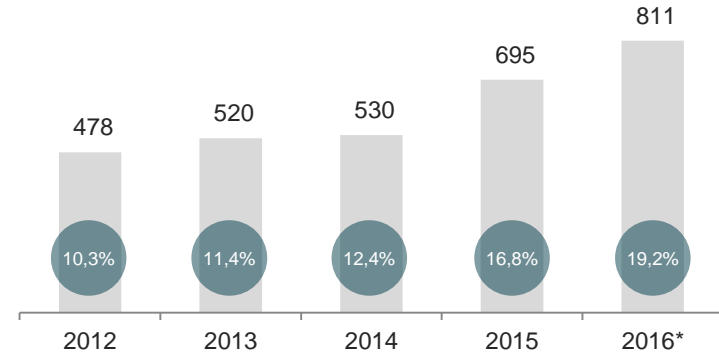
VERY STRONG MARGINS IN 2015 AND 2016*

REVENUES



Revenues 2012 and 2013 adjusted for KSAT

EBITDA

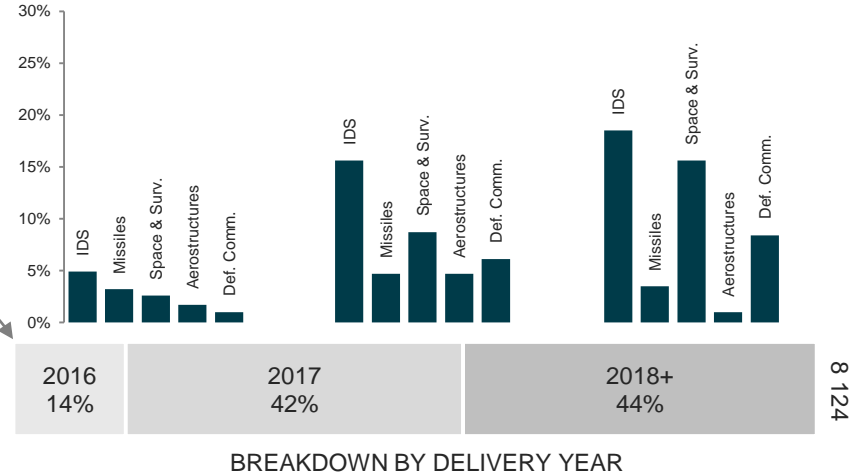
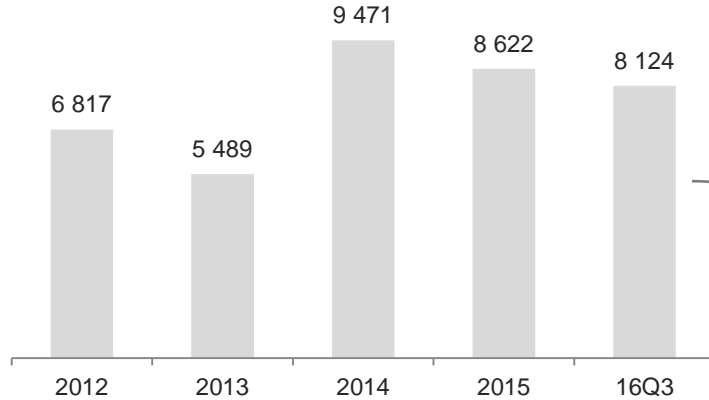


* Last 12 months



STRONG ORDER BACKLOG – GOOD VISIBILITY

MIXED PICTURE WITHIN THE BUSINESS AREA



Life-cycle business and framework agreements not converted into delivery contracts are not included in the backlog.



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PATRIA OWNERSHIP

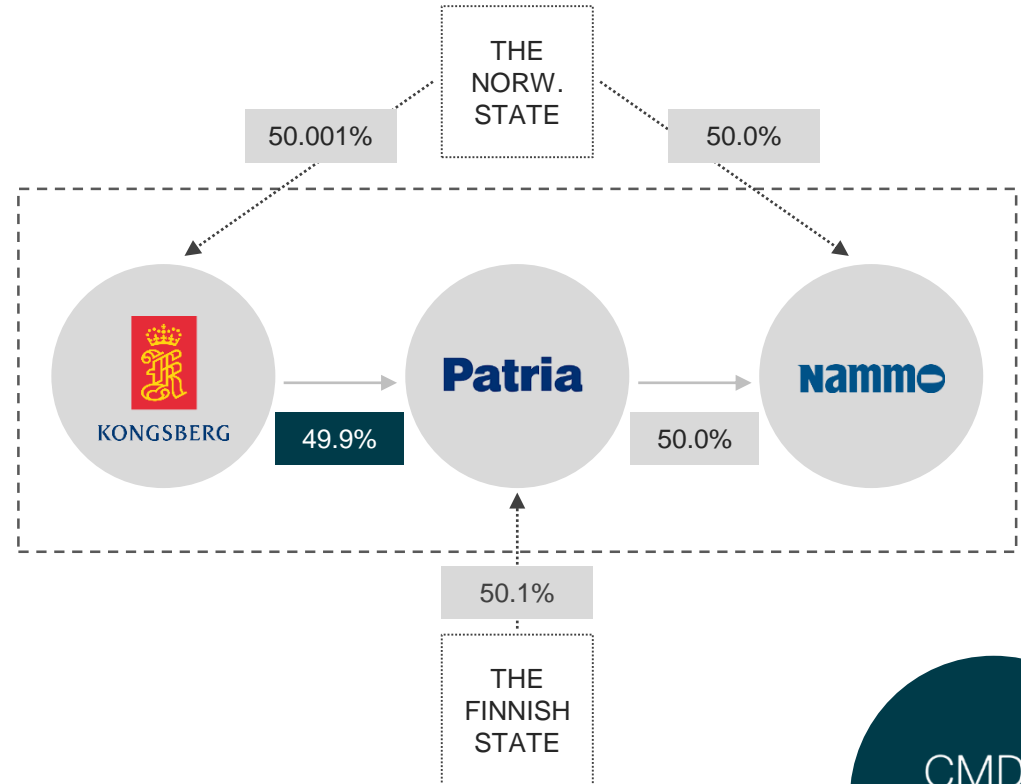
ACHIEVEMENTS

THE DEFENCE MARKET AND OPPORTUNITIES AHEAD

KEY TAKEAWAYS

KONGSBERG'S 49.9% OWNERSHIP IN PATRIA SEALS A UNIQUE AND REAL CROSS BORDER PARTNERSHIP

- Consolidation with national control
- Supported by national governments
- Interests of the stakeholders of the three companies are aligned
- Fully business driven transaction



STRONG INDIVIDUAL COMPANIES FORMING A PARTNERSHIP



WORLD-CLASS PROVIDER OF:

- Air defence
- Remote weapon stations
- Strike missiles
- Naval combat systems
- Tactical communication
- F-35 aerostructures

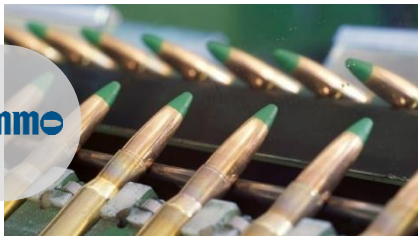
KEY MARKETS:

- Nordic
- USA
- Poland
- GCC



- Armored vehicles
- Maintenance
- Aviation
- Mortar systems

- Nordic
- Poland
- Eastern Europe
- GCC



- Full range of high performance ammunition
- Space and missile products
- Shoulder fired systems
- Industrial demilitarization

- Nordic
- USA
- Europe

A WORLD-LEADING EXPORT LEVEL AT 65 %



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KONGSBERG

*Contract
value
220 MNOK*

UPGRADE CONTRACT ULA CLASS

This upgrade program extends the lifetime of the ULA class submarines until the Next Generation Submarines are introduced.





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SUCCESSFUL JOINT NORWEGIAN-POLISH NSM FIREX

- Two successful firings from the Polish coastal defence system – demonstrating that NSM is in operation in Poland
- Three highly advanced firings from Norwegian navy vessels, including demonstration of land target capability
- Demonstrating the unique capabilities of NSM for a number of important guests




NSM US CAMPAIGN

- Continue to build on the partnership with Raytheon to position NSM for the LCS/FF in the US
- Establishing US production line for NSM
- Increasing US footprint with “Made in America”



Defense contractor Raytheon planning more jobs at Louisville plant
Posted: Aug 16, 2016 10:31 PM CEST
 Updated: Aug 16, 2016 10:39 PM CEST
 By Chris Otis CONNECT




LOUISVILLE, Ky. (WDRB) — Raytheon Co. plans to add 98 employees to its south Louisville factory in the next 4-5 years as demand for the defense contractor's naval ship weapons continues to grow and as the plant begins producing launchers for a new, long-range anti-ship strike missile.


Mark Roe, Raytheon's Louisville-based domestic program manager, laid out the growth plan at an event Tuesday in which the company showed off its Louisville-made SeaRAM anti-ship defense system.

The SeaRAM is a mounted weapon weighing thousands of pounds that fires missiles at enemy targets encroaching on naval ships. It is used by the U.S. Navy and by other countries such as Japan.

"This kind of weapon is going to continue to be of vital significance," said U.S. Senate Majority Leader Mitch McConnell of Kentucky, who attended Tuesday's event in his hometown to celebrate the SeaRAM.



The Raytheon SeaRAM weapon, shown in a company video played August 16, 2016.



Raytheon's south Louisville plant

Boeing Faces Big Fight Over \$3 Billion Missile Contract
 And you won't believe where the competition is coming from.

Rich Smith (TMF Daily)
 May 20, 2016 at 12:13PM

The U.S. Navy needs a new missile. Boeing (NYSE:BA) would like to sell it — but it may not get the chance.



SMITHSONIAN MISSILE LAUNCH FROM THE USS LAKE ERIE (DD-75). IMAGE SOURCE: USNavy

Last year, we told you about the Navy's drive toward "distributed lethality." It's a project that boils down to arming as many Navy ships as possible with as long-ranged and as potent weapons systems as possible to ensure that any single Navy warship can undertake offensive, sea-control, and power-projection missions on its own — so you won't need to drop an aircraft



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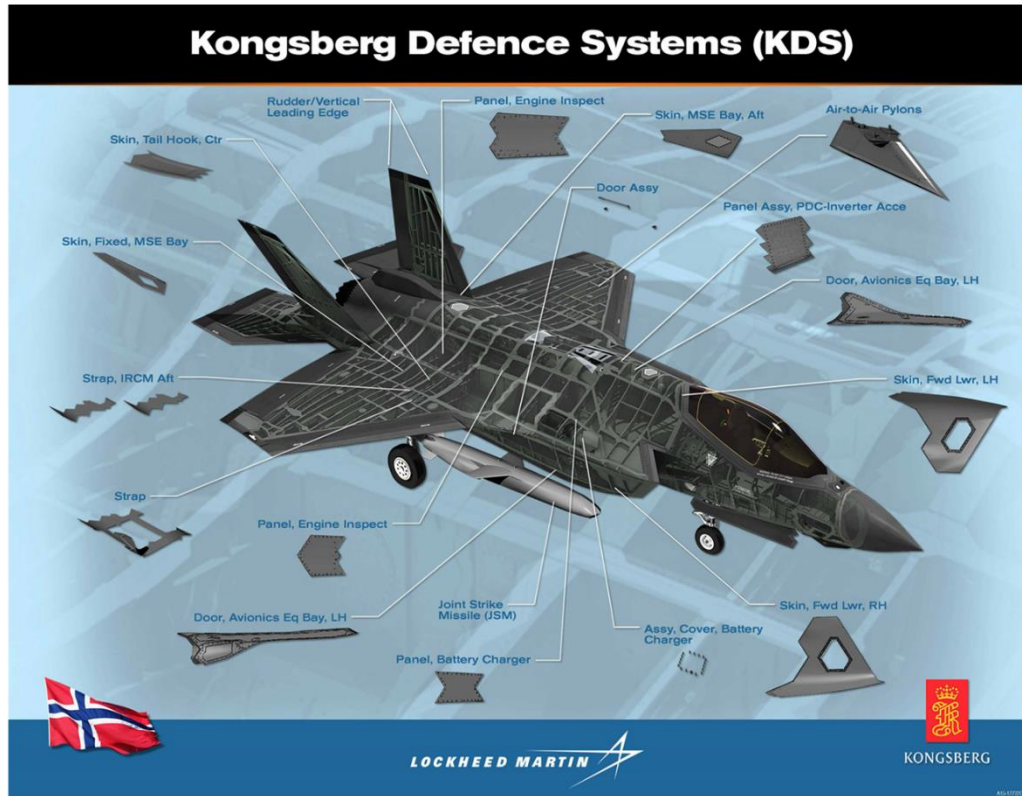
JSM FLIGHT
TEST
PROGRAM
ONGOING



ADDED F-35 SCOPE IN CONTRACT



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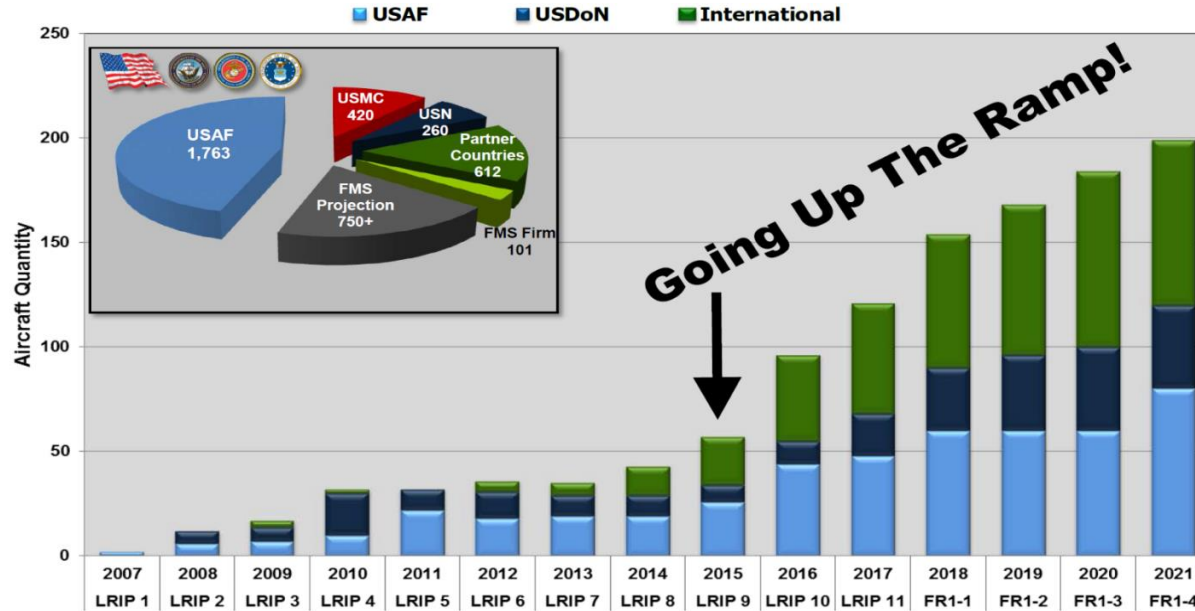
MLG – Main Landing Gear in contract

1 BNOK total value for the lifespan of F-35



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F-35 – RAMPING TO PEAK PRODUCTION RATE



F-35 Program Information
 Non Export Controlled Information – Releasable to Foreign Persons
 DISTRIBUTION STATEMENT A: Approved for public release; distribution is unlimited JSF 14-955

*Denmark
 decision to
 buy 27 F-35
 June 2016*

Status i de ulike kjøpernasjonene

 NO	52	Fire første levert og i drift, fullmakt til 28 fly	Partnernasjonene
 Aus	100	To første levert og i drift, totalt 72 fly bekreftet så langt – plan om 100 ligger fast	
 Tyrkia	100	To besluttet kjøpt, forventer start av hovedanskaffelse i 2019-2020	
 Italia	90	Redusert plan - lokal produksjon har startet (FACO) med første fly levert	
 USA	2443	Har fått levert over 160 trenings- og testfly	
 UK	138	Fått levert fem fly, flere i produksjon	
 NL	37	Har fått levert 2 testfly, har nå tatt en endelig beslutning om flytype	
 Can	65	Fortsatt medlemmer av programmet, er nå ventet at de vil gjennomføre en konkurranse for et endelig valg av flytype	FMS
 DK	27	Har nå endelig bekreftet valg av F-35, og har gått inn for en anskaffelse av 27 fly med leveranse fra 2021	
 33	Israel - Ventet at dette vil følges av ytterligere ordrer		
 42	Japan - Lokal produksjon, potensiale for flere hundre fly		
 40	Sør Korea – F-35 formelt valgt, potensiale for ytterligere 20 fly		
 (--)	Singapore – F-35 foretrukket, men ikke formelt valgt		
Totalt: 3167			

Leveransene har startet til åtte land – seks partnerland og to FMS-land



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EXPANDING MAINTENANCE AND SUSTAINMENT ACTIVITIES

Sea King
NH90
AW101



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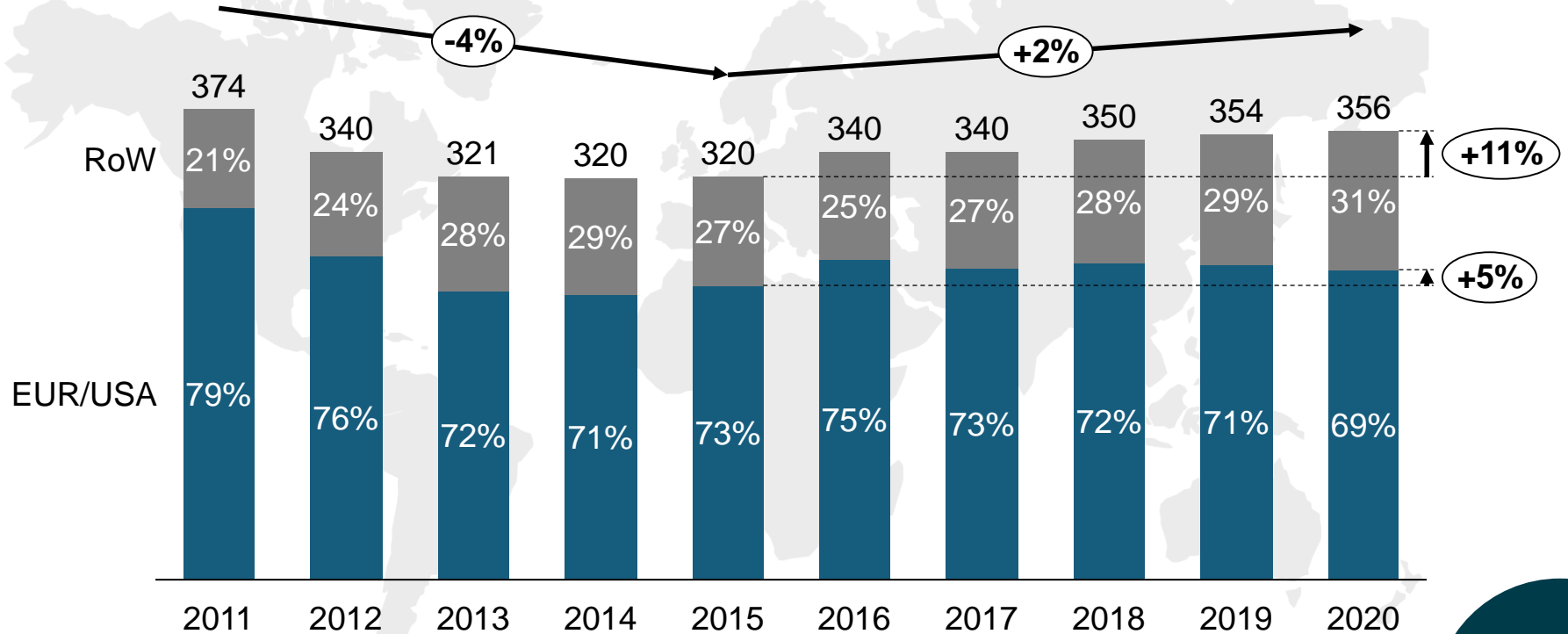
PATRIA OWNERSHIP

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KEY TAKEAWAYS

MODEST GROWTH IN GLOBAL DEFENCE MARKET



INCREASING GLOBAL FOCUS ON DEFENSE



PREDATOR

MINIMUM ACCEPTANCE FOR
LOSSES OF OWN FORCES



ADVANCED COUNTRIES WITH
NEW HIGH INTENSITY THREATS



EUROPE'S MIGRATION CRISIS

MORE A2/AD, AIR-SEA BATTLE
CHALLENGES
NEED FOR FULL-SCALE CAPABILITIES



MORE C4ISR, SPACE
AND CYBER WARFARE



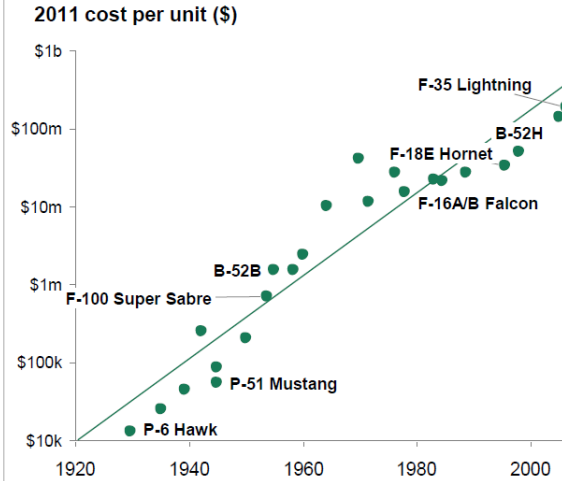
MAINTAIN COUNTER-INSURGENCY
CAPABILITIES
«BOOTS-ON-THE-GROUND» IS
ONCE AGAIN REALITY

THE DEFENCE CUSTOMERS NEED A NEW DYNAMIC



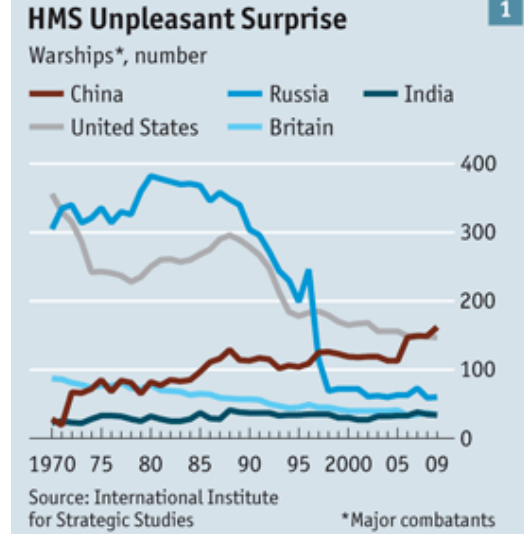
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UNSUSTAINABLE COST SPIRAL



Source: GAO reports, MOD research papers ("Intergenerational Equipment Cost Escalation"), BCG analysis

DECLINING ARMED FORCES



of warships cut in more than half last 40 years by US, Russia and UK

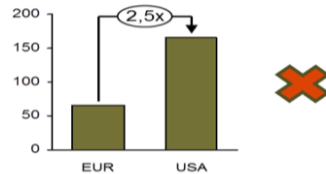
GLOBAL SECURITY CHALLENGES



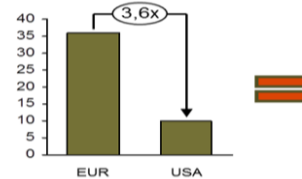
EUROPEAN DEFENCE INDUSTRY NEEDS TO RESTRUCTURE AND CONSOLIDATE

EUROPE IS FRAGMENTED

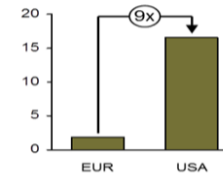
Defence procurement
BUSD, 2014



Military systems
in production



\$bn pr system



DECLINING TECHNOLOGY POSITION

- US spends 7 times more on R&D compared to Europe
- Asia has recently overtaken Europe in R&D spending

FIERCER COMPETITION

- US competing more aggressively in the international market
- Asian defence industry emerging from lower cost and improving technology

IT HAS BEGUN

EUROPEAN
COUNTRIES JOIN
FORCES



Source: The Netherlands EU Presidency 2016 website (english.eu2016.nl)

EUROPEAN
DEFENCE
INDUSTRY
CONSOLIDATING



WHITE PAPER
February 2015

Consolidation Ahead:

Europe's Defense Industry Verges on a
Historic Market-Led Transformation



NEW NORWEGIAN SUBMARINES

KONGSBERG SEEKS A LONG TERM INDUSTRIAL SOLUTION:

- Long term co-operation on Combat Systems
- Co-operation on missiles
- Develop new weapons

POTENTIAL CO-OPERATING NATIONS:

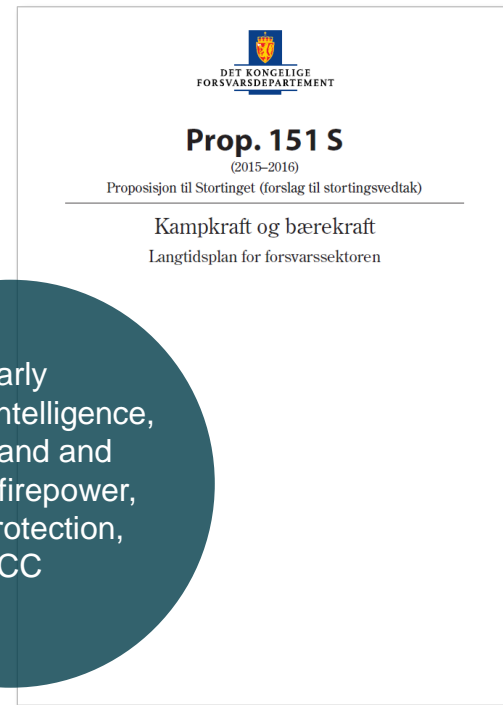
- Poland
- Netherlands
- Germany

DOWNSELECTED SUPPLIERS:



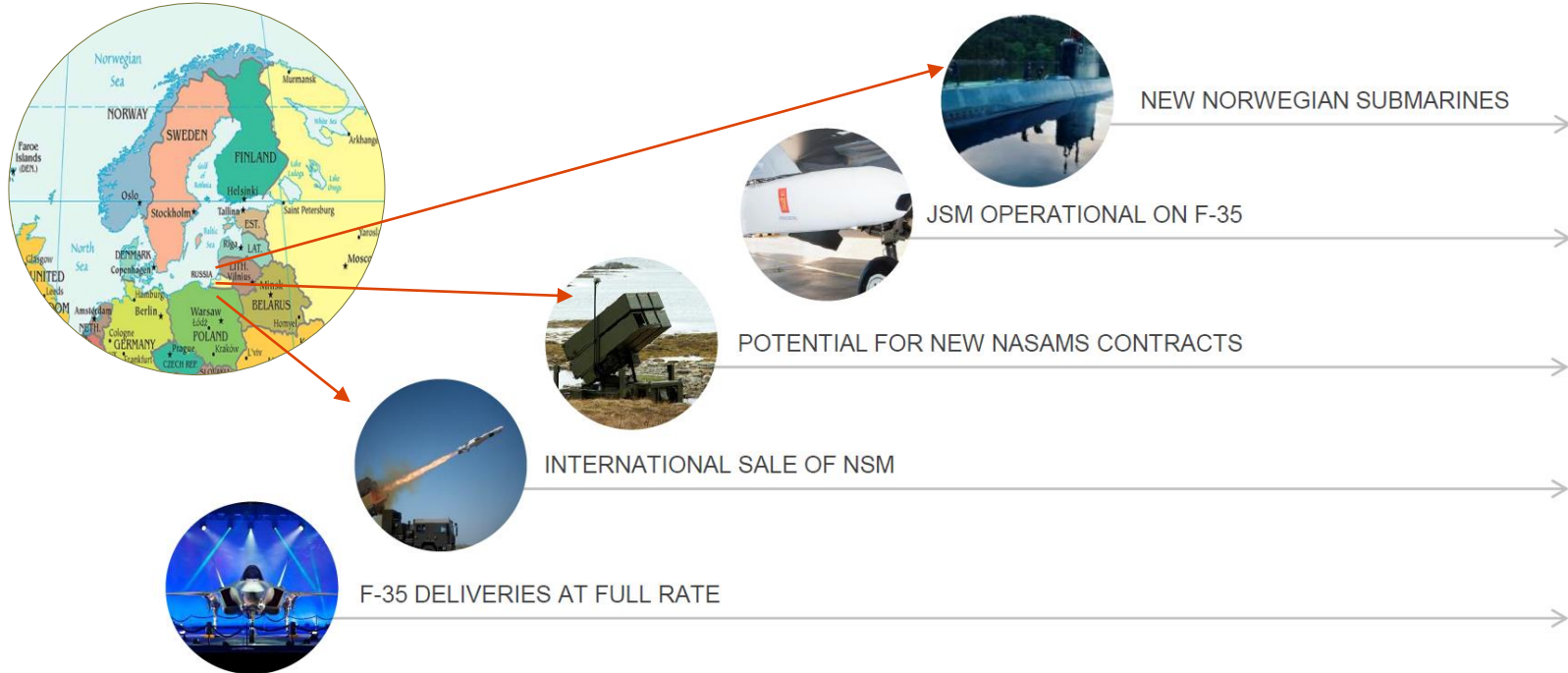
PROMISING OPPORTUNITIES VS. THE LONG TERM PLAN IN NORWAY

- F-35
- NASAMS and Long Range Air Defence
- New Submarines
- Coast Guard Vessels
- Mine Counter Measures
- Air Surveillance Radars
- Maritime Reconnaissance Aircraft
- Support, maintenance and services



Early
warning/intelligence,
command and
control, firepower,
base protection,
LCC

OPPORTUNITIES AHEAD





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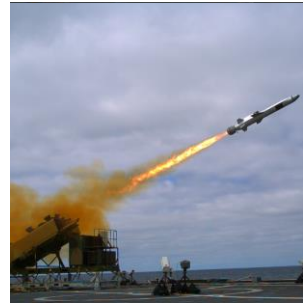
KEY TAKEAWAYS



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KEY TAKEAWAYS

- Increased EBITDA-margin
- Ownership in Patria
- F-35 ramp-up with additional scope
- Increased helicopter maintenance
- Current naval contracts bridge to Next Submarine program in Norway
- Well positioned for air defence and missile contracts next 12 months
- JSM follow plan for integration in F-35



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